

**CITY OF MUSKEGO**  
Muskego, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2015

## City of Muskego

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**City of Muskego**

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## **INDEPENDENT AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Common Council  
City of Muskego  
Muskego, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Muskego, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Muskego's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Mayor and Common Council  
City of Muskego

### **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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Muskego, Wisconsin, as of December 31, 2015 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note I, the City of Muskego adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2012. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskego's basic financial statements. The combining fund 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

*Baku Tilly Vinchow Krause, LLP*

Milwaukee, Wisconsin  
August 18, 2016

**MANAGEMENT'S DISCUSSION  
AND  
ANALYSIS**

**City of Muskego, Wisconsin**  
**Management Discussion and Analysis**  
**As of and for the Year Ended December 31, 2015**  
**(Unaudited)**

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, 2015. 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 position of the City exceeded its liability by \$133,320,330 as of December 31, 2015. Of this amount, \$21,024,622 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Compared to the prior year, the City's total net position increased by \$5,463,084.
- At the close of the 2015 fiscal year, the City's governmental funds reported combined ending fund balances of \$17,485,030, which is an increase of \$103,970 in comparison with the prior year. Of this total amount, approximately 79% or \$13,886,854 is available for spending at the government's discretion (committed, assigned and unassigned fund balances).
- The City's combined committed and unassigned fund balance for the General Fund was \$4,449,520 or 32% of the total general fund expenditures (including transfers out) for fiscal year 2015. Of this total, \$2,529,212 is committed to meet the requirements of the City's Fund Balance and Annual General Fund Budgeted Contingency policy.
- The City of Muskego's total long-term debt, excluding compensated absences, decreased by \$2,735,731 (8%) during the 2015 fiscal year. The decrease was due to the net of 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 position presents information on all of the City's assets, deferred outflow of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreased in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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**  
**As of and for the Year Ended December 31, 2015**  
**(Unaudited)**

**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 13 through 14 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-four 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, Capital Budget Fund and Tax Increment District Capital Project Funds, all of which are considered to be major funds. Individual fund data for each of the eighteen non-major governmental funds is provided in the form of combining statements and can be found on pages 68 through 75 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 18 this report. The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

**City of Muskego**  
**Management Discussion and Analysis**  
**As of and for the Year Ended December 31, 2015**  
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**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 19 through 22 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 \$34,575,616.

The basic fiduciary funds financial statements can be found on pages 23 and 24 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 25 through 65 of this report.

**Other Information**

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 68 through 75 of this report.

**Government-Wide Financial Analysis**

As financial information is accumulated from year-to-year, changes in net position may serve as a useful indicator of a government's financial position. In the case of the City of Muskego, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$133,320,330 as of December 31, 2015.

The largest portion of the City of Muskego's net position (74.16%) 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**  
**As of and for the Year Ended December 31, 2015**  
**(Unaudited)**

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

	<b>Governmental Activities</b>		<b>Business - type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$33,638,166	\$ 32,687,841	\$ 20,878,420	\$ 20,532,765	\$ 54,516,586	\$ 53,220,606
Capital assets	59,128,470	57,383,440	70,412,994	69,875,119	129,541,464	127,258,559
Total assets	<u>92,766,636</u>	<u>90,071,281</u>	<u>91,291,414</u>	<u>90,407,884</u>	<u>184,058,050</u>	<u>180,479,165</u>
Deferred outflows of resources	1,376,166	-	157,507	-	1,533,673	-
Total Assets and Deferred Outflows of Resources	<u>94,142,802</u>	<u>90,071,281</u>	<u>91,448,921</u>	<u>90,407,884</u>	<u>185,591,723</u>	<u>180,479,165</u>
Current liabilities	1,390,371	2,009,562	1,850,623	1,930,623	3,240,994	3,940,185
Noncurrent outstanding	30,276,096	32,722,727	4,560,428	4,957,204	34,836,524	37,679,931
Other liabilities	-	-	578,814	591,313	578,814	591,313
Total liabilities	<u>31,666,467</u>	<u>34,732,289</u>	<u>6,989,865</u>	<u>7,479,140</u>	<u>38,656,332</u>	<u>42,211,429</u>
Deferred inflows of resources	13,615,061	13,471,427	-	-	13,615,061	13,471,427
Net investment in capital assets	34,240,491	30,509,474	65,998,220	65,298,894	98,875,165	94,374,332
Restricted	4,659,736	3,579,135	8,760,807	8,198,062	13,420,543	11,777,197
Unrestricted	9,961,047	7,778,956	9,700,029	9,431,788	21,024,622	18,644,780
Total net position	<u>48,861,274</u>	<u>41,867,565</u>	<u>84,459,056</u>	<u>82,928,744</u>	<u>133,320,330</u>	<u>124,796,309</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$94,142,802</u>	<u>\$ 90,071,281</u>	<u>\$ 91,448,921</u>	<u>\$ 90,407,884</u>	<u>\$185,591,723</u>	<u>\$180,479,165</u>

At the end of the 2015 fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Changes in Net position**

As of December 31, 2015, total net position of the City of Muskego amounted to \$133,320,330, which is an increase of \$8,524,021 as compared to the 2014 fiscal year end. The major change attributing to this increase is a \$3.06 million restatement of beginning net position related to the implementation of GASB 68 and GASB 71 relating to the WRS net pension asset. Other item attributing to the increase is a \$1.7 million in road related net capital assets being depreciated.

Net position of the City's governmental activities totaled \$48,861,274, which is an increase of \$6,993,709 as compared to the prior year. Of this total, \$9,961,047 or 20.39% is classified as unrestricted assets and may be used to finance the City's ongoing obligations to citizens and creditors. The restricted net position portion (9.53%) represents resources that are subject to external restrictions on how they may be used, which include financing for debt service.

\*The net position section includes an adjustment for capital assets owned by the business-type activities, but financed by the debt of the governmental activities.

**City of Muskego**  
**Management Discussion and Analysis**  
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**(Unaudited)**

The business-type activities net position amounted to \$84,459,056, an increase of \$1,530,312. The unrestricted balance of \$9,700,029 is used to finance the continued operations of the water and sewer utilities.

The following schedule highlights the key elements of the City's revenues and expenses for the 2015 and 2014 fiscal year ends. These two main components are subtracted to yield the change in net position and are summarized as follows:

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program Revenues						
Charges for services	\$ 5,177,268	\$ 4,674,731	\$ 8,085,013	\$ 7,956,324	\$ 13,262,281	\$ 12,631,055
Operating grants and contributions	1,683,410	1,487,030	-	-	1,683,410	1,487,030
Capital grants and contributions	193,651	107,145	2,538,685	685,072	2,732,336	792,217
General Revenues						
Property taxes	13,426,112	13,469,824	-	-	13,426,112	13,469,824
Other Taxes	133,220	126,427	-	-	133,220	126,427
Grants and contributions not restricted to specific programs	449,964	467,674	-	-	449,964	467,674
Unrestricted investment earnings	314,311	252,180	71,552	69,336	385,863	321,516
Miscellaneous	3,265	2,052	-	-	3,265	2,052
<b>Total Revenues</b>	<b>21,381,201</b>	<b>20,587,063</b>	<b>10,695,250</b>	<b>8,710,732</b>	<b>32,076,451</b>	<b>29,297,795</b>
<b>Expenses:</b>						
General government	2,570,943	2,935,787	-	-	2,570,943	2,935,787
Public safety	6,206,086	6,808,496	-	-	6,206,086	6,808,496
Highway and transportation	3,395,166	4,340,905	-	-	3,395,166	4,340,905
Health and sanitation	1,192,898	1,189,620	-	-	1,192,898	1,189,620
Economic development	1,175,614	39,947	-	-	1,175,614	39,947
Education and recreation	2,135,018	3,043,856	-	-	2,135,018	3,043,856
Interest on long-term debt	989,440	1,011,994	-	-	989,440	1,011,994
Sewer	-	-	7,240,000	6,838,675	7,240,000	6,838,675
Water	-	-	1,708,202	1,785,038	1,708,202	1,785,038
<b>Total Expenses</b>	<b>17,665,165</b>	<b>19,370,605</b>	<b>8,948,202</b>	<b>8,623,713</b>	<b>26,613,367</b>	<b>27,994,318</b>
<b>Decrease in Net Position before transfers</b>	<b>3,716,036</b>	<b>1,216,458</b>	<b>1,747,048</b>	<b>87,019</b>	<b>5,463,084</b>	<b>1,303,477</b>
<b>Transfers</b>	<b>526,368</b>	<b>479,358</b>	<b>(526,368)</b>	<b>(479,358)</b>	<b>-</b>	<b>-</b>
Change in Net Position	4,242,404	1,695,816	1,220,680	(392,339)	5,463,084	1,303,477
Net Position - Beginning (Restated)	44,618,870	40,171,749	83,238,376	83,321,083	127,857,246	123,492,832
Net Position - Ending	<b>\$ 48,861,274</b>	<b>\$ 41,867,565</b>	<b>\$ 84,459,056</b>	<b>\$ 82,928,744</b>	<b>\$ 133,320,330</b>	<b>\$ 124,796,309</b>

**City of Muskego**  
**Management Discussion and Analysis**  
**As of and for the Year Ended December 31, 2015**  
**(Unaudited)**

**Governmental Activities**

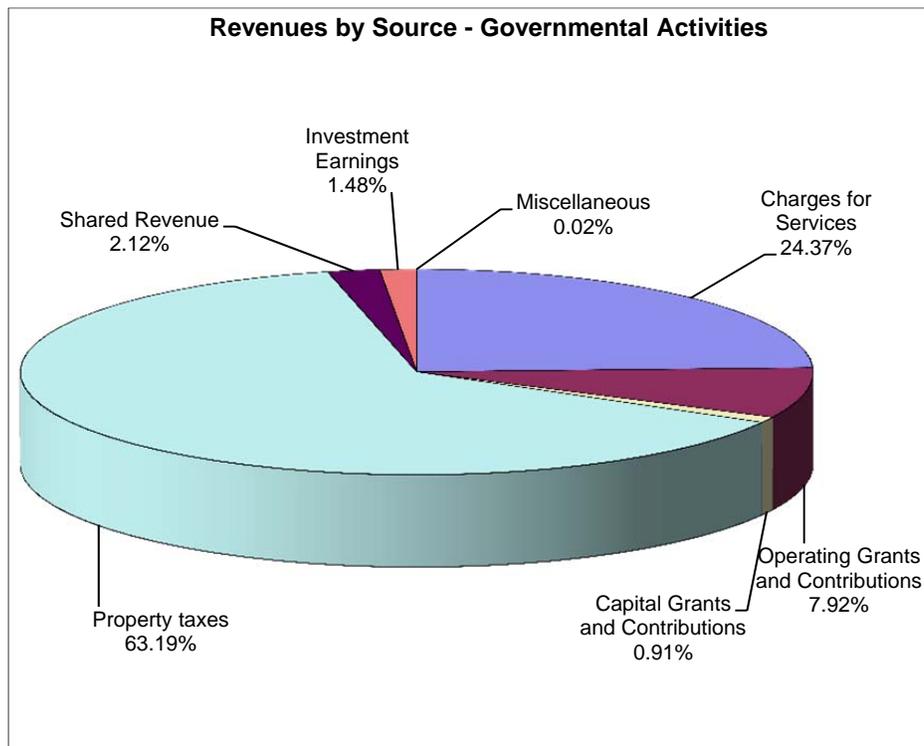
The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs. The net of services column shows how much of the total amount is not covered by program revenues. Succinctly put net costs that must be covered by local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

Programs	Total Cost of Services		Net (Expenses) of Services	
	2015	2014	2015	2014
General government	\$ 2,570,943	\$ 2,935,787	\$ (2,261,720)	\$ (2,618,517)
Public safety	6,206,086	6,808,496	(5,078,787)	(5,667,634)
Public works	3,395,166	4,340,905	(1,869,777)	(3,130,724)
Health and sanitation	1,192,898	1,189,620	1,987,098	1,603,236
Conservation & development	1,175,614	39,947	(1,087,789)	43,907
Education and recreation	2,135,018	3,043,856	(1,310,421)	(2,319,973)
Interest and long-term debt	989,440	1,011,994	(989,440)	(1,011,994)
Total	<u>\$ 17,665,165</u>	<u>\$ 19,370,605</u>	<u>\$ (10,610,836)</u>	<u>\$ (13,101,699)</u>

The major change in total cost of services was reflected in the public works, education and recreation functions, which decreased by approximately \$1.8 million. In 2015, these functions included \$1.5 million of developer contributions and \$300,000 of expenditure reductions due to merging the parks functions with public works.

Net cost of services is 60% of total cost of services in 2015. 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.

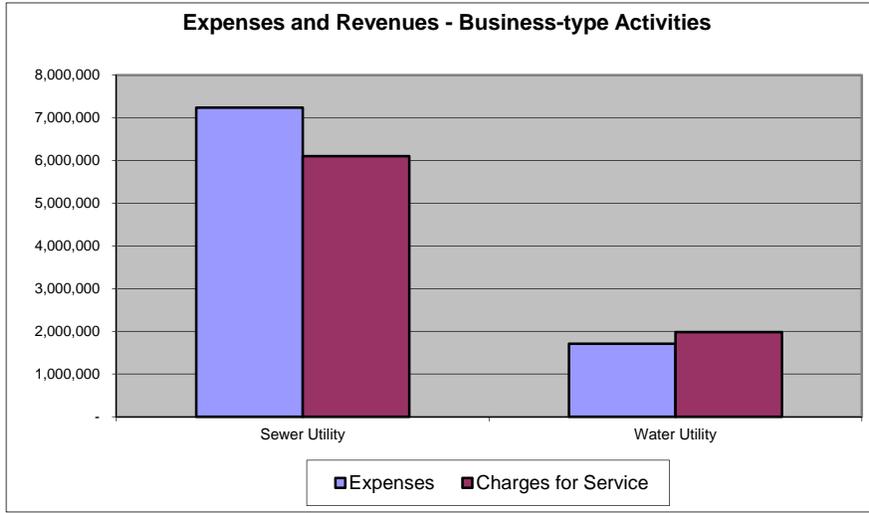


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Management Discussion and Analysis  
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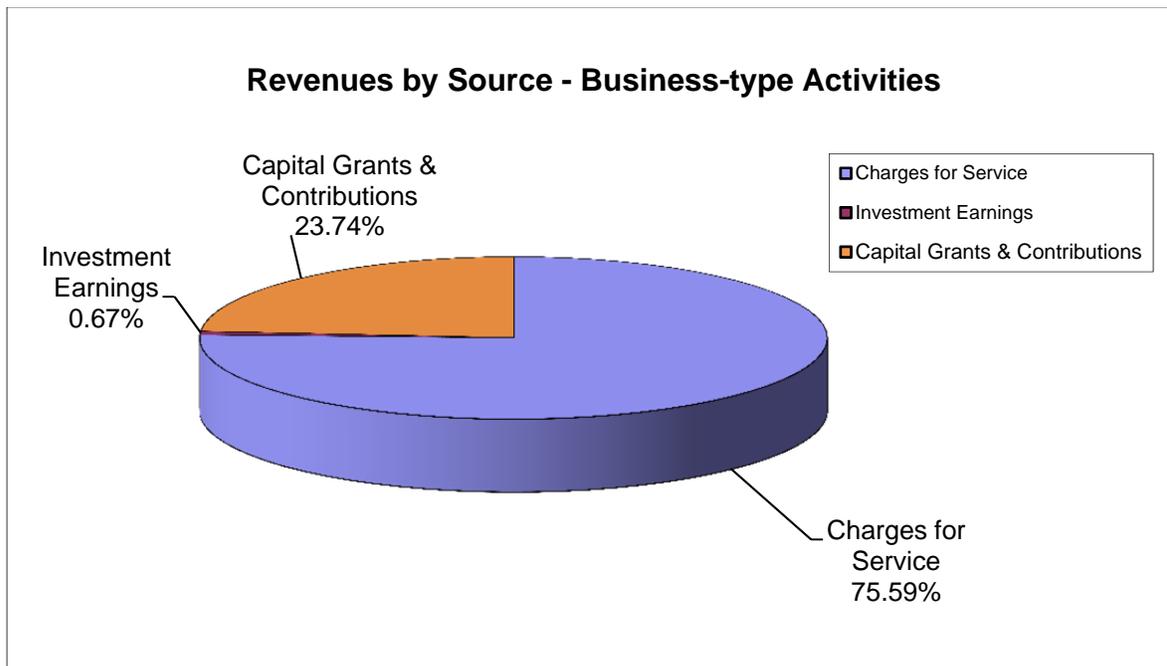
**Business-Type Activities**

Total Business-type activities' charges for service revenues for the year ending December 31, 2015 were \$8,085,013, which is a slight increase of \$128,689 over 2014. This was primarily due to an increase in water utility rates. The Business-type activities increased the City of Muskego's net position by \$1,220,680, which reflects additional capital contributions over the prior year.

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**  
**As of and for the Year Ended December 31, 2015**  
**(Unaudited)**

**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, unrestricted fund balance (includes committed, assigned and unassigned 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 \$17,485,030, an increase of \$103,970 in comparison with the prior year. Approximately 79% of this total amount (\$13,886,854) is available for spending at the government's discretion. However, approximately 68% of this amount (\$9,437,334) is classified as committed, assigned or reported in special revenue funds or capital projects funds. The remainder of the fund balance is non-spendable or restricted.

**General Fund**

The General Fund is the chief operating fund of the City. During 2015, the General Fund balance increased by \$634,810. This was primarily due from contracting the assessor services, merging the parks functions with public works, position vacancies, employee benefit reductions, reduced utility related costs and increased interest earnings and additional transportation aids. At the end of the year, the unassigned fund balance of the General Fund was \$4,449,520, while total fund balance reached \$4,488,995. As a measure of the general fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 32% of total general fund expenditures.

**Debt Service Fund**

Fund balance in the Debt Service Fund increased by \$25,311 during 2015. This increase resulted from Tax Increment Districts #8, #9 & #10 transfers and reimbursements from Special Revenue funds to reimburse the City for relative past borrowings.

**Capital Budget Fund**

Fund balance in the Capital Budget Fund decreased by \$74,313 during 2015. This decrease reflects the transfer of prior year borrowed funds to the water utility.

**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 position of the Sewer Utility Fund amounted to \$58,028,090 with the Water Fund totaling \$26,430,966. The Sewer Utility Fund and the Water Utility Fund increased in net position in 2015; \$333,544 and \$887,136, respectively.

**City of Muskego**  
**Management Discussion and Analysis**  
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**(Unaudited)**

**General Fund Budgetary Highlights**

The 2015 final budget of \$14,611,614 included no amendments for the year. During the year, however, revenues were slightly more than budgetary revenues and expenditures were significantly less than budgetary expenditures.

**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, 2015, amounts to \$129,541,464 (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 the 911 equipment upgrade, road paving, bridge reconstruction, security and surveillance system installation, storm water related stabilization projects, various park improvements and public safety equipment purchases...

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
Land	\$ 5,539,706	\$ 5,539,706	\$ 272,448	\$ 160,066	\$ 5,812,154	\$ 5,699,772
Intangibles	513,123	452,423	36,500	36,500	549,623	488,923
Construction in progress	1,014,372	2,241,810	43,311	59,409	1,057,683	2,301,219
Land Improvements	4,064,113	4,064,113	-	-	4,064,113	4,064,113
Buildings	13,211,659	13,196,365	20,493,324	20,343,011	33,704,983	33,539,376
Equipment	8,095,825	7,743,413	4,552,931	4,469,850	12,648,756	12,213,263
Library Collection	3,170,887	2,989,271	-	-	3,170,887	2,989,271
Infrastructure	72,852,280	67,357,488	77,326,451	75,299,840	150,178,731	142,657,328
Acc. Depreciation	(49,333,495)	(46,201,149)	(32,311,971)	(30,493,557)	(81,645,466)	(76,694,706)
<b>Total</b>	<b>\$ 59,128,470</b>	<b>\$ 57,383,440</b>	<b>\$ 70,412,994</b>	<b>\$ 69,875,119</b>	<b>\$ 129,541,464</b>	<b>\$ 127,258,559</b>

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, 2015, the City of Muskego had general obligation bonds and notes outstanding totaling \$26,938,162. The City's business-type activities include revenue bonds and notes payable, which total \$4,937,956.

In the current year, the City paid \$2,117,616 in principal and \$1,001,210 in interest on outstanding debt. Business-Type Activities paid \$538,147 in principal and \$199,308 in interest on its outstanding debt. There was also a transfer of \$74,314 of unspent bond proceeds from the Governmental Activities to the Business-Type Activities during 2015.

Of the total City debt, \$2,586,329 will become due within one year. The City of Muskego has a Moody's "Aa2" rating on its General Obligation Debt, a Moody's "Aa2" rating on its Sewer Revenue Bonds and a Moody's "Aa3" on its Water Revenue Bonds.

**City of Muskego**  
**Management Discussion and Analysis**  
**As of and for the Year Ended December 31, 2015**  
**(Unaudited)**

**Long-term Debt** (continued)

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
G.O. Bonds and Notes	\$ 26,938,162	\$ 29,130,092	\$ 1,308,409	\$ 1,350,990	\$ 28,246,571	\$ 30,481,082
Revenue Bonds	-	-	1,850,000	1,950,000	1,850,000	1,950,000
Revenue Refunding Bonds	-	-	1,415,000	1,715,000	1,415,000	1,715,000
Wisconsin Safe Drinking Water Loan	-	-	364,547	385,800	364,547	385,800
Total	<u>\$ 26,938,162</u>	<u>\$ 29,130,092</u>	<u>\$ 4,937,956</u>	<u>\$ 5,401,790</u>	<u>\$ 31,876,118</u>	<u>\$ 34,531,882</u>

Additional information about the City's long-term debt can be found in Note IV on pages 50 through 52 of the financial statements.

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

The following economic factors are noteworthy:

- The City of Muskego's equalized valuation for 2015 (Tax Increment Value included) amounted to a tax base of \$2.7 billion which is a 2.34% increase over the prior year.
- Growth is expected to increase for both residential and commercial development with several new subdivision developments and recent creation of Tax Increment District #11.
- Muskego's financial position is expected to remain positive due in part to its trend of regular General Fund operating surpluses and maintaining reserves resulting from sound financial operations
- Debt levels are expected to remain affordable due to a sound pace of amortization with future borrowing plans.
- The City of Muskego's 2015 tax rate of \$4.89 per thousand remained relatively flat as compared to the prior year, which reflects a decrease of \$0.01 per thousand.

All these factors were considered in preparing the City of Muskego's budget for the year ending December 31, 2015.

**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 Director of Finance and Administration, City of Muskego, W182 S8200 Racine Ave, Muskego, WI 53150, direct contact at 262-679-5622 or e-mail [smueller@cityofmuskego.org](mailto:smueller@cityofmuskego.org).

## **BASIC FINANCIAL STATEMENTS**

**City of Muskego**

Statement of Net Position  
As of December 31, 2015

	Governmental Activities	Business-type Activities	Totals	Component Unit
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,056,599	\$ 7,027,179	\$ 24,083,778	\$ 190,355
Temporary investments	-	1,338,265	1,338,265	-
Receivables (net of allowance for uncollectibles)				
Accounts	1,076,952	2,480,387	3,557,339	-
Loan	281,466	-	281,466	-
Due from other governments	182,080	-	182,080	-
Taxes	13,633,676	-	13,633,676	-
Prepaid items	39,650	2,595	42,245	-
Deferred charge	-	520,240	520,240	-
Restricted Assets				
Cash and cash equivalents	-	8,937,534	8,937,534	-
RCA and WCA assessments receivable	-	317,083	317,083	-
Net pension asset	1,367,743	153,926	1,521,669	-
Special assessments receivable	-	101,211	101,211	-
Capital Assets				
Land and easements	5,539,706	308,948	5,848,654	-
Construction in progress	1,014,372	43,311	1,057,683	-
Other capital assets, net of depreciation	52,574,392	70,060,735	122,635,127	-
Total Assets	<u>92,766,636</u>	<u>91,291,414</u>	<u>184,058,050</u>	<u>190,355</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow related to pension	<u>1,376,166</u>	<u>157,507</u>	<u>1,533,673</u>	-
Total Deferred Outflows of Resources	<u>1,376,166</u>	<u>157,507</u>	<u>1,533,673</u>	-
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	1,108,937	1,250,742	2,359,679	-
Accrued interest payable	230,791	-	230,791	-
Unearned revenue	50,643	105,822	156,465	-
Liabilities payable from restricted assets				
Accounts payable	-	1,511	1,511	-
Accrued interest payable	-	35,022	35,022	-
Current portion of long-term debt	-	457,526	457,526	-
Noncurrent Liabilities:				
Due within one year	2,228,903	-	2,228,903	-
Due in more than one year	28,047,193	4,560,428	32,607,621	-
Unearned revenue	-	578,814	578,814	-
Total Liabilities	<u>31,666,467</u>	<u>6,989,865</u>	<u>38,656,332</u>	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue	<u>13,615,061</u>	-	<u>13,615,061</u>	-
Total Deferred Inflows of Resources	<u>13,615,061</u>	-	<u>13,615,061</u>	-
<b>NET POSITION</b>				
Net investment in capital assets	34,240,491	65,998,220	98,875,165	-
Restricted for:				
Depreciation and equipment and replacement funds	-	1,239,721	1,239,721	-
Water and sewer capacity assessment funds	-	7,107,834	7,107,834	-
Tax increment district purposes	688,182	-	688,182	-
Debt service	2,603,811	259,326	2,863,137	-
Pensions	1,367,743	153,926	1,521,669	-
Unrestricted	<u>9,961,047</u>	<u>9,700,029</u>	<u>21,024,622</u>	<u>190,355</u>
<b>TOTAL NET POSITION</b>	<u>\$ 48,861,274</u>	<u>\$ 84,459,056</u>	<u>\$ 133,320,330</u>	<u>\$ 190,355</u>

See accompanying notes to financial statements.

**City of Muskego**

Statement of Activities  
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
<b>Primary government</b>								
<b>Governmental Activities</b>								
General government	\$ 2,570,943	\$ 309,223	\$ -	\$ -	\$ (2,261,720)	\$ -	\$ (2,261,720)	\$ -
Public safety	6,206,086	942,703	176,424	8,172	(5,078,787)	-	(5,078,787)	-
Public works	3,395,166	76,652	1,274,010	174,727	(1,869,777)	-	(1,869,777)	-
Health and sanitation	1,192,898	3,106,869	73,127	-	1,987,098	-	1,987,098	-
Conservation and development	1,175,614	48,483	28,590	10,752	(1,087,789)	-	(1,087,789)	-
Education and recreation	2,135,018	693,338	131,259	-	(1,310,421)	-	(1,310,421)	-
Interest on long-term debt and fiscal charges	989,440	-	-	-	(989,440)	-	(989,440)	-
Total Governmental Activities	<u>17,665,165</u>	<u>5,177,268</u>	<u>1,683,410</u>	<u>193,651</u>	<u>(10,610,836)</u>	<u>-</u>	<u>(10,610,836)</u>	<u>-</u>
<b>Business-type activities</b>								
Sewer Utility	7,240,000	6,102,976	-	1,424,593	-	287,569	287,569	-
Water Utility	1,708,202	1,982,037	-	1,114,092	-	1,387,927	1,387,927	-
Total Business-type Activities	<u>8,948,202</u>	<u>8,085,013</u>	<u>-</u>	<u>2,538,685</u>	<u>-</u>	<u>1,675,496</u>	<u>1,675,496</u>	<u>-</u>
Total primary government	<u>\$ 26,613,367</u>	<u>\$ 13,262,281</u>	<u>\$ 1,683,410</u>	<u>\$ 2,732,336</u>	<u>(10,610,836)</u>	<u>1,675,496</u>	<u>(8,935,340)</u>	<u>-</u>
<b>Component Unit</b>								
Community Development Authority	\$ 115	\$ -	\$ -	\$ -	-	-	-	(115)
<b>General Revenues</b>								
<b>Taxes</b>								
Property taxes, levied for general purposes					11,286,767	-	11,286,767	-
Property taxes, levied for debt service					2,139,345	-	2,139,345	-
Other taxes					133,220	-	133,220	-
Intergovernmental revenues not restricted to specific programs					449,964	-	449,964	-
Investment income					314,311	71,552	385,863	-
Miscellaneous					3,265	-	3,265	-
Total General Revenues					<u>14,326,872</u>	<u>71,552</u>	<u>14,398,424</u>	<u>-</u>
Transfers					<u>526,368</u>	<u>(526,368)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>					<u>4,242,404</u>	<u>1,220,680</u>	<u>5,463,084</u>	<u>(115)</u>
NET POSITION - Beginning of Year (Restated)					<u>44,618,870</u>	<u>83,238,376</u>	<u>127,857,246</u>	<u>190,470</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 48,861,274</u>	<u>\$ 84,459,056</u>	<u>\$ 133,320,330</u>	<u>\$ 190,355</u>

**City of Muskego**

Balance Sheet  
Governmental Funds  
As of December 31, 2015

	General Fund	Debt Service Fund	Capital Budget Fund	Tax Incremental District Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,737,648	\$ 2,834,602	\$ -	\$ 201,062	\$ 9,283,287	\$ 17,056,599
Receivables - net						
Accounts	168,844	-	-	-	908,108	1,076,952
Due from other governments	3,388	-	-	-	178,692	182,080
Taxes	10,174,724	2,139,345	-	-	1,319,607	13,633,676
Loan receivables	-	-	-	-	281,466	281,466
Prepaid items	39,475	-	-	-	175	39,650
Total Assets	<u>\$ 15,124,079</u>	<u>\$ 4,973,947</u>	<u>\$ -</u>	<u>\$ 201,062</u>	<u>\$ 11,971,335</u>	<u>\$ 32,270,423</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 259,796	\$ -	\$ -	\$ 1,765	\$ 414,517	\$ 676,078
Accrued liabilities	112,859	-	-	-	-	112,859
Due to other governments	-	-	-	-	320,000	320,000
Unearned revenue	50,542	-	-	-	101	50,643
Total Liabilities	<u>423,197</u>	<u>-</u>	<u>-</u>	<u>1,765</u>	<u>734,618</u>	<u>1,159,580</u>
Deferred Inflows of Resources						
Unearned revenue	10,211,887	2,139,345	-	-	1,263,829	13,615,061
Unavailable revenues	-	-	-	-	10,752	10,752
Total Deferred Inflows of Resources	<u>10,211,887</u>	<u>2,139,345</u>	<u>-</u>	<u>-</u>	<u>1,274,581</u>	<u>13,625,813</u>
Fund Balances						
Nonspendable	39,475	-	-	-	175	39,650
Restricted	-	2,834,602	-	199,297	524,627	3,558,526
Committed	-	-	-	-	8,788,081	8,788,081
Assigned	-	-	-	-	649,253	649,253
Unassigned	4,449,520	-	-	-	-	4,449,520
Total Fund Balances	<u>4,488,995</u>	<u>2,834,602</u>	<u>-</u>	<u>199,297</u>	<u>9,962,136</u>	<u>17,485,030</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
	<u>\$ 15,124,079</u>	<u>\$ 4,973,947</u>	<u>\$ -</u>	<u>\$ 201,062</u>	<u>\$ 11,971,335</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. See Note II.	59,128,470
Some receivables that are not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements	10,752
Net pension asset does not relate to current financial resources and is not reported in the governmental funds	1,367,743
Deferred outflow of resources related to pension do not relate to current financial resources and is not reported in the governmental funds	1,376,166
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>(30,506,887)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 48,861,274</u>

**City of Muskego**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended December 31, 2015

	General	Debt Service	Capital Budget Fund	Tax Increment District Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 10,131,551	\$ 2,139,345	\$ -	\$ -	\$ 1,234,868	\$ 13,505,764
Intergovernmental	1,692,627	-	-	-	557,218	2,249,845
Licenses and permits	762,419	-	-	-	7,078	769,497
Fines, forfeitures and penalties	235,358	-	-	-	-	235,358
Public charges for services	697,355	-	-	-	3,259,394	3,956,749
Commercial revenue	258,263	3,666	-	356	137,617	399,902
Intergovernmental charges for services	149,077	-	-	-	-	149,077
Interdepartmental revenues	73,555	-	-	-	-	73,555
<b>Total Revenues</b>	<u>14,000,205</u>	<u>2,143,011</u>	<u>-</u>	<u>356</u>	<u>5,196,175</u>	<u>21,339,747</u>
<b>EXPENDITURES</b>						
Current						
General government	2,094,068	-	-	-	255,041	2,349,109
Public safety	6,026,425	-	-	-	-	6,026,425
Public works	2,574,786	-	-	-	18,329	2,593,115
Health and sanitation	3,675	-	-	-	1,185,927	1,189,602
Conservation and development	338,990	-	-	147,698	171,079	657,767
Education and recreation	1,823,081	-	-	-	6,961	1,830,042
Debt service						
Principal retirement	-	2,117,616	-	-	-	2,117,616
Interest	-	1,001,210	-	-	-	1,001,210
Capital outlay	1,035,130	-	-	-	2,917,664	3,952,794
<b>Total Expenditures</b>	<u>13,896,155</u>	<u>3,118,826</u>	<u>-</u>	<u>147,698</u>	<u>4,555,001</u>	<u>21,717,680</u>
Deficiency of revenues under expenditures	<u>104,050</u>	<u>(975,815)</u>	<u>-</u>	<u>(147,342)</u>	<u>641,174</u>	<u>(377,933)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	543,969	1,001,126	-	-	1,827,063	3,372,158
Transfers out	(42,063)	-	(74,313)	-	(2,803,727)	(2,920,103)
Proceeds from sale of capital assets	28,854	-	-	-	994	29,848
<b>Total Other Financing Sources (Uses)</b>	<u>530,760</u>	<u>1,001,126</u>	<u>(74,313)</u>	<u>-</u>	<u>(975,670)</u>	<u>481,903</u>
<b>Net Change in Fund Balance</b>	634,810	25,311	(74,313)	(147,342)	(334,496)	103,970
FUND BALANCES - Beginning of Year	<u>3,854,185</u>	<u>2,809,291</u>	<u>74,313</u>	<u>346,639</u>	<u>10,296,632</u>	<u>17,381,060</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 4,488,995</u>	<u>\$ 2,834,602</u>	<u>\$ -</u>	<u>\$ 199,297</u>	<u>\$ 9,962,136</u>	<u>\$ 17,485,030</u>

**City of Muskego**

Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended December 31, 2015

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Net change in fund balances - total governmental funds	\$ 103,970
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of net position, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.	
Capital outlay reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	3,952,794
Some items capitalized were not reported as capital outlay	181,616
Some items reported as capital outlay were not capitalized	913,663
Depreciation is reported in the government-wide statements	(3,303,043)
Contributed capital assets are reported as revenue in the government-wide statements.	(68,351)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements	10,752
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	
Transfer of debt to Enterprise Fund	74,313
Principal repaid	2,117,616
Amortization of premium on long term debt issues	69,207
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	185,495
Accrued interest on debt	11,768
Net pension asset	(841,684)
Deferred outflows related to pensions	<u>834,288</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 4,242,404</u></b>

**City of Muskego**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		Variance with Final Budget - Over (Under)
	<u>Original and Final</u>	<u>Actual</u>	
<b>REVENUES</b>			
Taxes	\$ 10,136,898	\$ 10,131,551	\$ (5,347)
Intergovernmental	1,625,084	1,692,627	67,543
Licenses and permits	744,495	762,419	17,924
Fines, forfeitures and penalties	209,000	235,358	26,358
Public charges for service	715,822	697,355	(18,467)
Commercial revenues	176,100	258,263	82,163
Intergovernmental charges for services	146,500	149,077	2,577
Interdepartmental revenues	<u>224,070</u>	<u>73,555</u>	<u>(150,515)</u>
Total Revenues	<u>13,977,969</u>	<u>14,000,205</u>	<u>22,236</u>
<b>EXPENDITURES</b>			
Current			
General government	2,279,199	2,094,068	(185,131)
Public safety	6,348,682	6,026,425	(322,257)
Public works	2,602,836	2,574,786	(28,050)
Health and sanitation	3,650	3,675	25
Conservation and development	353,413	338,990	(14,423)
Education and recreation	2,002,371	1,823,081	(179,290)
Capital Outlay	946,463	1,035,130	88,667
Contingency	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Total Expenditures	<u>14,611,614</u>	<u>13,896,155</u>	<u>(715,459)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(633,645)</u>	<u>104,050</u>	<u>737,695</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	609,645	543,969	(65,676)
Transfers out	-	(42,063)	(42,063)
Sale of property	<u>24,000</u>	<u>28,854</u>	<u>4,854</u>
Total Other Financing Sources	<u>633,645</u>	<u>530,760</u>	<u>(102,885)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>634,810</u>	<u>\$ 634,810</u>
FUND BALANCES - Beginning of Year		<u>3,854,185</u>	
<b>FUND BALANCES - END OF YEAR</b>		<u>\$ 4,488,995</u>	

See accompanying notes to financial statements.

City of Muskego

Statement of Net Position  
 Proprietary Funds  
 As of December 31, 2015

	Business Type Activities		
	Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 7,016,288	\$ 10,891	\$ 7,027,179
Temporary investments	1,338,265	-	1,338,265
Receivables, net	2,027,693	452,694	2,480,387
Prepaid Items	1,161	1,434	2,595
Deferred charge	520,240	-	520,240
Restricted Assets			
Cash and cash equivalents	-	294,348	294,348
Total Current Assets	<u>10,903,647</u>	<u>759,367</u>	<u>11,663,014</u>
<b>NON-CURRENT ASSETS</b>			
Restricted Assets			
Cash and cash equivalents	6,955,973	1,687,213	8,643,186
RCA and WCA assessments receivable	189,358	127,725	317,083
Net pension asset	96,942	56,984	153,926
Capital Assets			
Land and easements	130,918	178,030	308,948
Construction work in progress	11,231	32,080	43,311
Plant in service	63,185,970	39,186,735	102,372,705
Accumulated depreciation	(21,912,478)	(10,399,492)	(32,311,970)
Other assets			
Special assessments	22,469	78,742	101,211
Total Non-Current Assets	<u>48,680,383</u>	<u>30,948,017</u>	<u>79,628,400</u>
Total Assets	<u>59,584,030</u>	<u>31,707,384</u>	<u>91,291,414</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	99,757	57,750	157,507
Total Deferred Outflows of Resources	<u>99,757</u>	<u>57,750</u>	<u>157,507</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	940,373	37,241	977,614
Accrued vacation, sick leave and compensatory time	183,337	89,791	273,128
Deferred lease and other revenue	15,447	90,375	105,822
Liabilities Payable From Restricted Assets			
Accounts payable	-	1,511	1,511
Current portion of long-term debt	-	457,526	457,526
Accrued interest	-	35,022	35,022
Total Current Liabilities	<u>1,139,157</u>	<u>711,466</u>	<u>1,850,623</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	-	4,560,428	4,560,428
Unearned revenue	516,540	62,274	578,814
Total Non-current Liabilities	<u>516,540</u>	<u>4,622,702</u>	<u>5,139,242</u>
Total Liabilities	<u>1,655,697</u>	<u>5,334,168</u>	<u>6,989,865</u>
<b>NET POSITION</b>			
Net investment in capital assets	41,415,640	24,582,580	65,998,220
Restricted for			
RCA and WCA funds	6,274,375	833,459	7,107,834
Debt service	-	259,326	259,326
Depreciation and equipment replacement funds	870,956	368,765	1,239,721
Pension	96,942	56,984	153,926
Unrestricted	<u>9,370,177</u>	<u>329,852</u>	<u>9,700,029</u>
<b>TOTAL NET POSITION</b>	<u>\$ 58,028,090</u>	<u>\$ 26,430,966</u>	<u>\$ 84,459,056</u>

See accompanying notes to financial statements.

**City of Muskego**

Statement of Revenues, Expenses  
And Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2015

	Business Type Activities Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,088,830	\$ 1,838,637	\$ 7,927,467
Other operating revenues	14,146	143,400	157,546
Total Operating Revenues	<u>6,102,976</u>	<u>1,982,037</u>	<u>8,085,013</u>
<b>OPERATING EXPENSES</b>			
Operation and maintenance	6,184,145	696,904	6,881,049
Depreciation	1,055,855	786,369	1,842,224
Taxes	-	25,621	25,621
Total Operating Expenses	<u>7,240,000</u>	<u>1,508,894</u>	<u>8,748,894</u>
Operating Income (Loss)	<u>(1,137,024)</u>	<u>473,143</u>	<u>(663,881)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	24,859	14,816	39,675
Interest income on special assessments	21,116	-	21,116
Amortization of bond premium	-	10,761	10,761
Interest on long term debt	-	(199,308)	(199,308)
Total Nonoperating Revenues (Expenses)	<u>45,975</u>	<u>(173,731)</u>	<u>(127,756)</u>
Income (Loss) before Contributions and Transfers	(1,091,049)	299,412	(791,637)
<b>CAPITAL CONTRIBUTIONS</b>	1,424,593	1,114,092	2,538,685
<b>TRANSFERS - TAX EQUIVALENT</b>	-	(526,368)	(526,368)
<b>Change in Net Position</b>	333,544	887,136	1,220,680
NET POSITION - BEGINNING OF YEAR (Restated)	<u>57,694,546</u>	<u>25,543,830</u>	<u>83,238,376</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 58,028,090</u>	<u>\$ 26,430,966</u>	<u>\$ 84,459,056</u>

**City of Muskego**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2015

	Business Type Activities		
	Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 6,140,516	\$ 1,663,309	\$ 7,803,825
Receipts from municipality for services	-	318,270	318,270
Payments to other funds	(41,934)	-	(41,934)
Paid to vendor for goods and services	(5,270,339)	(414,021)	(5,684,360)
Paid to employees for services	(852,767)	(313,673)	(1,166,440)
Net Cash Flows From Operating Activities	<u>(24,524)</u>	<u>1,253,885</u>	<u>1,229,361</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Received from Water Utility for subsidies	285,526	-	285,526
Paid to Sewer Utility for subsidies	-	(285,526)	(285,526)
Paid to municipality for tax equivalent	-	(526,368)	(526,368)
Net Cash Flows From Non-Capital Financing Activities	<u>285,526</u>	<u>(811,894)</u>	<u>(526,368)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Debt issued	-	74,313	74,313
Debt retired	-	(538,147)	(538,147)
Interest paid	-	(197,143)	(197,143)
Special assessments received	410,694	197,695	608,389
Acquisition and construction of capital assets	(205,346)	(297,953)	(503,299)
Connection fees received	<u>31,000</u>	<u>-</u>	<u>31,000</u>
Net Cash Flows From Capital and Related Financing Activities	<u>236,348</u>	<u>(761,235)</u>	<u>(524,887)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income			
Interest on investments	25,133	3,450	28,583
Interest on special assessments	21,116	11,368	32,484
Investments purchased	(1,338,265)	-	(1,338,265)
Investments sold and matured	<u>741,503</u>	<u>-</u>	<u>741,503</u>
Net Cash Flows From Investing Activities	<u>(550,513)</u>	<u>14,818</u>	<u>(535,695)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(53,163)</b>	<b>(304,426)</b>	<b>(357,589)</b>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>14,025,424</u>	<u>2,296,878</u>	<u>16,322,302</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 13,972,261</u></b>	<b><u>\$ 1,992,452</u></b>	<b><u>\$ 15,964,713</u></b>

**City of Muskego**

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2015  
(Concluded)

	Business Type Activities Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>			
Current:			
Cash and cash equivalents	\$ 7,016,288	\$ 10,891	\$ 7,027,179
Temporary investments	1,338,265	-	1,338,265
Restricted cash and cash equivalents	-	294,348	294,348
Non-current			
Restricted cash and cash equivalents	6,955,973	1,687,213	8,643,186
Less: Non-cash equivalents	<u>(1,338,265)</u>	<u>-</u>	<u>(1,338,265)</u>
Cash and cash equivalents - end of year	<u>\$ 13,972,261</u>	<u>\$ 1,992,452</u>	<u>\$ 15,964,713</u>
<b>NON CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital additions contributed			
to the Utility by customers and developers	\$ 1,064,230	\$ 959,805	\$ 2,024,035
Assessment of benefits for property owners for improvements	<u>\$ 329,363</u>	<u>\$ 154,287</u>	<u>\$ 483,650</u>
Premium on debt issued for refunding	<u>\$ -</u>	<u>\$ 10,761</u>	<u>\$ 10,761</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating Income (loss)	\$ <u>(1,137,024)</u>	\$ <u>473,143</u>	\$ <u>(663,881)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,055,855	786,369	1,842,224
Depreciation charged to other accounts	-	26,424	26,424
Pension related expense	(1,693)	(108)	(1,801)
(Increase) decrease in assets:			
Accounts receivable - other	37,540	(4,235)	33,305
Prepaid Items	(1,161)	1,250	89
Deferred charge	(129,128)	-	(129,128)
Increase (decrease) in liabilities:			
Accounts payable	172,023	(21,472)	150,551
Accrued vacation, sick leave and compensatory time	(20,936)	(10,971)	(31,907)
Unearned revenue	-	(292)	(292)
Unearned lease revenue	-	3,777	3,777
Total adjustments	<u>1,112,500</u>	<u>780,742</u>	<u>1,893,242</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (24,524)</u>	<u>\$ 1,253,885</u>	<u>\$ 1,229,361</u>

**City of Muskego**

Statement of Fiduciary Net Position  
Fiduciary Funds  
As of December 31, 2015

	Private Purpose Trust Funds		
	Library Expansion Trust Fund	Volunteer Fire Co. Scholarship Fund	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,138	\$ 176,296	\$ 30,516,370
Accounts receivable, net	-	-	68,706
Taxes receivable	-	-	3,791,106
<b>Total Assets</b>	<u>23,138</u>	<u>176,296</u>	<u>34,376,182</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	158,904
Due to other taxing units	-	-	33,997,402
Other Deferred Credits	-	-	107
Special deposits	-	-	219,769
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>34,376,182</u>
<b>NET POSITION</b>			
Restricted - held in trust	<u>23,138</u>	<u>176,296</u>	<u>-</u>
<b>TOTAL NET POSITION</b>	<u>\$ 23,138</u>	<u>\$ 176,296</u>	<u>\$ -</u>

**City of Muskego**

Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended December 31, 2015

	Private Purpose Trust Funds	
	Library Expansion Trust Fund	Volunteer Fire Co. Scholarship Fund
<b>ADDITIONS</b>		
Investment income	\$ 77	\$ 229
Total additions	<u>77</u>	<u>229</u>
<b>DEDUCTIONS</b>		
Other expense	<u>600</u>	-
<b>Change in Net Position</b>	(523)	229
NET POSITION - Beginning	<u>23,661</u>	<u>176,067</u>
<b>NET POSITION - ENDING</b>	<u>\$ 23,138</u>	<u>\$ 176,296</u>

City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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## City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the City of Muskego, Wisconsin (“city”) conform to accounting principles generally accepted in the United State of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

This report includes all of the funds of the city. The reporting entity for the city consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

#### ***Discretely Presented Component Unit***

##### *Muskego Community Development Authority*

The government-wide financial statements include the Muskego Community Development Authority (“Authority”) as a component unit. The Authority is a legally separate organization. The board of the Authority is appointed by the mayor and city council of the City of Muskego. Wisconsin Statutes provide for circumstances whereby the city can impose their will on the Authority, and also create a potential financial benefit to or burden on the city. See Note IV I. As a component unit, the Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2015. The Authority does not issue separate financial statements.

## City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### **A. REPORTING ENTITY (continued)**

##### ***Blended Component Unit***

###### *Big Muskego Lake – Bass Bay Protection and Rehabilitation District*

The basic financial statements of the City also include the financial data of the City's component unit, Big Muskego Lake - Bass Bay Protection and Rehabilitation District (district). The City created the district under certain provisions of the Wisconsin Statutes in order to assist the City in undertaking programs of lake protection and rehabilitation. The district's governing body is substantively the same as the City, with all members serving on the City common council and with the Mayor acting as chairman. Separately issued financial statements for the district may be obtained from the district's office. The district is reported as part of the Non-Major Special Revenue Funds.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

In June 2012, the GASB issued statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB statement No. 27*. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. In November 2013, the GASB issued statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. These standards were implemented January 1, 2015.

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

## City of Muskego

### Notes to Financial Statements As of and for the Year Ended December 31, 2015

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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##### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)***

###### ***Fund Financial Statements (continued)***

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

###### ***Fund Financial Statements***

Financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditure/expenses.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – accounts for the City’s primary operating activities. It is used to account for and report all financial resources except those required to be accounted for and report in another fund.

Debt Service Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

Tax Increment District Capital Projects Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the Tax Increment District #8, 9 and 10.

Capital Budget Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major enterprise funds:

Sewer Utility – accounts for operations of the sewer system  
Water Utility – accounts for operations of the water system

The City reports the following non-major governmental funds:

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

Parks	Recreational Ticket
Compensated Absences	Cable TV
Other Grant	Capital Improvements
Refuse/Recycling	Federated Library System
Revolving Loan	Big Muskego Lake – Bass Bay
Landfill Standing Committee	Protection and
Stormwater Management	Rehabilitation District
Well Testing Reserve	Landfill
Land Open Space Conservation	Tax Increment District

Capital Projects Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Industrial Park Expansion	Capital Equipment
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In addition, the City reports the following fund types:

Private-purpose trust funds are used to account for and report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit the expansion of the library or scholarships.

Library Expansion	Volunteer Fire Co. Scholarship
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Agency funds are used to account for and report assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Special Deposits	Subsequent Years Tax Roll
Police Health Insurance	Collections

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

***Government-Wide Financial Statements***

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

***Fund Financial Statements***

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

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met and recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2015, there are unrecorded future assessments of \$642,393 in the Sewer Utility, which are not recorded as receivables because collection is subject to certain events occurring in the future. No formal repayment schedule has been established.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

***Fund Financial Statements (continued)***

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility and Sewer Utility are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***All Financial Statements***

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

## City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY***

##### ***1. Deposits and Investments***

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

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

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The City's investment of library trust funds is regulated by Chapter 112 of the Wisconsin state statutes. That section gives broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The City has adopted an investment policy that follows state statutes for allowable investments. The City is exposed to various risks related to their cash and investments. The City's policy related to these risks is described below:

#### ***Custodial Credit Risk***

The City's policy indicates that to the extent possible bank balances should be maintained at amounts less than or equal to the amounts insured by FDIC or State of Wisconsin guaranteed amounts. (At year end the City had bank balances in excess of insured amounts as disclosed in Note IV A.) Additionally, all certificates of deposit exceeding these coverage's shall be collateralized with U.S. securities or Wisconsin municipal debt. Collateral shall be in the City's name and held by a third party custodian.

#### ***Credit Risk***

The City's investment policy does not address this risk.

## City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY*** (continued)

##### ***1. Deposits and Investments*** (continued)

###### ***Interest Rate Risk***

The City investment policy only addresses interest rate risk on certificates of deposit and specifies that they must mature within three years or less from the date of investment.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2014, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

PMA Financial Network, Inc. is the administrator for the Wisconsin Investment Series Cooperative (WISC). The investment manager for WISC is PMA Financial Network, Inc. The WISC is not registered with the Securities and Exchange Commission, but invests its funds in accordance with applicable Wisconsin statutes. The WISC has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value. At December 31, 2015, the City's share of the WISC's assets was substantially equal to the amount reported.

Certificate of Deposit Account Registry Service (CDARS) is a member of a special network which offers access to multi-million dollar FDIC insurance coverage on CD investments through one bank.

See Note IV.A. for further information.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2. Receivables**

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of fiduciary net position.

Property tax calendar – 2015 tax roll:

Lien date and levy date	December 2015
Tax bills mailed	December 2015
Payment in full, or	January 31, 2016
First installment due	January 31, 2016
Second installment due	April 30, 2016
Third installment due	July 31, 2016
Personal property taxes in full	January 31, 2016
Tax deed by county – 2015 delinquent	
Real estate taxes	October 2018

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

The City has received state grant funds for economic development loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development loans receivable has not been reduced by an allowance for uncollectible accounts.

The Water and Sewer Utilities provide services to customers within the municipal boundaries. Metered water sales to customers are billed on a quarterly basis at rates approved by the Public Service Commission of Wisconsin. Sewer customers are billed rates established by the Common Council. Bills are payable in 30 days. Delinquent balances at the time of the property tax lien date are placed on the customer's tax bill and collected through the normal tax collection process.

## City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)***

##### ***3. Inventories and Prepaid Items***

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### ***4. Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earning, is shown as restricted net position. Restricted net position principally represents Water and Sewer Reserve Capacity Assessment Funds, Special Redemption Funds and Equipment Replacement Funds restricted assets, less related current liabilities payable from the restricted assets.

##### ***5. Capital Assets***

###### ***Government–Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$10,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**5. Capital Assets (continued)**

**Government–Wide Statements (continued)**

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

Buildings	20-50 Years
Land Improvements Other than Building	10-50 Years
Machinery and Equipment	3-20 Years
Utility System	19-125 Years
Infrastructure	10-50 Years
Intangibles	5 Years

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

**6. Deferred Outflows of Resources**

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until that future time.

**7. Compensated Absences**

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2015 are determined on the basis of current salary rates and include salary related payments.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

***8. Long-Term Obligations***

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

***9. Utility Deferred Lease and Other Revenue***

Utility deferred lease and other revenue principally represents unearned special assessments which will be reported as contributed capital when and if the property owner connects to the water system and the assessment becomes due, and prepayments of reserve capacity assessments.

***10. Deferred Inflows of Resources***

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

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**11. Equity Classifications**

**Government–Wide Statements**

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

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

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 34,240,491	\$ 65,998,220	\$ (1,363,546)	\$ 98,875,165
Unrestricted	9,988,492	9,700,029	1,363,546	21,052,067

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

## City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### **D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)**

##### **10. Equity Classifications (continued)**

###### **Fund Statements**

Governmental fund balances are displayed as follows:

- a. Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the city. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution, adopted a financial policy authorizing the Finance Committee to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has a formal minimum fund balance policy. That policy is to maintain an unassigned fund balance in the general fund of \$2,529,212, or 17% of the ensuing year's budgeted general fund expenditures. The balance at year end was \$4,449,520 or 30% of 2015 budgeted general fund expenditures.

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

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**10. Equity Classifications (continued)**

**Fund Statements (continued)**

Fiduciary fund equity is classified as held in trust for the Library Expansion Trust and the Volunteer Fire Co. Scholarship on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the City believes it is in compliance with all significant restrictions.

**E. OTHER POLICIES - TAX INCREMENTAL DISTRICTS**

The City has created a number of “City of Muskego Tax Incremental Districts” to encourage development of the City tax base, efficient use of land, buildings and public improvements and private investment in various specific areas of the City. Property taxes of each specific District generated in future years, measured by the increment in value of the property in the district over the base year, will be used to retire the interest and principal of the related debt incurred to finance the project costs. Below is a summary of each district:

1. District No. 8 was created in 2000 and is for the development of the City’s downtown area. Project costs were originally estimated at \$2.7 million. In September, 2005 the City amended the project plan to include an additional \$855,000 in project costs.
2. District No. 9 was created in 2003 for development in the City’s Community Development Authority Redevelopment District No. 1. Project costs were estimated at \$1.5 million and have been financed with a \$2.0 million Community Development Lease Revenue Bond.
3. District No. 10 was created in 2007 and is a mixed use tax increment district comprised of the east and west sides of Moorland Road from College Avenue on the north to one-half mile south. Project costs were estimated at \$8.3 million and have been financed with \$9.25 million bonds.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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***EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL  
FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION***

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The details of this reconciliation include the following items.

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$ 5,539,706
Intangibles	513,123
Construction in progress	1,014,372
Land improvements	4,064,113
Buildings	13,211,659
Machinery and equipment	8,095,825
Library collection	3,170,887
Infrastructure	72,852,279
Less: Accumulated depreciation	<u>(49,333,494)</u>
Adjustment for Capital Assets	<u>\$ 59,128,470</u>

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net position.

Bonds and notes payable	\$ 26,938,162
Compensated absences	2,574,728
Unamortized debt premium	763,206
Accrued interest	<u>230,791</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 30,506,887</u>

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C.

A budget has been adopted for the General Fund, certain Special Revenue Funds, Debt Service Funds, certain Capital Project Funds, the Water Utility and Sewer Utility. Budgets have not been formally adopted for the Federated Library System Fund, Industrial Park Expansion Fund, and Agency Funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

Appropriations lapse at year end unless specifically carried over by the Common Council. There were no carryovers to the following year. Budgetary control is exercised at the fund level for all funds.

**B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations due to the unbudgeted costs in the following funds. The excess expenditures were covered by additional revenues received or use of available fund balance.

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Debt Service Fund			
Debt Service Budget	\$ 3,112,120	\$ 3,118,826	\$ 6,706
Capital Projects Fund			
Capital Budget	1,745,673	1,983,890	238,217
Tax Increment District	-	147,698	147,698
Special Revenue Funds			
Parks	313,000	361,252	48,252
Revolving Loan	8,500	10,704	2,204
Capital Improvement	-	13,466	13,466
Tax Increment District	377,500	468,150	90,650
Compensated Absences	203,388	233,891	30,503

**C. LIMITATIONS ON THE CITY'S TAX LEVY**

Wisconsin law limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2015 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

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

	Carrying Value	Bank Balance	Associated Risks
Deposits with banks	\$ 64,618,604	\$ 60,983,390	Custodial Credit Risk
LGIP	43,327	43,327	Credit Risk
Wisconsin Investment Series Cooperative (WISC)	411,665	411,665	Credit and Interest Rate Risk
Petty cash	1,785	-	None
 Total Cash and Investments	 \$ 65,075,381	 \$ 61,438,382	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 24,083,778		
Temporary investments	1,338,265		
Restricted cash and investments	8,937,534		
Per statement of net position - Fiduciary Funds			
Library expansion trust	23,138		
Volunteer Fire-Co. Scholarship	176,296		
Agency	30,516,370		
 Total Cash and Investments	 \$ 65,075,381		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**A. DEPOSITS AND INVESTMENTS (continued)**

***Custodial Credit Risk***

**Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

As of December 31, 2015, there were no City bank balances exposed to custodial credit risk as uninsured and uncollateralized.

**Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City does not have any investments exposed to custodial credit risk.

***Credit Risk***

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

The City had investments in the external Wisconsin Local Government Investment Pool and Wisconsin Investment Series Cooperative, which are not rated.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rate will adversely affect the value of an investment.

As of December 31, 2015 the City investments were as follows:

Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1 Year	1-3 Years
WISC	\$ 411,665	\$ -	\$ 411,665

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

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**B. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

	<u>Restricted Assets</u>	<u>Liabilities Payable from Restricted Assets and Other Liabilities</u>	<u>Restricted Net Position</u>
<b>Sewer Utility</b>			
Cash and investments			
Equipment replacement	\$ 870,956	\$ -	\$ 870,956
Reserve capacity assessments	6,085,017	-	6,085,017
RCA assessments receivable	189,358	-	189,358
Net pension asset	96,942	-	96,942
Total Sewer Utility	<u>7,242,273</u>	<u>-</u>	<u>7,242,273</u>
<b>Water Utility</b>			
Cash and investments			
Redemption account	294,348	35,022	259,326
Reserve account	390,428	457,426	- (1)
Depreciation account	368,765	-	368,765
Construction funds	214,264	37,241	- (1)
Reserve capacity assessments	713,756	-	713,756
WCA assessments receivable	127,725	8,022	119,703
Net pension asset	56,984	-	56,984
Total Water Utility	<u>2,166,270</u>	<u>537,711</u>	<u>1,518,534</u>
Total Business-type Activities	<u>\$ 9,408,543</u>	<u>\$ 537,711</u>	<u>\$ 8,760,807</u>

(1) – Reserve accounts and Construction funds consist of bond proceeds and are not a component of net position.

Below are descriptions of restricted assets:

**Long Term Debt Accounts**

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
- Construction – Used to report proceeds of revenue bond issuances that are restricted

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**B. RESTRICTED ASSETS (continued)**

***Water and Sewer Capacity Assessments Account***

The water and sewer utilities established funds to account for capacity assessment levies that are restricted to finance certain system capital costs or related debt service costs.

***Equipment Replacement Account***

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources and debt covenants.

***Net Pension Asset***

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund the employee benefits.

**C. RECEIVABLES**

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components for *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 13,615,061	\$ -
Other	101	10,752
Program revenue collected in advance	50,542	-
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 13,665,704	\$ 10,752
Unearned revenue included in liabilities	\$ 50,643	
Unearned revenue included in deferred inflows	13,615,061	
Total Unearned Revenue for Governmental Funds	\$ 13,665,704	

Significantly all governmental activities receivables are expected to be collected within one year.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

**Governmental Activities**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 5,539,706	\$ -	\$ -	\$ 5,539,706
Construction in progress	2,241,810	580,998	1,808,436	1,014,372
Total capital assets not being depreciated/amortized	<u>7,781,516</u>	<u>580,998</u>	<u>1,808,436</u>	<u>6,554,078</u>
Capital assets being depreciated/amortized				
Intangibles	452,423	60,700	-	513,123
Land improvements	4,064,113	-	-	4,064,113
Buildings	13,196,365	15,294	-	13,211,659
Machinery and equipment	7,743,413	523,110	170,698	8,095,825
Library collection	2,989,271	181,616	-	3,170,887
Infrastructure	67,357,488	5,494,792	-	72,852,280
Total Capital Assets Being Depreciated/Amortized	<u>95,803,073</u>	<u>6,275,512</u>	<u>170,698</u>	<u>101,907,887</u>
Less: Accumulated depreciation/amortization for				
Intangibles	(138,330)	(87,802)	-	(226,132)
Land improvements	(2,088,174)	(141,537)	-	(2,229,711)
Buildings	(5,772,727)	(313,196)	-	(6,085,923)
Machinery and equipment	(5,374,111)	(453,276)	170,698	(5,656,689)
Library collection	(2,509,644)	(133,184)	-	(2,642,828)
Infrastructure	(30,318,163)	(2,174,049)	-	(32,492,212)
Total Accumulated Depreciation/Amortization	<u>(46,201,149)</u>	<u>(3,303,044)</u>	<u>170,698</u>	<u>(49,333,495)</u>
Net Capital Assets Being Depreciated/Amortized	<u>49,601,924</u>	<u>2,972,468</u>	<u>-</u>	<u>52,574,392</u>
Total Governmental Activities Capital Assets, Net of Depreciation/Amortization	<u>\$ 57,383,440</u>	<u>\$ 3,553,466</u>	<u>\$ 1,808,436</u>	<u>\$ 59,128,470</u>

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**D. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

**Governmental Activities**

General government	\$ 185,349
Public safety	303,730
Public works, which includes the depreciation of infrastructure	2,238,784
Economic development	137,564
Education and recreation	<u>437,617</u>
Total Governmental Activities Depreciation Expense	<u>\$ 3,303,044</u>

**Business Type Activities**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being depreciated				
Land and easements	\$ 196,566	\$ 112,382	\$ -	\$ 308,948
Construction in progress	<u>59,409</u>	<u>138,090</u>	<u>154,188</u>	<u>43,311</u>
Total Capital Assets Not Being Depreciated	<u>255,975</u>	<u>250,472</u>	<u>154,188</u>	<u>352,259</u>
Capital Assets being depreciated				
Buildings and improvements	20,343,011	150,313	-	20,493,324
Improvements other than buildings	75,299,840	2,026,611	-	77,326,451
Machinery and equipment	<u>4,469,850</u>	<u>111,767</u>	<u>28,686</u>	<u>4,552,931</u>
Total Capital Assets Being Depreciated	<u>100,112,701</u>	<u>2,288,691</u>	<u>28,686</u>	<u>102,372,706</u>
Less: Accumulated Depreciation				
Buildings and improvements	(10,392,262)	(727,421)	-	(11,119,683)
Improvements other than buildings	(16,615,835)	(964,037)	-	(17,579,872)
Machinery and equipment	<u>(3,485,460)</u>	<u>(151,560)</u>	<u>24,604</u>	<u>(3,612,416)</u>
Total Accumulated Depreciation	<u>(30,493,557)</u>	<u>(1,843,018)</u>	<u>24,604</u>	<u>(32,311,971)</u>
Net Capital Assets				
Being Depreciated	<u>69,619,144</u>	<u>445,673</u>	<u>4,082</u>	<u>70,060,735</u>
Total Business Activities Capital Assets, Net of Depreciation	<u>\$ 69,875,119</u>	<u>\$ 696,145</u>	<u>\$ 158,270</u>	<u>\$ 70,412,994</u>

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**D. CAPITAL ASSETS (continued)**

Depreciation/amortization expense was charged to functions as follows:

<b>Business-Type Activities</b>		
Sewer utility		\$ 1,055,855
Water utility		<u>786,369</u>
Total Business-Type Activities Depreciation/Amortization Expense		<u>\$ 1,842,224</u>

Depreciation/amortization expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

**E. INTERFUND TRANSFERS**

**Transfers**

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Water Utility	\$ 526,368	Payment in lieu of taxes
Nonmajor Governmental Funds	General Fund	42,063	Compensated absences committed balance
Debt Service Fund	Nonmajor Governmental Funds	1,001,126	Debt service requirements
General Fund	Nonmajor Governmental Funds	17,601	Transfer closed Recreation Ticket & Other Grants fund
Water Utility	Capital Budget Fund	74,313	Unspent proceeds
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>1,785,000</u>	CDA debt service and capital improvements
Subtotal - Fund Financial Statements		3,446,471	
Less: Fund eliminations		<u>(2,845,790)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 600,681</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The City transferred \$74,313 of unspent bond proceeds from the Capital Budget Fund to the Water Utility. This transaction is shown as a transfer out in the Capital Budget Fund and as an increase to long-term debt liabilities in the Water Utility. Therefore, transfers on the Statement of Activities will not agree to the schedule above.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG-TERM OBLIGATIONS**

**General Obligation Debt**

Long-term obligations activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 29,130,092		\$ 2,191,930	\$ 26,938,162	\$ 2,128,903
Unamortized debt premium	832,413	-	69,207	763,206	-
Total Bonds and Notes Payable	<u>29,962,505</u>	<u>-</u>	<u>2,261,137</u>	<u>27,701,368</u>	<u>2,128,903</u>
Other Liabilities					
Accrued compensated absences - vacation and sick leave	<u>2,760,222</u>	<u>31,776</u>	<u>217,270</u>	<u>2,574,728</u>	<u>100,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 32,722,727</u>	<u>\$ 31,776</u>	<u>\$ 2,478,407</u>	<u>\$ 30,276,096</u>	<u>\$ 2,228,903</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable					
Revenue Bonds	\$ 1,950,000	\$ -	\$ 100,000	\$ 1,850,000	\$ 100,000
Revenue Refunding Bonds	1,715,000	-	300,000	1,415,000	300,000
General obligation debt	1,350,990	74,313	116,894	1,308,409	35,606
Wisconsin Safe Drinking Water Loan	385,800	-	21,253	364,547	21,820
Unamortized debt premium	<u>90,757</u>	<u>-</u>	<u>10,760</u>	<u>79,997</u>	<u>-</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 5,492,547</u>	<u>\$ 74,313</u>	<u>\$ 548,907</u>	<u>\$ 5,017,953</u>	<u>\$ 457,426</u>

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2015, was \$135.3 million. Total general obligation debt outstanding at year end was \$28,246,571.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG-TERM OBLIGATIONS (continued)**

**General Obligation Debt**

	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/15
Governmental Activities						
General Obligation Debt						
Refunding Debt	6/1/06	4.00-4.25	6/1/07-17	6/1&12/1	\$ 5,160,000	\$ 1,330,000
Refunding Debt	4/27/10	2.50-4.75	5/1/12-24	4/1& 10/1	5,575,000	5,050,000
Refunding Debt	4/27/10	4.00-6.50	5/1/12-18	4/1& 10/1	815,000	400,000
Promissory notes	10/22/13	2.00-4.00	4/1/14-31	4/1& 10/1	11,805,000	11,711,500
Corporate purpose bonds	10/22/13	2.00-3.125	4/1/14-23	4/1& 10/1	885,000	780,090
Refunding Debt	11/26/13	1.00-3.00	4/1/14-22	4/1& 10/1	9,550,000	7,600,000
Promissory notes	12/31/14	-	2/15/15-22	-	76,082	<u>66,572</u>
Total Governmental Activities - General Obligation Debt						<u>\$ 26,938,162</u>

	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/15
Business-type activities						
General obligation debt	10/22/13	2.00-4.00	4/1/14-31	4/1 & 10/1	\$ 820,000	\$ 813,500
General obligation debt	10/22/13	2.00-3.125	4/1/14-23	4/1 & 10/1	440,000	<u>494,909</u>
Total Business-Type Activities						<u>\$ 1,308,409</u>

Debt service requirements to maturity are as follows:

	Governmental Type Long-Term Debt		Business Type Long-Term Debt	
	Principal	Interest	Principal	Interest
2016	\$ 2,128,903	\$ 937,923	\$ 35,606	\$ 47,434
2017	2,150,528	877,200	33,981	46,738
2018	2,026,200	812,713	58,309	45,913
2019	2,016,498	762,356	68,010	44,552
2020	3,656,795	696,966	77,713	42,316
2021-2025	7,805,865	2,288,548	538,165	155,794
2026-2030	5,843,749	910,925	406,250	63,327
2031	1,309,624	26,180	90,375	1,820
Totals	<u>\$ 26,938,162</u>	<u>\$ 7,312,811</u>	<u>\$ 1,308,409</u>	<u>\$ 447,894</u>

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG-TERM OBLIGATIONS (continued)**

**Other Debt Information**

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

**Water System Revenue Bonds**

The Water Utility has \$3,265,000 in Water System Revenue Bonds outstanding at December 31, 2015. The bonds are not general obligations of the City of Muskego and are payable from a first pledge of the income and revenues derived from the operations of the systems in accordance with the resolution adopted in conjunction with the issuance of the debt. The resolution creates a statutory mortgage lien upon the systems and its revenues in accordance with Section 66 of Wisconsin Statutes. The utilities have established certain funds, as described in the resolution, to account for the allocation of each utility’s gross revenue and have deposited funds in compliance with the bond covenants.

Revenue bonds payable at December 31, 2015 consists of the following:

	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/15
<u>Water Utility</u>						
Revenue Bonds	9/1/08	3.5-5.25	5/1/09-28	5/1&11/1	2,450,000	1,850,000
Revenue Refunding Bonds	11/8/11	2.0-4.00	5/1/12-20	5/1&11/1	2,740,000	<u>1,415,000</u>
Total Business-Type Activities Revenue Debt						<u>\$ 3,265,000</u>

Debt service requirements to maturity are as follows:

	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 400,000	\$ 129,544
2017	425,000	117,669
2018	440,000	103,506
2019	475,000	86,562
2020	250,000	71,750
2021-2025	725,000	241,797
2026-2028	<u>550,000</u>	<u>44,625</u>
	<u>\$ 3,265,000</u>	<u>\$ 795,453</u>

The total principal and interest paid during the year on the Water Revenue Bonds was \$539,544. The revenues as defined by the respective bond covenants for the same period were \$2.388 million for the Water Utility. Annual principal and interest payments are expected to require 14% of the net revenues for the Water Utility.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**G. NET POSITION / FUND BALANCES**

**Governmental Activities**

Net position reported on the government wide statement of net position at December 31, 2015 includes the following:

Net investment in capital assets	
Land	\$ 5,539,706
Other capital assets, net of accumulated depreciation	52,574,393
Construction in progress	1,014,372
Less: related long-term debt outstanding	(26,938,162)
Less: unamortized debt premium	(763,206)
Plus: unspent capital related debt proceeds	159,842
Plus: non-capital debt proceeds	<u>2,653,546</u>
Total Net investment in capital assets	<u>34,240,491</u>
Restricted for:	
Tax Increment District purposes	688,182
Other debt service	2,603,811
Pensions	<u>1,367,743</u>
Total Restricted Net Position	<u>4,659,736</u>
Unrestricted	<u>9,961,047</u>
Total Governmental Activities Net Position	<u>\$ 48,861,274</u>

City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**G. NET POSITION / FUND BALANCES (continued)**

**Governmental Funds**

Governmental fund balances reported on the fund financial statements at December 31, 2015 include the following:

<b>Nonspendable</b>	
Major Fund	
General Fund	
Prepaid items	\$ 39,475
Total Major Fund	<u>39,475</u>
Nonmajor Funds	
Special Revenue Funds	
Land Open Space Conservation Fund - prepaid items	<u>175</u>
Total Nonmajor Funds	<u>175</u>
<b>Total Nonspendable Fund Balance</b>	<b><u><u>\$ 39,650</u></u></b>
<b>Restricted</b>	
Major Funds	
Debt Service Fund	\$ 2,834,602
Capital Projects Fund - Tax Increment District	
Project costs and debt service	<u>199,297</u>
Total Major Funds	<u>3,033,899</u>
Nonmajor Fund	
Special Revenue Fund	
Tax Increment District Funds	<u>524,627</u>
Total Nonmajor Funds	<u>524,627</u>
<b>Total Restricted Fund Balance</b>	<b><u><u>\$ 3,558,526</u></u></b>

City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**G. NET POSITION / FUND BALANCES (continued)**

**Governmental Funds (continued)**

**Committed**

Nonmajor Funds

Special Revenue Funds

Park Fund	\$	876,655
Refuse / Recycling Fund		688,250
Revolving Loan Fund		274,250
Landfill Standing Committee Funds		80,410
Stormwater Management Fund		261,633
Well Testing Reserve Fund		572,399
Land Open Space Conservation Fund		190,885
Compensated Absences Fund		2,574,728
Cable TV Fund		109,784
Capital Improvements Fund		784,157
Federated Library System Fund		118,363
Big Muskego Lake - Bass Bay Protection and Rehabilitation District		114,473
Landfill Fund		<u>2,142,094</u>

Total Nonmajor Funds 8,788,081

**Total Committed Fund Balance** \$ 8,788,081

**Assigned**

Nonmajor Funds

Capital Projects Funds

Industrial Park Expansion Fund		6,216
Capital Equipment Fund		<u>643,037</u>

Total Nonmajor Funds 649,253

**Total Assigned Fund Balance** \$ 649,253

**Unassigned**

Major Fund

General Fund	\$	<u>4,449,520</u>
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**Total Unassigned Fund Balance** \$ 4,449,520

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**G. NET POSITION / FUND BALANCES (continued)**

Net position reported on the government wide statement of net position at December 31, 2015 includes the following:

***Business-type Activities***

Net Investment in Capital Assets	
Land and easements	\$ 308,948
Other capital assets, net of accumulated depreciation	70,060,735
Construction in progress	43,311
Less: related long-term debt outstanding	(4,937,956)
Add: unspent capital related debt proceeds	212,753
Add: Non-capital debt proceeds	310,429
Total Net Investment in Capital Assets	<u>65,998,220</u>
Restricted for:	
Debt service	259,326
Depreciation and equipment replacement funds	1,239,721
Water and sewer capacity assessment funds	7,107,834
Pensions	153,926
Total Restricted Net Position	<u>8,760,807</u>
Unrestricted	<u>9,700,029</u>
Total Business-type Activities Net Position	<u>\$ 84,459,056</u>

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**H. COMPONENT UNIT**

This report contains the Muskego Community Development Authority (Authority), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements, which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The Authority follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

At year-end, the carrying amount of the Authority’s deposits was \$190,355 and the bank balance was \$190,355. The Authority does not have any deposits exposed to custodial credit risk.

c. Cash and Cash Equivalents

The Authority considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

d. Capital Assets

Capital assets used by the Authority are those assets owned by the City of Muskego. Consequently, the Authority does not report any capital assets.

e. Employee Retirement System

The Muskego Community Development Authority does not participate in a pension plan.

**I. RESTATEMENT OF NET POSITION**

Net position has been restated as a result of the implementation of GASB Statement No. 68- *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the net pension asset and related deferred outflows and deferred inflows if any, to be reported in the financial statements. The details of this restatement are as follows:

	Governmental Activities	Business-type Activities	Water Utility	Sewer Utility
Net Position - December 31, 2014 (as reported)	\$ 41,867,565	\$ 82,928,744	\$ 25,429,204	\$ 57,499,540
Add: Net pension asset	2,209,427	248,649	92,050	156,599
Add: Deferred outflows related to pensions	541,878	60,983	22,576	38,407
Net position - December 31, 2014 (as restated)	<u>\$ 44,618,870</u>	<u>\$ 83,238,376</u>	<u>\$ 25,543,830</u>	<u>\$ 57,694,546</u>

## City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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### NOTE V – OTHER INFORMATION

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

##### **Summary of Significant Accounting Policies**

**Pension.** For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### **General Information About the Pension Plan**

**Plan description.** The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

**Vesting.** For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE V – OTHER INFORMATION (continued)**

**A. EMPLOYEES’ RETIREMENT SYSTEM (continued)**

**Post-Retirement adjustments.** The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees 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.

During the reporting period, the WRS recognized \$602,861 in contributions from the City.

Contribution rates as of December 31, 2015 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE V – OTHER INFORMATION** (continued)

**A. EMPLOYEES’ RETIREMENT SYSTEM** (continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2015, the City reported an asset of \$1,521,669 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utility’s proportion of the net pension asset was based on the utility’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the City of Muskego’s proportion was 0.061950310%, which was a decrease of 0.000397870% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$608,456.

At December 31, 2015, the utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>
Differences between expected and actual experience	\$ 220,595
Changes in assumptions	-
Net differences between projected and actual earnings on pension plan investments	736,866
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,788
Employer contributions subsequent to the measurement date	565,424
<b>Total</b>	<b>\$ 1,533,673</b>

\$565,424 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<b>Deferred Outflow of Resources</b>
2016	\$ 236,969
2017	236,969
2018	236,969
2019	236,969
2020	20,373
Thereafter	-

## City of Muskego

### Notes to Financial Statements As of and for the Year Ended December 31, 2015

#### NOTE V – OTHER INFORMATION (continued)

##### A. EMPLOYEES' RETIREMENT SYSTEM (continued)

**Actuarial assumptions.** The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

\*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

**Long-term expected Return on Plan Assets.** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

**NOTE V – OTHER INFORMATION** (continued)

**A. EMPLOYEES’ RETIREMENT SYSTEM** (continued)

**Single Discount rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s proportionate share of the net pension asset to changes in the discount rate.** The following presents the utility’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the utility’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase To Discount Rate (8.20%)</b>
City of Muskego’s proportionate share of the net pension liability (asset)	\$ 4,292,891	\$ (1,521,669)	\$ (6,113,773)

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE V – OTHER INFORMATION (continued)**

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***B. RISK MANAGEMENT***

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

***C. Commitment and Contingencies***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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

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

**City of Muskego**

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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**NOTE V – OTHER INFORMATION (continued)**

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**C. COMMITMENTS AND CONTINGENCIES (continued)**

***Environmental Protection Agency***

In 1983, the Environmental Protection Agency placed the Muskego Sanitary Landfill on the National Superfund list. This prompted an investigation into alleged ground water contamination emitting from the site. As a result of the initial investigation, the Environmental Protection Agency named the City of Muskego as one of approximately 30 potentially responsible parties, in the owner/operator group.

Another potentially responsible party, Waste Management of Wisconsin, Inc., has headed the negotiations with the EPA relative to the preparation of a Remedial Investigation/Feasibility Study. The City of Muskego is not a party to this stipulation regarding payment for this Study, which has not yet been completed.

At December 31, 2015, the nature and extent of a potential liability for payment for the study as well as payment for possible clean-up costs is unknown. The City has tendered the defense to its insurance carriers but has not been advised as to its carrier's position with respect to the potential liability.

In addition, the City has received Notices of Claims and Claims from other property owners alleging the City's involvement with ground water contamination. The Notices have been forwarded to the City's insurance carrier and the questions of coverage, liability and damages are, as yet, unresolved.

The City has an agreement with Waste Management wherein Waste Management shall indemnify the City from any potential Superfund liability.

**D. WATER AND SEWER UTILITY RATES**

The Water Utility implemented current rates effective October 1, 2014.

Effective January 1, 2010 the sewer rate for a single family residence is \$167.66 per quarter or \$670.64 per year. All industrial and commercial users were charge on actual metered use at \$6.81 per 1,000 gallons plus a connection charge of \$69.10 per quarter.

**E. ANTENNA LEASE AGREEMENTS**

The City has lease agreements with four cellular phone companies to lease a Utility water tower as a site for cellular antennas. The initial term of the leases was 5 years with the right to extend the leases for four additional 5-year terms.

Rental income from rental of the water tower reported in other water revenues amounted to \$118,293.

Future minimum rentals related to these leases and expected future extensions are as follows:

2016	\$124,210
2017	130,420
2018	<u>136,941</u>
Total	<u>\$391,571</u>

## City of Muskego

Notes to Financial Statements  
As of and for the Year Ended December 31, 2015

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### **NOTE V – OTHER INFORMATION (continued)**

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#### **F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS**

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

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

When they become effective, application of these standards may restate portions of these financial statements.

#### **G. SUBSEQUENT EVENTS**

The Water Utility implemented new rates effective January 1, 2016 which reflected a 3% increase.

On June 1, 2016, the Joint Review Board approved the project plan for the creation of Tax Increment District No. 11.

On July 26, 2016, the City issued \$7,125,000 in General Obligation Promissory Notes. These notes will be used to fund the cost of construction and remodeling of a new City Hall, Police Station and Public Works building.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Muskego**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET -  
WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2015

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<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Asset</u>	<u>Proportionate Share of the Net Pension Asset</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Asset</u>
12/31/15	0.06195031%	\$ 1,521,669	\$ 7,320,021	20.79%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2015

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<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 565,424	\$ (565,424)	\$ -	\$ 7,142,385	7.92%

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

**City of Muskego**

Notes to Required Supplementary Information  
As of and for the Year Ended December 31, 2015

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**NOTE I – WISCONSIN RETIREMENT SYSTEM**

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The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The City is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

*Changes in benefit terms.* There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

*Changes in Assumptions.* There were no changes in assumptions.

## **SUPPLEMENTARY INFORMATION**

**City of Muskego**

Combining Balance Sheet  
 Non-major Governmental Funds  
 Special Revenue Funds  
 As of December 31, 2015

	Park Funds	Other Grant Fund	Refuse/ Recycling Fund	Revolving Loan Fund	Landfill Standing Committee Funds	Stormwater Management Fund	Well Testing Reserve Fund	Land Open Space Conservation Fund
<b>ASSETS</b>								
Cash and cash equivalents	\$ 937,418	\$ -	\$ 439,605	\$ 222,848	\$ 80,410	\$ 204,029	\$ 572,399	\$ 191,229
Accounts receivable - net	6,785	-	274,891	374,606	-	58,397	-	-
Loan receivables	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	175
Taxes receivable	-	-	55,778	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 944,203</b>	<b>\$ -</b>	<b>\$ 770,274</b>	<b>\$ 597,454</b>	<b>\$ 80,410</b>	<b>\$ 262,426</b>	<b>\$ 572,399</b>	<b>\$ 191,404</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
Liabilities								
Accounts payable	\$ 67,548	\$ -	\$ 82,024	\$ 3,204	\$ -	\$ 793	\$ -	\$ 344
Due to other governments	-	-	-	320,000	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>67,548</b>	<b>-</b>	<b>82,024</b>	<b>323,204</b>	<b>-</b>	<b>793</b>	<b>-</b>	<b>344</b>
Deferred Inflows of Resources								
Unearned revenues	-	-	-	-	-	-	-	-
Unavailable revenues	-	-	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	175
Restricted	-	-	-	-	-	-	-	-
Committed	876,655	-	688,250	274,250	80,410	261,633	572,399	190,885
<b>Total Fund Balances</b>	<b>876,655</b>	<b>-</b>	<b>688,250</b>	<b>274,250</b>	<b>80,410</b>	<b>261,633</b>	<b>572,399</b>	<b>191,060</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 944,203</b>	<b>\$ -</b>	<b>\$ 770,274</b>	<b>\$ 597,454</b>	<b>\$ 80,410</b>	<b>\$ 262,426</b>	<b>\$ 572,399</b>	<b>\$ 191,404</b>

**City of Muskego**

Combining Balance Sheet  
 Non-major Governmental Funds  
 Special Revenue Funds  
 As of December 31, 2015  
 (Concluded)

	Compensated Absences Fund	Recreational Ticket Fund	Cable TV Fund	Capital Improvements Fund	Federated Library System Fund	Big Muskego Lake- Bass Bay Protection and Rehabilitation District	Landfill Fund	Tax Increment District Funds	Non-Major Special Revenue Fund Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ 2,574,728	\$ -	\$ 109,784	\$ 502,691	\$ 118,352	\$ 123,061	\$ 1,955,407	\$ 524,627	\$ 8,556,588
Accounts receivable - net	-	-	-	-	-	-	191,392	-	906,071
Loan receivables	-	-	-	281,466	-	-	-	-	281,466
Due from other governments	-	-	-	-	783	13,909	-	-	14,692
Prepaid Items	-	-	-	-	-	-	-	-	175
Taxes receivable	-	-	-	-	-	-	-	1,263,829	1,319,607
<b>TOTAL ASSETS</b>	<u>\$ 2,574,728</u>	<u>\$ -</u>	<u>\$ 109,784</u>	<u>\$ 784,157</u>	<u>\$ 119,135</u>	<u>\$ 136,970</u>	<u>\$ 2,146,799</u>	<u>\$ 1,788,456</u>	<u>\$ 11,078,599</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 772	\$ 11,644	\$ 4,705	\$ -	\$ 171,034
Due to other governments	-	-	-	-	-	-	-	-	320,000
Unearned revenues	-	-	-	-	-	101	-	-	101
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>772</u>	<u>11,745</u>	<u>4,705</u>	<u>-</u>	<u>491,135</u>
<b>Deferred Inflows of Resources</b>									
Unearned revenues	-	-	-	-	-	-	-	1,263,829	1,263,829
Unavailable revenues	-	-	-	-	-	10,752	-	-	10,752
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,752</u>	<u>-</u>	<u>1,263,829</u>	<u>1,274,581</u>
<b>Fund Balances</b>									
Nonspendable	-	-	-	-	-	-	-	-	175
Restricted	-	-	-	-	-	-	-	524,627	524,627
Committed	2,574,728	-	109,784	784,157	118,363	114,473	2,142,094	-	8,788,081
<b>Total Fund Balances</b>	<u>2,574,728</u>	<u>-</u>	<u>109,784</u>	<u>784,157</u>	<u>118,363</u>	<u>114,473</u>	<u>2,142,094</u>	<u>524,627</u>	<u>9,312,883</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 2,574,728</u>	<u>\$ -</u>	<u>\$ 109,784</u>	<u>\$ 784,157</u>	<u>\$ 119,135</u>	<u>\$ 136,970</u>	<u>\$ 2,146,799</u>	<u>\$ 1,788,456</u>	<u>\$ 11,078,599</u>

**City of Muskego**

Combining Balance Sheet  
 Non-major Governmental Funds  
 Capital Projects Funds  
 As of December 31, 2015

	Industrial Park Expansion Fund	Capital Equipment Fund	Non-Major Capital Projects Fund Total
	<u>        </u>	<u>        </u>	<u>        </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,216	\$ 720,483	\$ 726,699
Accounts receivable - net	-	2,037	2,037
Due from other governments	-	164,000	164,000
<b>TOTAL ASSETS</b>	<u><u>\$ 6,216</u></u>	<u><u>\$ 886,520</u></u>	<u><u>\$ 892,736</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ 243,483	\$ 243,483
<b>TOTAL LIABILITIES</b>	<u>        -</u>	<u>    243,483</u>	<u>    243,483</u>
 Fund Balances			
Assigned	<u>    6,216</u>	<u>   643,037</u>	<u>   649,253</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 6,216</u></u>	<u><u>\$ 886,520</u></u>	<u><u>\$ 892,736</u></u>

**City of Muskego**

Combining Balance Sheet  
Non-major Governmental Funds  
As of December 31, 2015

	Non-Major Special Revenue Fund Total	Non-Major Capital Projects Fund Total	Non-major Governmental Funds Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,556,588	\$ 726,699	\$ 9,283,287
Accounts receivable - net	906,071	2,037	908,108
Loan receivables	281,466	-	281,466
Due from other governments	14,692	164,000	178,692
Prepaid Items	175	-	175
Taxes receivable	1,319,607	-	1,319,607
<b>TOTAL ASSETS</b>	<b><u>\$ 11,078,599</u></b>	<b><u>\$ 892,736</u></b>	<b><u>\$ 11,971,335</u></b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 171,034	\$ 243,483	\$ 414,517
Due to other governments	320,000	-	320,000
Unearned revenues	101	-	101
<b>Total Liabilities</b>	<b><u>491,135</u></b>	<b><u>243,483</u></b>	<b><u>734,618</u></b>
 Deferred Inflows of Resources			
Unearned revenues	1,263,829	-	1,263,829
Unavailable revenues	10,752	-	10,752
<b>Total Deferred Inflows of Resources</b>	<b><u>1,274,581</u></b>	<b><u>-</u></b>	<b><u>1,274,581</u></b>
 Fund Balances			
Nonspendable	175	-	175
Restricted	524,627	-	524,627
Committed	8,788,081	-	8,788,081
Assigned	-	649,253	649,253
<b>Total Fund Balances</b>	<b><u>9,312,883</u></b>	<b><u>649,253</u></b>	<b><u>9,962,136</u></b>
 <b>TOTAL LIABILITIES, DEFFERED INFLOWS OF RESOURCES AND FUND BALANCES</b>	 <b><u>\$ 11,078,599</u></b>	 <b><u>\$ 892,736</u></b>	 <b><u>\$ 11,971,335</u></b>

**City of Muskego**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Non-Major Governmental Funds  
 Special Revenue Funds  
 For the Year Ended December 31, 2015

	Park Fund	Other Grants Fund	Refuse/ Recycling Fund	Revolving Loan Fund	Landfill Standing Committee Fund	Stormwater Management Fund	Well Testing Reserve Fund	Land Open Space Conservation Fund
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	73,127	-	-	58,397	-	-
Licenses and permits	7,078	-	-	-	-	-	-	-
Public charges for services	336,214	-	994,893	-	10,000	-	33,000	242,078
Commercial revenue	8,573	-	43,568	5,819	28	273	722	200
<b>Total Revenues</b>	<b>351,865</b>	<b>-</b>	<b>1,111,588</b>	<b>5,819</b>	<b>10,028</b>	<b>58,670</b>	<b>33,722</b>	<b>242,278</b>
<b>EXPENDITURES</b>								
Current								
General government	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	18,329	-	-
Health and sanitation	-	-	1,123,608	-	-	-	-	-
Conservation and development	-	-	-	10,704	4,232	-	-	113,058
Education and recreation	-	-	-	-	-	-	-	-
Capital Outlay	361,252	-	-	-	-	114,167	-	4,222
<b>Total Expenditures</b>	<b>361,252</b>	<b>-</b>	<b>1,123,608</b>	<b>10,704</b>	<b>4,232</b>	<b>132,496</b>	<b>-</b>	<b>117,280</b>
Excess (deficiency) of revenues over expenditures	(9,387)	-	(12,020)	(4,885)	5,796	(73,826)	33,722	124,998
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	80,000	-	-	-	-	120,000	-	-
Transfers out	-	(10,950)	-	-	-	-	-	(50,000)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
<b>Total Other Financing Source (Uses)</b>	<b>80,000</b>	<b>(10,950)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,000</b>	<b>-</b>	<b>(50,000)</b>
Net Change in Fund Balance	70,613	(10,950)	(12,020)	(4,885)	5,796	46,174	33,722	74,998
FUND BALANCES - Beginning of Year	806,042	10,950	700,270	279,135	74,614	215,459	538,677	116,062
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 876,655</b>	<b>\$ -</b>	<b>\$ 688,250</b>	<b>\$ 274,250</b>	<b>\$ 80,410</b>	<b>\$ 261,633</b>	<b>\$ 572,399</b>	<b>\$ 191,060</b>

**City of Muskego**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Non-Major Governmental Funds  
 Special Revenue Funds  
 For the Year Ended December 31, 2015  
 (Concluded)

	Compensated Absences Fund	Recreational Ticket Fund	Cable TV Fund	Capital Improvement Fund	Federated Library System Fund	Big Muskego Lake- Bass Bay Protection and Rehabilitation District	Landfill Fund	Tax Increment District Funds	Non-Major Special Revenue Fund Total
<b>REVENUES</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,234,868	\$ 1,234,868
Intergovernmental revenues	-	-	-	-	3,710	-	-	7,526	142,760
Licenses and permits	-	-	-	-	-	-	-	-	7,078
Public charges for services	-	-	-	-	-	28,590	1,614,619	-	3,259,394
Commercial revenue	3,440	-	-	6,243	3,467	401	2,704	-	75,438
<b>Total Revenues</b>	<b>3,440</b>	<b>-</b>	<b>-</b>	<b>6,243</b>	<b>7,177</b>	<b>28,991</b>	<b>1,617,323</b>	<b>1,242,394</b>	<b>4,719,538</b>
<b>EXPENDITURES</b>									
Current									
General government	233,891	-	3,000	-	-	-	-	18,150	255,041
Public Works	-	-	-	-	-	-	-	-	18,329
Health and sanitation	-	-	-	-	-	-	62,319	-	1,185,927
Conservation and development	-	-	-	13,466	-	29,619	-	-	171,079
Education and recreation	-	-	-	-	6,961	-	-	-	6,961
Capital Outlay	-	-	-	-	-	-	-	450,000	929,641
<b>Total Expenditures</b>	<b>233,891</b>	<b>-</b>	<b>3,000</b>	<b>13,466</b>	<b>6,961</b>	<b>29,619</b>	<b>62,319</b>	<b>468,150</b>	<b>2,566,978</b>
Excess (deficiency) of revenues over expenditures	(230,451)	-	(3,000)	(7,223)	216	(628)	1,555,004	774,244	2,152,560
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	42,063	-	-	-	-	-	-	-	242,063
Transfers out	-	(6,651)	-	-	-	-	(1,785,000)	(951,126)	(2,803,727)
Proceeds from sale of capital assets	-	-	-	-	994	-	-	-	994
<b>Total Other Financing Source (Uses)</b>	<b>42,063</b>	<b>(6,651)</b>	<b>-</b>	<b>-</b>	<b>994</b>	<b>-</b>	<b>(1,785,000)</b>	<b>(951,126)</b>	<b>(2,560,670)</b>
Net Change in Fund Balance	(188,388)	(6,651)	(3,000)	(7,223)	1,210	(628)	(229,996)	(176,882)	(408,110)
FUND BALANCES - Beginning of Year	2,763,116	6,651	112,784	791,380	117,153	115,101	2,372,090	701,509	9,720,993
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,574,728</b>	<b>\$ -</b>	<b>\$ 109,784</b>	<b>\$ 784,157</b>	<b>\$ 118,363</b>	<b>\$ 114,473</b>	<b>\$ 2,142,094</b>	<b>\$ 524,627</b>	<b>\$ 9,312,883</b>

**City of Muskego**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Non-Major Governmental Funds  
 Capital Projects Funds  
 For the Year Ended December 31, 2015

	Industrial Park Expansion Fund	Capital Equipment Fund	Non-Major Capital Projects Fund Total
<b>REVENUES</b>			
Intergovernmental revenues	\$ -	\$ 414,458	\$ 414,458
Commercial revenue	10	62,169	62,179
Total Revenues	<u>10</u>	<u>476,627</u>	<u>476,637</u>
<b>EXPENDITURES</b>			
Capital Outlay			
General government	-	388,419	388,419
Public safety	-	275,639	275,639
Public works	4,132	1,303,114	1,307,246
Education and recreation	-	16,719	16,719
Total Expenditures	<u>4,132</u>	<u>1,983,891</u>	<u>1,988,023</u>
Deficiency of revenues under expenditures	(4,122)	(1,507,264)	(1,511,386)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	1,585,000	1,585,000
Total Other Financing Sources	<u>-</u>	<u>1,585,000</u>	<u>1,585,000</u>
Net Change in Fund Balance	(4,122)	77,736	73,614
FUND BALANCES - Beginning of Year	<u>10,338</u>	<u>565,301</u>	<u>575,639</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,216</u>	<u>\$ 643,037</u>	<u>\$ 649,253</u>

**City of Muskego**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended December 31, 2015

	Non-Major Special Revenue Fund Total	Non-Major Capital Projects Fund Total	Non-major Governmental Funds Total
<b>REVENUES</b>			
Taxes	\$ 1,234,868	\$ -	\$ 1,234,868
Intergovernmental	142,760	414,458	557,218
Licenses and permits	7,078	-	7,078
Public charges for services	3,259,394	-	3,259,394
Commercial revenue	75,438	62,179	137,617
Total Revenues	<u>4,719,538</u>	<u>476,637</u>	<u>5,196,175</u>
<b>EXPENDITURES</b>			
Current:			
General government	255,041	-	255,041
Public works	18,329	-	18,329
Health and sanitation	1,185,927	-	1,185,927
Conservation and development	171,079	-	171,079
Education and recreation	6,961	-	6,961
Capital Outlay	929,641	1,988,023	2,917,664
Total Expenditures	<u>2,566,978</u>	<u>1,988,023</u>	<u>4,555,001</u>
Deficiency of revenues under expenditures	<u>2,152,560</u>	<u>(1,511,386)</u>	<u>641,174</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	242,063	1,585,000	1,827,063
Transfers out	(2,803,727)	-	(2,803,727)
Proceeds from sale of capital assets	994	-	994
Total Other Financing Source (Uses)	<u>(2,560,670)</u>	<u>1,585,000</u>	<u>(975,670)</u>
Net Change in Fund Balance	(408,110)	73,614	(334,496)
FUND BALANCES - Beginning of Year	<u>9,720,993</u>	<u>575,639</u>	<u>10,296,632</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 9,312,883</u>	<u>\$ 649,253</u>	<u>\$ 9,962,136</u>