

VILLAGE OF MUKWONAGO
Mukwonago, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2011

VILLAGE OF MUKWONAGO

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Mukwonago
Mukwonago, Wisconsin

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

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

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

As described in Note I, the Village of Mukwonago adopted the provisions of Government Accounting Standard Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011.

To the Village Board
Village of Mukwonago

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules 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, economical, 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. The Village of Mukwonago, Wisconsin, has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Mukwonago's basic financial statements. The Detailed Schedule of Revenues – Budget and Actual - General Fund, the Detailed Schedule of Expenditures – Budget and Actual – General Fund, Combining Balance Sheet – Nonmajor Governmental Funds, and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 1, 2012

BASIC FINANCIAL STATEMENTS

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VILLAGE OF MUKWONAGO

STATEMENT OF NET ASSETS As of December 31, 2011

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 9,299,378	\$ 855,332	\$ 10,154,710
Receivables (net)			
Taxes receivable	5,693,363	85,894	5,779,257
Accounts	141,117	683,611	824,728
Special assessments	1,457,728	362,064	1,819,792
Other	89	-	89
Due from other governmental units	26,952	-	26,952
Accrued interest	2,969	1,465	4,434
Internal balances	(172,614)	172,614	-
Inventories and prepaid items	88,522	29,380	117,902
Unamortized debt issuance expense	448,305	283,985	732,290
Restricted assets			
Cash and investments	1,444,012	2,293,437	3,737,449
Capital assets			
Land	1,109,628	572,364	1,681,992
Construction in progress	73,568	1,053,645	1,127,213
Other capital assets, net of depreciation/amortization	<u>26,250,368</u>	<u>29,698,170</u>	<u>55,948,538</u>
Total Assets	<u>45,863,385</u>	<u>36,091,961</u>	<u>81,955,346</u>
LIABILITIES			
Accounts payable and accrued expenses	1,472,940	350,766	1,823,706
Unearned revenue	5,688,930	-	5,688,930
Noncurrent liabilities			
Due within one year	6,399,354	853,791	7,253,145
Due in more than one year	<u>23,164,968</u>	<u>13,499,552</u>	<u>36,664,520</u>
Total Liabilities	<u>36,726,192</u>	<u>14,704,109</u>	<u>51,430,301</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,376,377	18,533,385	20,818,552
Restricted for			
Debt service	2,620,241	44,004	2,664,245
TID purposes	704,187	-	704,187
Equipment replacement	-	1,012,469	1,012,469
Impact fees	1,440,794	-	1,440,794
Revolving loans	85,681	-	85,681
Library purposes	256,518	-	256,518
Unrestricted	<u>653,395</u>	<u>1,797,994</u>	<u>3,542,599</u>
TOTAL NET ASSETS	<u>\$ 9,137,193</u>	<u>\$ 21,387,852</u>	<u>\$ 30,525,045</u>

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 818,660	\$ 144,432	\$ 51,600	\$ -
Public safety	3,837,175	1,363,273	54,961	40,692
Public works	2,290,186	304,854	673,892	151,812
Health and human services	2,620	-	-	-
Culture, education and recreation	939,318	40,019	437,212	1,063,812
Conservation and development	99,611	-	-	-
Interest and fiscal charges	<u>1,280,143</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>9,267,713</u>	<u>1,852,578</u>	<u>1,217,665</u>	<u>1,256,316</u>
Business-type Activities				
Water Utility	1,259,441	1,718,365	-	-
Sanitary Sewer Utility	<u>1,690,685</u>	<u>1,264,386</u>	<u>-</u>	<u>309,376</u>
Total Business-type Activities	<u>2,950,126</u>	<u>2,982,751</u>	<u>-</u>	<u>309,376</u>
Total	<u>\$ 12,217,839</u>	<u>\$ 4,835,329</u>	<u>\$ 1,217,665</u>	<u>\$ 1,565,692</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIF districts

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Gain on disposal of assets

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net assets

NET ASSETS - Beginning of Year

NET ASSETS - END OF YEAR

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (622,628)	\$ -	\$ (622,628)
(2,378,249)	-	(2,378,249)
(1,159,628)	-	(1,159,628)
(2,620)	-	(2,620)
601,725	-	601,725
(99,611)	-	(99,611)
<u>(1,280,143)</u>	<u>-</u>	<u>(1,280,143)</u>
<u>(4,941,154)</u>	<u>-</u>	<u>(4,941,154)</u>
-	458,924	458,924
-	<u>(116,923)</u>	<u>(116,923)</u>
-	<u>342,001</u>	<u>342,001</u>
<u>(4,941,154)</u>	<u>342,001</u>	<u>(4,599,153)</u>
3,081,562	-	3,081,562
1,669,430	-	1,669,430
575,471	-	575,471
6,159	-	6,159
408,752	-	408,752
192,366	55,769	248,135
10,900	-	10,900
15,948	2,965	18,913
<u>(231,126)</u>	<u>231,126</u>	<u>-</u>
<u>5,729,462</u>	<u>289,860</u>	<u>6,019,322</u>
788,308	631,861	1,420,169
<u>8,348,885</u>	<u>20,755,991</u>	<u>29,104,876</u>
<u>\$ 9,137,193</u>	<u>\$ 21,387,852</u>	<u>\$ 30,525,045</u>

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2011

	General Fund	Fire and Ambulance Fund	Debt Service Fund	Tax Incremental District No. 3 Fund
ASSETS				
Cash and investments	\$ 2,240,206	\$ 35,651	\$ 524,485	\$ 2,096,650
Receivables				
Taxes	2,124,072	93,430	1,911,447	657,369
Accounts	99,685	29,846	-	-
Special assessments	4,967	-	1,452,761	-
Other	89	-	-	-
Due from other governments	6,619	20,333	-	-
Accrued interest	-	-	2,969	-
Due from other funds	79,614	79,117	-	-
Prepaid items	65,289	10,510	-	-
Restricted cash and investments	-	-	-	-
TOTAL ASSETS	<u>\$ 4,620,541</u>	<u>\$ 268,887</u>	<u>\$ 3,891,662</u>	<u>\$ 2,754,019</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 153,772	\$ 30,616	\$ -	\$ 4,221
Accrued liabilities	74,305	38,234	-	-
Due to other funds	78,997	33	202	574,589
Deferred revenues	2,128,763	93,430	3,411,809	657,369
Due to other governments	84	89,169	-	-
Deposits	19,625	-	-	-
Total Liabilities	<u>2,455,546</u>	<u>251,482</u>	<u>3,412,011</u>	<u>1,236,179</u>
Fund Balances				
Nonspendable	65,289	10,510	-	-
Restricted	-	-	479,651	1,517,840
Committed	-	6,895	-	-
Assigned	784,606	-	-	-
Unassigned	1,315,100	-	-	-
Total Fund Balances	<u>2,164,995</u>	<u>17,405</u>	<u>479,651</u>	<u>1,517,840</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,620,541</u>	<u>\$ 268,887</u>	<u>\$ 3,891,662</u>	<u>\$ 2,754,019</u>

See accompanying notes to financial statements.

2010 GO Note Fund	Nonmajor Governmental Funds	Totals
\$ 1,720,653	\$ 2,681,733	\$ 9,299,378
-	907,045	5,693,363
-	11,586	141,117
-	-	1,457,728
-	-	89
-	-	26,952
-	-	2,969
1,070	323,633	483,434
-	12,723	88,522
-	1,444,012	1,444,012
<u>\$ 1,721,723</u>	<u>\$ 5,380,732</u>	<u>\$ 18,637,564</u>
\$ 662,180	\$ 197,616	\$ 1,048,405
-	24,673	137,212
444	1,783	656,048
-	902,941	7,194,312
-	115,000	204,253
-	-	19,625
662,624	1,242,013	9,259,855
-	12,723	88,522
-	1,782,993	3,780,484
1,059,099	2,343,003	3,408,997
-	-	784,606
-	-	1,315,100
1,059,099	4,138,719	9,377,709
<u>\$ 1,721,723</u>	<u>\$ 5,380,732</u>	<u>\$ 18,637,564</u>

See accompanying notes to financial statements.

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VILLAGE OF MUKWONAGO

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS As of December 31, 2011

Total Fund Balances - Governmental Funds \$ 9,377,709

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

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

Land	1,109,628
Construction in progress	73,568
Other capital assets	35,052,418
Less: Accumulated depreciation/amortization	(8,802,050)

Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.

1,505,382

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds and notes payable	(28,852,676)
Compensated absences	(596,646)
Accrued interest	(178,445)
Unamortized debt discount and issue costs	<u>448,305</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 9,137,193

VILLAGE OF MUKWONAGO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	General Fund	Fire and Ambulance Fund	Debt Service Fund	Tax Incremental District No. 3 Fund
REVENUES				
Taxes	\$ 2,146,310	\$ 57,236	\$ 1,669,430	\$ 575,471
Special assessments	86	-	230,029	-
Intergovernmental	1,087,235	31,784	-	6,482
Licenses and permits	322,041	-	-	-
Fines, forfeitures and penalties	142,004	-	-	-
Public charges for services	20,214	593,306	-	-
Intergovernmental charges for services	121,924	483,919	-	-
Investment income	11,053	538	133,837	12,294
Miscellaneous	102,217	15,689	-	-
Total Revenues	3,953,084	1,182,472	2,033,296	594,247
EXPENDITURES				
Current				
General government	784,788	-	-	10,525
Public safety	2,301,329	1,258,694	-	-
Public works	772,055	-	-	-
Health and human services	8,851	-	-	-
Culture, recreation and education	113,685	-	-	-
Conservation and development	98,548	-	-	-
Capital Outlay	17,840	4,100	-	27,892
Debt Service				
Principal	-	-	3,036,075	2,429,460
Interest and fiscal charges	-	-	884,678	328,372
Total Expenditures	4,097,096	1,262,794	3,920,753	2,796,249
Excess (deficiency) of revenues over expenditures	(144,012)	(80,322)	(1,887,457)	(2,202,002)
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	-	2,074,543
Premium on debt issued	-	-	-	31,535
Transfers in	343,463	127,793	2,038,175	-
Transfers out	(127,793)	-	-	(594,589)
Sales of fixed assets	10,900	-	-	-
Total Other Financing Sources (Uses)	226,570	127,793	2,038,175	1,511,489
Net Change in Fund Balances	82,558	47,471	150,718	(690,513)
FUND BALANCES (DEFICIT) - Beginning of Year (as restated)	2,082,437	(30,066)	328,933	2,208,353
FUND BALANCES - END OF YEAR	\$ 2,164,995	\$ 17,405	\$ 479,651	\$ 1,517,840

See accompanying notes to financial statements.

2010 GO Note Fund	Nonmajor Governmental Funds	Totals
\$ -	\$ 891,556	\$ 5,340,003
-	-	230,115
-	439,607	1,565,108
-	133,952	455,993
-	-	142,004
-	146,916	760,436
-	22,784	628,627
7,840	19,423	184,985
<u>1,044,946</u>	<u>343,176</u>	<u>1,506,028</u>
<u>1,052,786</u>	<u>1,997,414</u>	<u>10,813,299</u>
-	-	795,313
-	-	3,560,023
-	653,398	1,425,453
-	-	8,851
-	672,109	785,794
-	1,063	99,611
4,530,070	934,495	5,514,397
-	-	5,465,535
-	-	1,213,050
<u>4,530,070</u>	<u>2,261,065</u>	<u>18,868,027</u>
<u>(3,477,284)</u>	<u>(263,651)</u>	<u>(8,054,728)</u>
-	-	2,074,543
-	-	31,535
-	20,000	2,529,431
-	(2,038,175)	(2,760,557)
-	-	10,900
<u>-</u>	<u>(2,018,175)</u>	<u>1,885,852</u>
(3,477,284)	(2,281,826)	(6,168,876)
<u>4,536,383</u>	<u>6,420,545</u>	<u>15,546,585</u>
<u>\$ 1,059,099</u>	<u>\$ 4,138,719</u>	<u>\$ 9,377,709</u>

See accompanying notes to financial statements.

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VILLAGE OF MUKWONAGO

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, 2011

Net change in fund balances - total governmental funds	\$ (6,168,876)
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net assets 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 is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	5,514,397
Some items reported as capital outlay were not capitalized	(588,485)
Depreciation/amortization is reported in the government-wide financial statements	(1,100,752)
Net book value of assets retired	(21,900)

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.

Special assessments	(182,392)
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Debt issued provides current financial resources to governmental funds and issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds and the repayment reduces long-term liabilities in the statement of net assets.

Debt issued	(2,074,543)
Principal repaid	5,465,535

Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. In the statement of net assets, they are deferred and reported as other assets or deductions from long-term debt. They are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Debt issuance costs capitalized	45,225
Debt premium capitalized	(31,535)
Amortization of loss on refunding	(65,888)
Amortization of debt issuance costs	(120,832)
Amortization of debt premiums	61,676

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	43,952
Accrued interest on debt	12,726

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 788,308</u>
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VILLAGE OF MUKWONAGO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS As of December 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Utility	Sanitary Sewer Utility	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 597,928	\$ 257,404	\$ 855,332
Receivables			
Accounts	385,254	298,357	683,611
Special assessments	45,861	40,033	85,894
Accrued interest	938	527	1,465
Due from other funds	203,086	434,851	637,937
Inventories	16,368	-	16,368
Prepaid items	4,095	8,917	13,012
Restricted Assets			
Cash and investments	<u>38,349</u>	<u>42,743</u>	<u>81,092</u>
Total Current Assets	<u>1,291,879</u>	<u>1,082,832</u>	<u>2,374,711</u>
Noncurrent Assets			
Restricted Assets			
Cash and investments	465,352	1,746,993	2,212,345
Capital Assets			
Land	556,467	15,897	572,364
Construction in progress	510,752	542,893	1,053,645
Capital assets being depreciated	19,567,946	21,890,809	41,458,755
Less: Accumulated depreciation	(4,106,228)	(7,654,357)	(11,760,585)
Other Assets			
Special assessments	176,287	185,777	362,064
Unamortized debt issuance expenses	<u>77,699</u>	<u>206,286</u>	<u>283,985</u>
Total Noncurrent Assets	<u>17,248,275</u>	<u>16,934,298</u>	<u>34,182,573</u>
 Total Assets	 <u>18,540,154</u>	 <u>18,017,130</u>	 <u>36,557,284</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
		Sanitary	
	Water Utility	Sewer Utility	Totals
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 98,257	\$ 172,905	\$ 271,162
Accrued liabilities	11,610	16,456	28,066
Accrued interest payable	7,118	7,332	14,450
Due to other funds	272,030	193,293	465,323
Current portion of long-term debt	165,603	102,331	267,934
Current portion of compensated absences	7,093	6,016	13,109
Liabilities Payable from Restricted Assets			
Accrued interest payable	16,616	20,472	37,088
Current portion of revenue bonds payable from restricted	261,765	310,983	572,748
Total Current Liabilities	<u>840,092</u>	<u>829,788</u>	<u>1,669,880</u>
Noncurrent Liabilities			
Long-Term Debt			
Bonds and notes payable	5,803,690	7,630,283	13,433,973
Compensated absences	35,485	30,094	65,579
Total Noncurrent Liabilities	<u>5,839,175</u>	<u>7,660,377</u>	<u>13,499,552</u>
Total Liabilities	<u>6,679,267</u>	<u>8,490,165</u>	<u>15,169,432</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,840,930	7,692,455	18,533,385
Restricted for			
Equipment replacement	-	1,012,469	1,012,469
Debt service	21,733	22,271	44,004
Unrestricted	998,224	799,770	1,797,994
TOTAL NET ASSETS	<u>\$ 11,860,887</u>	<u>\$ 9,526,965</u>	<u>\$ 21,387,852</u>

See accompanying notes to financial statements.

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VILLAGE OF MUKWONAGO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Utility	Sanitary Sewer Utility	Totals
OPERATING REVENUES	<u>\$ 1,717,672</u>	<u>\$ 1,264,386</u>	<u>\$ 2,982,058</u>
OPERATING EXPENSES			
Operation and maintenance	567,028	698,472	1,265,500
Depreciation	392,597	590,949	983,546
Taxes	<u>16,104</u>	<u>21,067</u>	<u>37,171</u>
Total Operating Expenses	<u>975,729</u>	<u>1,310,488</u>	<u>2,286,217</u>
Operating Income (Loss)	<u>741,943</u>	<u>(46,102)</u>	<u>695,841</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	26,062	29,707	55,769
Miscellaneous	693	2,149	2,842
Interest and fiscal charges	(283,712)	(380,197)	(663,909)
Gain on disposal of capital asset	<u>-</u>	<u>816</u>	<u>816</u>
Total Nonoperating Revenues (Expenses)	<u>(256,957)</u>	<u>(347,525)</u>	<u>(604,482)</u>
Income (Loss) Before Contributions and Transfers	<u>484,986</u>	<u>(393,627)</u>	<u>91,359</u>
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	-	309,376	309,376
Transfers in	145,545	429,044	574,589
Transfers out - tax equivalent	<u>(338,610)</u>	<u>(4,853)</u>	<u>(343,463)</u>
Total Contributions and Transfers	<u>(193,065)</u>	<u>733,567</u>	<u>540,502</u>
Change in Net Assets	291,921	339,940	631,861
NET ASSETS - Beginning of Year	<u>11,568,966</u>	<u>9,187,025</u>	<u>20,755,991</u>
NET ASSETS - END OF YEAR	<u>\$ 11,860,887</u>	<u>\$ 9,526,965</u>	<u>\$ 21,387,852</u>

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Utility	Sanitary Sewer Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 1,667,760	\$ 1,249,320	\$ 2,917,080
Paid to suppliers for goods and services	(129,051)	(150,560)	(279,611)
Paid to employees for services	(188,234)	(278,670)	(466,904)
Net Cash Flows From Operating Activities	1,350,475	820,090	2,170,565
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	26,079	29,723	55,802
Net Cash Flows From Investing Activities	26,079	29,723	55,802
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	(338,610)	(4,853)	(343,463)
Net Cash Flows From Noncapital Financing Activities	(338,610)	(4,853)	(343,463)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt issued	211,449	1,389,008	1,600,457
Debt retired	(611,845)	(1,813,510)	(2,425,355)
Interest paid	(264,473)	(336,979)	(601,452)
Debt issuance costs paid	(4,610)	(30,280)	(34,890)
Special assessments received	22,207	22,578	44,785
Acquisition and construction of capital assets	(626,522)	(710,140)	(1,336,662)
Salvage on retirement of plant	5,603	-	5,603
Sale of plant	-	816	816
Premium on debt received	3,215	21,115	24,330
Net Cash Flows From Capital and Related Financing Activities	(1,264,976)	(1,457,392)	(2,722,368)
Net Change in Cash and Cash Equivalents	(227,032)	(612,432)	(839,464)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,328,661	2,659,572	3,988,233
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,101,629	\$ 2,047,140	\$ 3,148,769

See accompanying notes to financial statements.

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sanitary Sewer Utility</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 741,943	\$ (46,102)	\$ 695,841
Nonoperating revenue	693	2,149	2,842
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	392,597	590,949	983,546
Depreciation charged to other funds	20,129	(20,129)	-
Changes in assets and liabilities			
Accounts receivable	(42,092)	(7,124)	(49,216)
Materials and supplies	(894)	-	(894)
Prepaid items	(1,182)	(2,964)	(4,146)
Due from municipality	(28,642)	10,038	(18,604)
Accounts payable	75,369	143,626	218,995
Due to municipality	185,525	114,796	300,321
Accrued liabilities	10,255	9,444	19,699
Other current liabilities	(3,226)	(3,235)	(6,461)
Due to water utility	-	28,642	28,642
	<u>-</u>	<u>28,642</u>	<u>28,642</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,350,475</u>	<u>\$ 820,090</u>	<u>\$ 2,170,565</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS			
Cash and investments - statement of net assets	\$ 597,928	\$ 257,404	\$ 855,332
Restricted cash and investments - statement of net assets	<u>503,701</u>	<u>1,789,736</u>	<u>2,293,437</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,101,629</u>	<u>\$ 2,047,140</u>	<u>\$ 3,148,769</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Special assessments levied	<u>\$ 496</u>	<u>\$ 569</u>	
Utility plant additions financed by developer	<u>\$ -</u>	<u>\$ 309,376</u>	

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS As of December 31, 2011

	<u>Private Purpose Trust Library Trust Fund</u>	<u>Agency Fund Tax Escrow Fund</u>
ASSETS		
Cash and investments	\$ 31,142	\$ 7,048,432
Taxes receivable	-	1,911,453
Total Assets	<u>31,142</u>	<u>8,959,885</u>
LIABILITIES		
Accounts payable	-	40,586
Due to other taxing units	-	8,916,015
Total Liabilities	<u>-</u>	<u>8,956,601</u>
NET ASSETS		
Held in trust	<u>31,142</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 31,142</u>	<u>\$ -</u>

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended December 31, 2011

	Private Purpose Trust Library Trust Fund
ADDITIONS	
Investment income	\$ 499
Change in Net Assets	499
NET ASSETS - Beginning of Year	<u>30,643</u>
NET ASSETS - END OF YEAR	<u>\$ 31,142</u>

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

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VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Mukwonago, Wisconsin conform to accounting principles generally accepted in the United States 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 Village of Mukwonago. The reporting entity for the village consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable for the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity 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 is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. This report does not contain any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2009, the GASB issued statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

The village made the decision to implement this standard effective January 1, 2011.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The village 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 reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or nonmajor 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 village or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% 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% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the village 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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The village reports the following major governmental funds:

- General Fund - accounts for the village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Fire and Ambulance Special revenue fund - accounts for resources legally restricted or committed to supporting expenditures for fire and ambulance services.
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- 2010 GO Note Fund - 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 projects listed in the Capital Improvement Plan.
- Tax Incremental District (TID) No. 3 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

The village reports the following major enterprise funds:

- Water Utility - accounts for operations of the water system
- Sanitary Sewer Utility - accounts for operations of the sanitary sewer system

The village reports the following nonmajor 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).

- | | |
|----------------|----------------|
| Library | Recycling |
| Revolving Loan | Park Land Site |
| Impact Fee | Stormwater |

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

- | | |
|-----------------------|----------------------------|
| Capital Equipment | 2001 GO Bond |
| Library Building | 2009 GO Bond |
| Capital Projects Fund | 2010 Taxable GO Note (BAB) |

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

In addition, the village 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 individuals, private organizations, or other governments.

Library Trust Fund

Agency funds are used to account for and report assets held by the village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Escrow Fund

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

Government-Wide Financial Statements

The government-wide statement of net assets 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 unearned revenue. 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.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the village's water and sanitary sewer 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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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 village 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 unmatured 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 revenues. 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 village is entitled the resources and the amounts are available. Amounts owed to the village which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

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 deferred revenues. At December 31, 2011, there were \$505,390 of unrecorded deferred assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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.

The village reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the village has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements (cont.)

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating 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 and sanitary sewer utilities 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 nonoperating 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 and liabilities 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.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. 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.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds including cemetery perpetual care funds, is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The village has adopted an investment policy. That policy follows the state statute for allowable investments and contains the following additional guidelines for allowable investments. Banking services will be provided by the official depositories approved annually by the Village Board. Prohibited investments include derivative type investments such as collateralized mortgage obligations, strips, floaters, etc. Village funds may only be placed in FDIC insured depository institutions. Deposits at individual depository institutions above \$650,000 must be collateralized as to principal and interest with securities that are obligations of the U.S. Government or its agencies that are fully guaranteed by the U.S. Government or collateralized as to principal and interest with promissory notes from borrowers of depository institutions that maintain a rating from Standard & Poor's of BBB or BBB- or a rating from Moody's of Baa. Deposits above \$650,000 with depository institutions that maintain a rating from Standard & Poor's of AAA, AA or A or a rating from Moody's of Aaa, Aa or A are not required to be collateralized. Investments shall be diversified to eliminate the risk of loss and balance the effect of interest rate changes affecting different types of securities. Time deposits may not exceed 3 years and debt that is not guaranteed as to principal and interest by the Federal Government or its Agencies or a Wisconsin municipality must have a maturity not more than 7 years. Reserve funds may be invested in securities exceeding 7 years if the maturity of such investments coincides with the expected use of these funds and is approved by the Finance Committee.

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 average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

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, 2011, the fair value of the village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

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 village, taxes are collected for and remitted to the state and county governments as well as the local school district, Phantom Lakes Management 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 assets.

Property tax calendar - 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	April 30, 2012
Third installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Tax sale - 2011 delinquent real estate taxes	October 2014

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 sanitary utilities because they have the right by law to place substantially 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

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/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/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 earnings, is shown as restricted net 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 \$2,500 for general capital assets and \$2,500 for infrastructure assets, and an estimated useful life in excess of 1 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 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.

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net assets. Depreciation and amortization 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:

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Buildings	50 Years
Land Improvements	20 - 50 Years
Machinery and Equipment	3 - 25 Years
Utility System	3 - 77 Years
Infrastructure	20 - 50 Years
Library collection	10 - 30 Years
Intangible assets	10 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. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

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 is 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.

The village does not accrue accumulated vacation or sick leave, but rather expenses these costs as paid. Vacation time is not cumulative from year to year. Accumulated sick leave benefits are paid upon retirement or termination if the employee has at least 20 years of service with the village. Employees may accumulate a maximum of 120 days of sick leave.

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, 2011, are determined on the basis of current salary rates and include salary related payments.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

8. Long-Term Obligations/Conduit Debt

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, grant advances, 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) are 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 deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

The village has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year end, the aggregate principal amount for the 2004 series outstanding could not be determined; however, their original issue amounts totaled \$7,175,000.

9. Claims and Judgments

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 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. There were no significant claims or judgments at year end.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

10. Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on 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. Unrestricted net assets - All other net assets that do not meet the definitions of "restricted" or "invested in capital assets, net of related debt."

The net asset 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 "invested in capital assets, net of related debt", and an increase in "unrestricted" net assets, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Invested in capital assets, net of related debt	\$ 3,376,377	\$ 18,533,385	\$ (1,091,210)	\$ 20,818,552
Unrestricted	653,395	1,797,994	1,091,210	3,542,599

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

Fund Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, the village classifies governmental fund balance as follows:

- a. Nonspendable - 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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- 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 (ordinance, resolution, motion) of the village. 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 village that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The village has adopted a financial policy authorizing the Village Administrator to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. 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 village 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 village would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

See Note III. G. for further information.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE II - 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, Library, Recycling, Fire and Ambulance, Debt Service, Tax Incremental District No. 3, Library Building, Impact Fee, Revolving Loan, Park Land Site, Stormwater, Capital Projects, 2009 GO Bond, 2010 Taxable GO Note, 2010 GO Note funds, and Capital Equipment funds. Budgets have not been formally adopted for 2001 GO Bond Fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the fund level of expenditure.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Stormwater Fund	\$ 42,053	\$ 50,187	\$ 8,134
2010 Taxable GO Note (BAB) Fund	488,000	546,403	58,403
2010 GO Note Fund	4,440,000	4,530,070	90,070

The village controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the village's year-end budget to actual report.

C. LIMITATIONS ON THE VILLAGE'S TAX LEVY

As part of Wisconsin's Act 32 (2011), legislation was passed that limits the village's future tax levies. Generally the village is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the village's equalized value due to new construction or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The village's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 6,848,293	\$ 6,950,986	Custodial Credit Risk Credit Risk, Interest Rate Risk
LGIP	14,123,240	14,123,240	
Petty cash	200	-	N/A
Total Deposits and Investments	\$ 20,971,733	\$ 21,074,226	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 10,154,710		
Restricted cash and investments	3,737,449		
Per statement of net assets- fiduciary funds			
Private Purpose Trust	31,142		
Agency Fund	7,048,432		
Total Deposits and Investments	\$ 20,971,733		

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), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

Custodial Credit Risk

Deposits

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

As of December 31, 2011, \$3,959,923 of the village's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,959,923
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VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments

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

The village 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 obligations.

The village held investments in the following external pools which are not rated:

LGIP

Interest Rate Risk

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

As of December 31, 2011, the village's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
LGIP	<u>\$ 14,123,240</u>	97

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

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year and are reported net of an allowance for doubtful accounts of \$242,922

Governmental funds report *deferred 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 of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ -	\$ 5,688,930	\$ 5,688,930
Special assessments not yet due	1,502,413	-	1,502,413
Interest subsidy	2,969	-	2,969
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 1,505,382	 \$ 5,688,930	 \$ 7,194,312

C. RESTRICTED ASSETS

The following represent the balances of the 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.

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.

Impact Fee Account

The village has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2011:

	Restricted Assets
Water redemption account- current	\$ 38,349
Water reserve account	465,352
Sewer redemption account - current	42,743
Sewer reserve account	734,524
Equipment replacement account	1,012,469
Impact fee account	1,444,012
Total Restricted Assets	\$ 3,737,449

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 1,109,628	\$ -	\$ -	\$ 1,109,628
Construction in progress	2,730,756	5,102,240	7,759,428	73,568
Total Capital Assets Not Being Depreciated/ Amortized	3,840,384	5,102,240	7,759,428	1,183,196
Capital assets being depreciated/ amortized				
Land improvements	\$ 370,609	\$ 203,537	\$ -	\$ 574,146
Buildings	5,832,756	4,904,009	-	10,736,765
Machinery and equipment	3,553,154	70,388	74,740	3,548,802
Roads	15,138,978	2,009,011	296,754	16,851,235
Storm sewers	1,862,179	289,637	-	2,151,816
Library collection	1,031,965	106,518	-	1,138,483
Software	51,171	-	-	51,171
Total Capital Assets Being Depreciated/ Amortized	27,840,812	7,583,100	371,494	35,052,418
Total Capital Assets	31,681,196	12,685,340	8,130,922	36,235,614

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation/ amortization for				
Land improvements	(67,927)	(18,068)	-	(85,995)
Buildings	(1,184,258)	(165,695)	-	(1,349,953)
Machinery and equipment	(1,681,892)	(237,141)	59,712	(1,859,321)
Roads	(4,509,968)	(586,853)	289,882	(4,806,939)
Storm sewers	(256,185)	(37,244)	-	(293,429)
Library collection	(348,103)	(50,634)	-	(398,737)
Software	(2,559)	(5,117)	-	(7,676)
Total Accumulated Depreciation/ Amortization	<u>(8,050,892)</u>	<u>(1,100,752)</u>	<u>349,594</u>	<u>(8,802,050)</u>
Net Capital Assets Being Depreciated/ Amortized	<u>19,789,920</u>	<u>6,482,348</u>	<u>21,900</u>	<u>26,250,368</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/ Amortization	<u>\$ 23,630,304</u>	<u>\$ 11,584,588</u>	<u>\$ 7,781,328</u>	<u>\$ 27,433,564</u>

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities	
General government	\$ 37,224
Public safety	243,105
Public works, which includes the depreciation of infrastructure	667,659
Culture, recreation and education	<u>152,764</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 1,100,752</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Adjustments	Additions	Deletions	Ending Balance
Sanitary Sewer					
Capital assets not being depreciated					
Land and land rights	\$ 15,897	\$ -	\$ -	\$ -	\$ 15,897
Construction in progress	284,082	-	485,518	226,707	542,893
Total Capital Assets Not Being Depreciated	299,979	-	485,518	226,707	558,790
Capital assets being depreciated					
Buildings and improvements	\$19,935,439	\$ -	\$ 318,636	\$ 31,862	\$20,222,213
Machinery and equipment	1,220,226	-	448,370	-	1,668,596
Total Capital Assets Being Depreciated	21,155,665	-	767,006	31,862	21,890,809
Total Capital Assets	21,455,644	-	1,252,524	258,569	22,449,599
Less: Accumulated depreciation for					
Buildings and improvements	(6,376,165)	-	(438,863)	31,862	(6,783,166)
Machinery and equipment	(739,227)	-	(131,964)	-	(871,191)
Total Accumulated Depreciation	(7,115,392)	-	(570,827)	31,862	(7,654,357)
Net Capital Assets Being Depreciated	14,040,273	-	196,179	-	14,236,452
Net Sanitary Sewer Plant	\$14,340,252	\$ -	\$ 681,697	\$ 226,707	\$14,795,242

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 556,467	\$ -	\$ -	\$ 556,467
Construction in progress	394,606	116,146	-	510,752
Total Capital Assets Not Being Depreciated	951,073	116,146	-	1,067,219
Capital assets being depreciated				
Buildings and improvements	\$ 17,400,147	\$ 206,690	\$ 20,669	\$ 17,586,168
Machinery and equipment	1,724,890	303,687	46,799	1,981,778
Total Capital Assets Being Depreciated	19,125,037	510,377	67,468	19,567,946
Total Capital Assets	20,076,110	626,523	67,468	20,635,165
Less: Accumulated depreciation for				
Buildings and improvements	(2,726,843)	(302,077)	20,669	(3,008,251)
Machinery and equipment	(1,028,523)	(116,253)	46,799	(1,097,977)
Total Accumulated Depreciation	(3,755,366)	(418,330)	67,468	(4,106,228)
Net Capital Assets Being Depreciated	15,369,671	92,047	-	15,461,718
Net Water Plant	\$ 16,320,744	\$ 208,193	\$ -	\$ 16,528,937
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 30,660,996	\$ 889,890	\$ 226,707	\$ 31,324,179

Depreciation/amortization expense was charged to functions as follows:

Business-type Activities	
Sewer	\$ 590,949
Water	392,597
Total Business-type Activities Depreciation Expense	\$ 983,546

Depreciation expense does not agree to the increases in accumulated depreciation due to joint metering, salvage and cost of removal.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
Sewer Utility	Water Utility	\$ 5,807
General Fund	Water Utility	77,907
General Fund	Sewer Utility	631
General Fund	Fire/Ambulance	33
General Fund	2010 GO Note Fund	155
General Fund	Library	100
General Fund	Recycling	579
General Fund	Debt Service Fund	202
General Fund	Stormwater Fund	7
2009 Bond Issue	Water Utility	154,843
2009 Bond Issue	Sewer Utility	95,855
2010 Taxable GO Note (BAB) Fund	Water Utility	33,353
2010 Taxable GO Note (BAB) Fund	Sewer Utility	39,266
2010 GO Note Fund	Library Fund	1,070
Fire and Ambulance Fund	General Fund	78,997
Fire and Ambulance Fund	Water Utility	120
Capital Equipment Fund	2010 GO Note Fund	289
Recycling Fund	Library	27
Sewer Utility	Tax Incremental District No. 3 Fund	429,044
Water Utility	Tax Incremental District No. 3 Fund	145,545
Water Utility	Sewer Utility	57,541
Total - Fund Financial Statements		1,121,371
Less: Fund eliminations		(144,807)
Less: Government-wide eliminations		(1,149,178)
Total Internal Balances - Government-Wide Statement of Net Assets		\$ (172,614)

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Interfund Receivables/Payables (cont.)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities	Business-type Activities	\$ 401,975
Business-type Activities	Governmental Activities	<u>(574,589)</u>
Total Government-Wide Financial Statements		<u>\$ (172,614)</u>

All amounts are due within one year.

The principal purpose of these interfunds is the collection of special charges on the tax roll and the allocation of commingled cash and investment balances. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

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	\$ 338,610	Payment in lieu of taxes
General Fund	Sanitary Sewer Utility	4,853	Payment in lieu of taxes
Fire and Ambulance Fund	General Fund	127,793	Transfer to reduce negative fund balance
Debt Service Fund	Capital Projects Fund	2,008,938	Transfer for capital projects.
Debt Service Fund	2001 GO Bond Fund	29,237	Transfer for debt service payments
Storm Water Fund	Tax Incremental District No. 3 Fund	20,000	Transfer for stormwater projects
Water Utility	Tax Incremental District No. 3 Fund	145,545	Reimbursement for interest paid in prior years
Sewer Utility	Tax Incremental District No. 3 Fund	<u>429,044</u>	Reimbursement for interest paid in prior years
Total - Fund Financial Statements		3,104,020	
Less: Fund eliminations		(2,185,968)	
Less: Government-wide eliminations		<u>(1,149,178)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ (231,126)</u>	
<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	
Governmental Activities	Business-type Activities	\$ 343,463	
Business-type Activities	Governmental Activities	<u>(574,589)</u>	
Total Government-wide Financial Statements		<u>\$ (231,126)</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.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 30,078,839	\$ 2,074,543	\$ 3,317,395	\$ 28,835,987	\$ 6,363,555
Bond anticipation notes	2,148,140	-	2,148,140	-	-
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	225,724	31,535	61,676	195,583	-
Refundings -					
Gains/(Losses)	(244,782)	-	(65,888)	(178,894)	-
Sub-totals	32,207,921	2,106,078	5,461,323	28,852,676	6,363,555
Other Liabilities					
Compensated absences	640,598	16,719	60,671	596,646	35,799
Due to other governments	115,000	-	-	115,000	-
Total Other Liabilities	755,598	16,719	60,671	711,646	35,799
Total Governmental Activities Long-Term Liabilities	\$ 32,963,519	\$ 2,122,797	\$ 5,521,994	\$ 29,564,322	\$ 6,399,354
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 2,292,052	\$ 1,600,457	\$ 186,357	\$ 3,706,152	\$ 267,934
Revenue bonds	11,314,764	-	532,138	10,782,626	572,748
Bond anticipation notes	1,706,860	-	1,706,860	-	-
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	135,260	24,377	21,930	137,707	-
Refundings -					
Gains/(Losses)	(387,309)	-	(35,479)	(351,830)	-
Sub-totals	15,061,627	1,624,834	2,411,806	14,274,655	840,682
Other Liabilities					
Compensated absences	58,987	19,701	-	78,688	13,109
Total Other Liabilities	58,987	19,701	-	78,688	13,109
Total Business-type Activities Long-Term Liabilities	\$ 15,120,614	\$ 1,644,535	\$ 2,411,806	\$ 14,353,343	\$ 853,791

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed 5% of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2011, was \$36,721,410. Total general obligation debt outstanding at year end was \$32,542,139.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the village. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund.

<u>Governmental Activities</u> <u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2011</u>
Refunding bonds	2/1/2007	10/1/2018	4.0%	\$ 4,460,000	\$ 4,060,000
Refunding bonds	3/18/2010	12/1/2021	3.0-3.5	3,240,000	3,240,000
Promissory notes	8/1/2005	8/1/2015	3.0-4.0	1,550,000	950,000
Promissory notes	5/15/2006	10/1/2015	3.75-4.25	2,825,000	1,375,000
Promissory notes (15.66% TID)	4/1/2007	10/1/2017	4.0	4,075,000	3,175,000
Promissory notes (TID)	1/1/2008	12/1/2012	3.5-3.75	5,300,000	4,600,000
Promissory notes	3/1/2009	9/1/2019	2.75-3.875	2,580,000	2,180,000
Promissory notes (BAB)	3/18/2010	12/1/2019	1.125-4.625	2,798,839	2,631,444
Promissory notes	12/1/2010	12/1/2019	2.0-3.6	4,550,000	4,550,000
Refunding Promissory Notes (TID)	11/1/2011	10/1/2021	1.0-3.0	2,074,543	<u>2,074,543</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 28,835,987</u>
<u>Business-type Activities</u> <u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2011</u>
Water system bonds	11/1/1999	5/1/2018	2.64%	\$ 1,886,442	\$ 807,139
Water system promissory notes (BAB)	3/18/2010	12/1/2019	1.125-4.625	884,400	831,505
Water Refunding Promissory Notes	11/1/2011	10/1/2021	1.0-3.0	211,449	211,449
Sewer system promissory notes (BAB)	3/18/2010	12/1/2019	1.125-4.625	496,761	467,051
Sewer Refunding Promissory Notes	11/1/2011	10/1/2021	1.0-3.0	1,389,008	<u>1,389,008</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 3,706,152</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2012	\$ 6,363,555	\$ 1,015,910	\$ 267,934	\$ 107,047
2013	1,463,774	799,964	295,529	105,291
2014	2,380,513	744,499	306,674	98,706
2015	2,768,774	658,738	301,376	91,010
2016	2,497,253	552,403	320,937	83,091
2017-2021	13,362,118	1,298,206	2,213,702	239,375
Totals	<u>\$ 28,835,987</u>	<u>\$ 5,069,720</u>	<u>\$ 3,706,152</u>	<u>\$ 724,520</u>

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and sanitary sewer utilities.

The Village has pledged future revenues, net of specified operating expenses, to repay \$18.3 million in Water and Sewer revenue bonds issued in various years. Proceeds from the bonds provided financing for the variety of water and sewer projects. The bonds are payable solely from water and sewer revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 57% of net revenues. The total principal and interest remaining to be paid on the bonds is \$14,688,504. Principal and interest paid for the current year and total customer net revenues were \$990,823 and \$1,737,998, respectively.

Revenue debt payable at December 31, 2011, consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
<u>Sanitary Sewer Utility</u>					
Revenue Bonds - Sewer	2/15/2002	12/1/2012	3.25-5.00%	\$ 3,623,550	\$ 93,375
Revenue Bonds - Sewer	4/1/2007	12/1/2024	4.00-4.50	3,527,875	2,958,865
Revenue Bonds - Sewer	1/1/2008	12/1/2026	4.00-4.75	2,281,280	1,996,120
Revenue Bonds - Sewer	12/1/2010	12/1/2021	2.00-4.625	1,376,948	1,376,948

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt (cont.)

Water Utility

Revenue Bonds - Water	2/15/2002	12/1/2012	3.25-5.00%	\$ 2,466,450	\$ 131,625
Revenue Bonds - Water	4/29/2002	5/1/2022	2.75	627,355	287,626
Revenue Bonds - Water	4/1/2007	12/1/2024	4.00-4.50	1,897,125	1,591,135
Revenue Bonds - Water	1/1/2008	12/1/2026	4.00-4.75	918,720	803,880
Revenue Bonds - Water	12/1/2010	12/1/2021	2.00-4.625	1,543,052	<u>1,543,052</u>

Total Business-type Activities Revenue Debt \$ 10,782,626

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2012	\$ 572,748	\$ 436,828
2013	573,372	413,069
2014	584,015	394,917
2015	624,676	375,668
2016	3,318,939	1,535,028
2017-2021	4,558,876	724,243
2022-2026	<u>550,000</u>	<u>26,125</u>
Totals	<u>\$ 10,782,626</u>	<u>\$ 3,905,878</u>

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 liquidated primarily by the general fund.

A statutory mortgage lien upon the village's system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The village's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The village believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Current Refunding

On 11/1/2011, the village issued \$3,675,000 in general obligation bonds with an average interest rate of 2.85% to current refund \$3,630,000 of outstanding notes with an average interest rate of 4.00%. The net proceeds of \$3,650,750 (after payment of \$80,115 in underwriting fees, insurance and other issuance costs plus \$55,865 premium on the debt issue) were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded bonds and notes prior to the current refunding was \$3,769,300 from 2011 through 2012. The cash flow requirements on the 2011 refunding bonds are \$4,421,417 from 2011 through 2021. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$5,617.

G. NET ASSETS/FUND BALANCES

Net assets reported on the government wide statement of net assets at December 31, 2011, includes the following:

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 1,109,628
Construction in progress	73,568
Other capital assets, net of accumulated depreciation	26,250,368
Less: Long-term debt outstanding	(28,835,987)
Plus: Unspent capital related debt proceeds	3,687,590
Plus: Non-capital debt proceeds	<u>1,091,210</u>
Total Invested in Capital Assets, Net of Related Debt	<u>3,376,377</u>
Restricted	
Debt service - general	1,839,775
Debt service - tax incremental financing	780,466
Impact fees	1,440,794
TID purposes	704,187
Revolving loans	85,681
Library purposes	<u>256,518</u>
Total Restricted	<u>5,107,421</u>
Unrestricted	<u>653,395</u>
Total Governmental Activities Net Assets	<u>\$ 9,137,193</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2011, include the following:

Fund Balances:	General Fund	Fire and Ambulance Fund	Debt Service Fund	Tax Incremental District No. 3 Fund	2010 GO Note Fund	Nonmajor Governmental Funds	Totals
Nonspendable:							
Prepaid items	\$ 65,289	\$ 10,510	\$ -	\$ -	\$ -	\$ 12,723	\$ 88,522
Restricted for:							
Debt service	-	-	479,651	813,653	-	-	1,293,304
Projects	-	-	-	704,187	-	-	704,187
Impact fees	-	-	-	-	-	1,440,794	1,440,794
Revolving loans	-	-	-	-	-	85,681	85,681
Library	-	-	-	-	-	256,518	256,518
Committed to:							
Fire and ambulance	-	6,895	-	-	-	-	6,895
Projects	-	-	-	-	1,059,099	2,086,588	3,145,687
Recycling	-	-	-	-	-	96,029	96,029
Stormwater	-	-	-	-	-	20,594	20,594
Park Land Site	-	-	-	-	-	139,792	139,792
Assigned to:							
Subsequent year's budget	9,000	-	-	-	-	-	9,000
Funding accrued sick pay	207,498	-	-	-	-	-	207,498
Fire expenditures	95,967	-	-	-	-	-	95,967
Ambulance expenditures	51,773	-	-	-	-	-	51,773
Other expenditures	420,368	-	-	-	-	-	420,368
Unassigned	<u>1,315,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315,100</u>
Total Fund Balances	<u>\$ 2,164,995</u>	<u>\$ 17,405</u>	<u>\$ 479,651</u>	<u>\$ 1,517,840</u>	<u>\$ 1,059,099</u>	<u>\$ 4,138,719</u>	<u>\$ 9,377,709</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET ASSETS/FUND BALANCES (cont.)

Business-type Activities

Invested in capital assets, net of related debt	
Land	\$ 572,364
Construction in progress	1,053,645
Other capital assets, net of accumulated depreciation	29,698,170
Less: Long-term debt outstanding	(14,274,655)
Plus: Non-capital debt proceeds	1,199,876
Plus: Unamortized issuance costs on non-capital debt	283,985
Total Invested in Capital Assets, Net of Related Debt	<u>18,533,385</u>
Restricted	
Debt service	44,004
Equipment replacement	1,012,469
Total Restricted	<u>1,056,473</u>
Unrestricted	<u>1,797,994</u>
Total Business-type Activities Net Assets	<u>\$ 21,387,852</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. RESTATEMENT OF FUND BALANCES

Fund balance has been restated during implementation of GASB 54. Three funds (Ambulance Designated, Fire Designated and Specific Use) have previously been reported as separate funds. During the implementation of GASB 54, the Village determined that these Funds no longer qualified as funds and therefore have included their activity within the General Fund.

General Fund

General Fund balance - December 31, 2010 (as reported)	\$ 1,621,109
Add: Reclassification of Fire Designated Fund	80,484
Reclassification of Ambulance Designated Fund	36,503
Reclassification of Specific Use Fund	<u>344,341</u>
Fund Balance - December 31, 2010 (as restated)	<u>\$ 2,082,437</u>

Nonmajor Funds

Nonmajor Fund balance - December 31, 2010 (as reported)	\$ 3,016,425
Add: Reclassification of the Capital Projects Fund from major to nonmajor	3,343,189
Reclassification of the 2010 Taxable GO Note (BAB) Fund from major to nonmajor	522,259
Less: Reclassification of Fire Designated Fund	(80,484)
Reclassification of Ambulance Designated Fund	(36,503)
Reclassification of Specific Use Fund	<u>(344,341)</u>
Fund Balance - December 31, 2010 (as restated)	<u>\$ 6,420,545</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

The payroll for village employees covered by the system for the year ended December 31, 2011 was \$2,976,112; the employer's total payroll was \$3,326,578. The total required contribution for the year ended December 31, 2011 was \$407,886 or 13.7% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$387,432 and \$353,184, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998 or beginning participation on or after July 1, 2011, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2011 there was no pension related debt for the village.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT

The village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. 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. COMMITMENTS AND CONTINGENCIES

From time to time, the village 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 and the village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the village's financial position or results of operations.

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

Funding for the operating budget of the village comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the village. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the village.

D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. Application of these standards may restate portions of these financial statements.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE IV - OTHER INFORMATION (cont.)

E. DEFINED CONTRIBUTION PENSION PLAN

The village provides pension benefits for all of its eligible employees through a defined contribution plan known as the Village of Mukwonago Pension Trust through ICMA-RC who administers the plan.

In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate in the plan upon becoming eligible for the Wisconsin Retirement System (WRS). This plan is to give eligible employees an additional two and one-half percentage towards retirements, above what the Village contributes to WRS. In addition, Village employees have an option to contribute to this plan from each payroll period. For the year ended December 31, 2011 the total amount contributed was \$84,379. Of this amount, \$41,484 was contributed by the employer and \$42,896 was contributed by the employee. Total contributions for the years ending December 31, 2010 and 2009 were \$80,968 and \$77,004, respectively. The employer's contribution for each year was equal to the required amount.

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REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF MUKWONAGO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,190,806	\$ 2,180,606	\$ 2,146,310	\$ (34,296)
Special assessments	86	86	86	-
Intergovernmental	1,056,314	1,044,390	1,087,235	42,845
Licenses and permits	247,055	247,180	322,041	74,861
Fines, forfeitures and penalties	146,000	153,500	142,004	(11,496)
Public charges for services	27,900	20,275	20,214	(61)
Intergovernmental charges for services	118,250	126,250	121,924	(4,326)
Investment income	30,012	31,772	11,053	(20,719)
Miscellaneous	15,000	63,700	102,217	38,517
Total Revenues	<u>3,831,423</u>	<u>3,867,759</u>	<u>3,953,084</u>	<u>85,325</u>
EXPENDITURES				
Current:				
General government	630,909	772,867	784,788	(11,921)
Public safety	2,315,657	2,303,258	2,301,329	1,929
Public works	833,902	781,980	772,055	9,925
Health and human services	2,700	8,870	8,851	19
Culture, recreation and education	145,694	113,726	113,685	41
Conservation and development	142,661	117,080	98,548	18,532
Capital Outlay	-	17,685	17,840	(155)
Total Expenditures	<u>4,071,523</u>	<u>4,115,466</u>	<u>4,097,096</u>	<u>18,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(240,100)</u>	<u>(247,707)</u>	<u>(144,012)</u>	<u>103,695</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	266,100	266,100	343,463	77,363
Transfers out	(30,000)	(229,560)	(127,793)	101,767
Sales of fixed assets	4,000	4,000	10,900	6,900
Total Other Financing Sources (Uses)	<u>240,100</u>	<u>40,540</u>	<u>226,570</u>	<u>186,030</u>
Net Change in Fund Balance	-	(207,167)	82,558	289,725
FUND BALANCE - Beginning of Year	<u>2,082,437</u>	<u>2,082,437</u>	<u>2,082,437</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,082,437</u>	<u>\$ 1,875,270</u>	<u>\$ 2,164,995</u>	<u>\$ 289,725</u>

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

VILLAGE OF MUKWONAGO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - FIRE AND AMBULANCE FUND For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 57,237	\$ 57,237	\$ 57,236	\$ (1)
Intergovernmental	28,450	28,450	31,784	3,334
Public charges for services	718,000	718,000	593,306	(124,694)
Intergovernmental charges for services	476,387	476,386	483,919	7,533
Investment income	3,200	3,200	538	(2,662)
Miscellaneous	14,100	14,100	15,689	1,589
Total Revenues	<u>1,297,374</u>	<u>1,297,373</u>	<u>1,182,472</u>	<u>(114,901)</u>
EXPENDITURES				
Current:				
Public safety	1,298,373	1,314,638	1,258,694	55,944
Capital Outlay	-	4,100	4,100	-
Total Expenditures	<u>1,298,373</u>	<u>1,318,738</u>	<u>1,262,794</u>	<u>55,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(999)</u>	<u>(21,365)</u>	<u>(80,322)</u>	<u>(58,957)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	127,794	127,793	(1)
Transfers out	-	(117,136)	-	117,136
Sales of fixed assets	1,000	1,000	-	(1,000)
Net Change in Fund Balance	1	(9,707)	47,471	57,178
FUND BALANCE (DEFICIT) - Beginning of Year	<u>(30,066)</u>	<u>(30,066)</u>	<u>(30,066)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (30,065)</u>	<u>\$ (39,773)</u>	<u>\$ 17,405</u>	<u>\$ 57,178</u>

VILLAGE OF MUKWONAGO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2011

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

Excess expenditures over appropriations are as follows:

	<u>Amended Budget</u>		<u>Expenditures</u>		<u>Excess</u>
<u>General Fund</u>					
General Government	\$ 772,867	\$	784,788	\$	11,921
Capital Outlay	17,685		17,840		155

SUPPLEMENTARY INFORMATION

VILLAGE OF MUKWONAGO

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
General property taxes	\$ 2,166,806	\$ 2,156,606	\$ 2,132,770	\$ (23,836)
Public accommodation (room) taxes	9,000	9,000	6,159	(2,841)
Interest and penalties on taxes	15,000	15,000	7,381	(7,619)
Total Taxes	2,190,806	2,180,606	2,146,310	(34,296)
SPECIAL ASSESSMENTS				
Special assessments	86	86	86	-
Total Special Assessments	86	86	86	-
INTERGOVERNMENTAL				
State shared revenues	372,539	372,539	383,349	10,810
Exempt computer aid	12,619	12,619	12,186	(433)
State aid - law enforcement improvement	4,000	6,500	28,723	22,223
State aid - general transportation aids	651,732	651,732	651,671	(61)
State aid - culture, recreation and education	1,000	1,000	1,156	156
Other state payments	14,424	-	-	-
Other local payments	-	-	10,150	10,150
Total Intergovernmental	1,056,314	1,044,390	1,087,235	42,845
LICENSES AND PERMITS				
Other regulatory permits and fees	-	-	380	380
Liquor and malt beverage licenses	12,375	12,375	12,897	522
Operators' licenses	4,725	4,725	5,226	501
Cigarette licenses	1,100	1,100	1,100	-
Electrical contractor licenses	3,500	3,500	4,170	670
Cable television franchise fees	93,000	93,000	104,184	11,184
Bicycle licenses	20	20	12	(8)
Dog and cat licenses	3,000	3,225	3,501	276
Nonbusiness licenses	3,685	3,205	3,615	410
Other permits	8,100	6,980	7,498	518
Building permits	50,000	51,500	87,909	36,409
Electrical permits	20,000	20,000	24,014	4,014
Plumbing permits	12,000	12,000	16,931	4,931
Occupancy permits	6,500	6,500	13,282	6,782
Zoning permits and fees	3,900	3,900	5,475	1,575
Plan review fees	13,650	13,650	16,063	2,413
Heating and air conditioning permits	11,500	11,500	15,784	4,284
Total Licenses and Permits	247,055	247,180	322,041	74,861

VILLAGE OF MUKWONAGO

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
FINES, FORFEITURES AND PENALTIES				
Court penalties and costs	\$ 135,500	\$ 143,000	\$ 129,769	\$ (13,231)
Parking violations	<u>10,500</u>	<u>10,500</u>	<u>12,235</u>	<u>1,735</u>
 Total Fines, Forfeitures and Penalties	 <u>146,000</u>	 <u>153,500</u>	 <u>142,004</u>	 <u>(11,496)</u>
PUBLIC CHARGES FOR SERVICES				
Publication fees	450	450	429	(21)
Photocopies	925	2,600	3,246	646
Treasurer's fees	4,000	4,000	4,649	649
Law enforcement fees	12,500	8,675	7,812	(863)
Fire protection fees	-	800	2,178	1,378
Other public safety	4,125	1,000	-	(1,000)
Other public charges for services	<u>5,900</u>	<u>2,750</u>	<u>1,900</u>	<u>(850)</u>
 Total Public Charges for Services	 <u>27,900</u>	 <u>20,275</u>	 <u>20,214</u>	 <u>(61)</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Local - election fees	2,500	2,500	1,975	(525)
Local - law enforcement services	68,950	68,950	74,411	5,461
Local - ambulance services	44,000	44,000	38,919	(5,081)
Local - other services	<u>2,800</u>	<u>10,800</u>	<u>6,619</u>	<u>(4,181)</u>
 Total Intergovernmental Charges for Services	 <u>118,250</u>	 <u>126,250</u>	 <u>121,924</u>	 <u>(4,326)</u>
INVESTMENT INCOME				
Investment income	<u>30,012</u>	<u>31,772</u>	<u>11,053</u>	<u>(20,719)</u>
 Total Investment Income	 <u>30,012</u>	 <u>31,772</u>	 <u>11,053</u>	 <u>(20,719)</u>
MISCELLANEOUS				
Rent	6,500	6,200	6,875	675
Miscellaneous revenue	8,500	7,500	42,032	34,532
Donations	<u>-</u>	<u>50,000</u>	<u>53,310</u>	<u>3,310</u>
 Total Miscellaneous	 <u>15,000</u>	 <u>63,700</u>	 <u>102,217</u>	 <u>38,517</u>
 TOTAL REVENUES	 <u>\$ 3,831,423</u>	 <u>\$ 3,867,759</u>	 <u>\$ 3,953,084</u>	 <u>\$ 85,325</u>

VILLAGE OF MUKWONAGO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
CURRENT				
General Government				
Village Board	\$ 51,016	\$ 82,756	\$ 82,612	\$ 144
Village President	7,751	7,751	7,751	-
Judicial	630	630	606	24
Municipal court	26,525	26,525	26,239	286
Village Clerk - Treasurer	239,533	312,775	310,561	2,214
Elections	14,869	9,715	9,703	12
Assessment of property	40,231	34,068	33,058	1,010
Legal	71,250	86,225	86,217	8
Village hall	39,624	38,597	38,479	118
Independent auditing	26,000	47,400	47,378	22
Property and liability insurance	113,480	94,765	110,533	(15,768)
Board of review	-	310	308	2
Other general government	-	31,350	31,343	7
Total General Government	<u>630,909</u>	<u>772,867</u>	<u>784,788</u>	<u>(11,921)</u>
Public Safety				
Police	2,144,263	2,141,118	2,141,176	(58)
Building inspection	148,181	147,460	146,916	544
Emergency government	1,450	1,450	-	1,450
Dam	21,763	13,230	13,237	(7)
Total Public Safety	<u>2,315,657</u>	<u>2,303,258</u>	<u>2,301,329</u>	<u>1,929</u>
Public Works				
Engineering	55,000	43,400	43,356	44
Machinery operation and maintenance	98,581	95,765	94,041	1,724
Garages and sheds	82,514	45,101	45,175	(74)
Curb and gutter	7,690	2,345	341	2,004
Tree and brush removal	7,338	11,325	11,297	28
Street signs	22,008	6,815	6,798	17
Bridges, culvers and rivers	2,835	24	24	-
Street cleaning	12,794	9,940	9,936	4
Snow and ice control	176,535	99,500	93,350	6,150
Alleys and local purpose roads	64,604	46,500	46,474	26
Highway and street maintenance for local	166,333	267,710	267,776	(66)
Street lighting	120,500	126,750	126,715	35
Storm sewer maintenance	17,170	26,805	26,772	33
Total Public Works	<u>833,902</u>	<u>781,980</u>	<u>772,055</u>	<u>9,925</u>
Health and Human Services				
Public health services	2,700	6,250	6,231	19
Mental health services	-	2,620	2,620	-
Total Health and Human Services	<u>2,700</u>	<u>8,870</u>	<u>8,851</u>	<u>19</u>

VILLAGE OF MUKWONAGO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Culture, Recreation and Education				
Museum	\$ 10,450	\$ 10,975	\$ 10,963	\$ 12
Parks	130,446	98,750	98,734	16
Celebration and entertainment	<u>4,798</u>	<u>4,001</u>	<u>3,988</u>	<u>13</u>
Total Culture, Recreation and Education	<u>145,694</u>	<u>113,726</u>	<u>113,685</u>	<u>41</u>
Conservation and Development				
Forestry	2,311	2,280	2,280	-
Weed control	2,411	1,565	1,561	4
Planning Commission	89,439	76,095	76,062	33
Urban development	10,000	19,140	18,645	495
Environmental protection	<u>38,500</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>
Total Conservation and Development	<u>142,661</u>	<u>117,080</u>	<u>98,548</u>	<u>18,532</u>
CAPITAL OUTLAY				
Public Safety				
Law enforcement	-	17,685	17,840	(155)
Total Capital Outlay	<u>-</u>	<u>17,685</u>	<u>17,840</u>	<u>(155)</u>
TOTAL EXPENDITURES	<u>\$ 4,071,523</u>	<u>\$ 4,115,466</u>	<u>\$ 4,097,096</u>	<u>\$ 18,370</u>

VILLAGE OF MUKWONAGO

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2011

	Special Revenue Funds				
	Revolving Loan Fund	Recycling Fund	Library Fund	Stormwater Fund	Impact Fee Fund
ASSETS					
Cash and investments	\$ 200,681	\$ 145,963	\$ 312,030	\$ 18,373	\$ -
Receivables					
Taxes	-	481,708	387,262	-	-
Accounts	-	-	-	2,550	-
Due from other funds	-	27	-	-	-
Prepaid items	-	1,050	11,574	99	-
Restricted cash and investments	-	-	-	-	1,444,012
TOTAL ASSETS	<u>\$ 200,681</u>	<u>\$ 628,748</u>	<u>\$ 710,866</u>	<u>\$ 21,022</u>	<u>\$1,444,012</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 52,121	\$ 31,313	\$ 16	\$ 3,218
Accrued liabilities	-	1,365	23,002	306	-
Due to other governments	115,000	-	-	-	-
Deferred revenues	-	477,604	387,262	-	-
Due to other funds	-	579	1,197	7	-
Total Liabilities	<u>115,000</u>	<u>531,669</u>	<u>442,774</u>	<u>329</u>	<u>3,218</u>
Fund Balances					
Nonspendable	-	1,050	11,574	99	-
Restricted	85,681	-	256,518	-	1,440,794
Committed	-	96,029	-	20,594	-
Total Fund Balances	<u>85,681</u>	<u>97,079</u>	<u>268,092</u>	<u>20,693</u>	<u>1,440,794</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 200,681</u>	<u>\$ 628,748</u>	<u>\$ 710,866</u>	<u>\$ 21,022</u>	<u>\$1,444,012</u>

Special Revenue Funds	Capital Projects Funds						Total Nonmajor Governmental Funds
	2001 GO Bond Fund	2009 GO Bond Fund	Capital Projects Fund	2010 Taxable GO Note (BAB) Fund	Capital Equipment Fund	Library Building Fund	
Park Land Site Fund							
\$ 139,871	\$ -	\$ 335,830	\$1,306,944	\$ 51,643	\$ 162,716	\$ 7,682	\$ 2,681,733
-	-	-	-	-	38,075	-	907,045
-	-	-	-	-	9,036	-	11,586
-	-	250,698	-	72,619	289	-	323,633
-	-	-	-	-	-	-	12,723
-	-	-	-	-	-	-	1,444,012
<u>\$ 139,871</u>	<u>\$ -</u>	<u>\$ 586,528</u>	<u>\$1,306,944</u>	<u>\$ 124,262</u>	<u>\$ 210,116</u>	<u>\$ 7,682</u>	<u>\$ 5,380,732</u>
\$ 79	\$ -	\$ 18,305	\$ -	\$ 75,125	\$ 17,439	\$ -	\$ 197,616
-	-	-	-	-	-	-	24,673
-	-	-	-	-	-	-	115,000
-	-	-	-	-	38,075	-	902,941
-	-	-	-	-	-	-	1,783
<u>79</u>	<u>-</u>	<u>18,305</u>	<u>-</u>	<u>75,125</u>	<u>55,514</u>	<u>-</u>	<u>1,242,013</u>
-	-	-	-	-	-	-	12,723
-	-	-	-	-	-	-	1,782,993
<u>139,792</u>	<u>-</u>	<u>568,223</u>	<u>1,306,944</u>	<u>49,137</u>	<u>154,602</u>	<u>7,682</u>	<u>2,343,003</u>
<u>139,792</u>	<u>-</u>	<u>568,223</u>	<u>1,306,944</u>	<u>49,137</u>	<u>154,602</u>	<u>7,682</u>	<u>4,138,719</u>
<u>\$ 139,871</u>	<u>\$ -</u>	<u>\$ 586,528</u>	<u>\$1,306,944</u>	<u>\$ 124,262</u>	<u>\$ 210,116</u>	<u>\$ 7,682</u>	<u>\$ 5,380,732</u>

VILLAGE OF MUKWONAGO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2011

	Special Revenue Funds				
	Revolving Loan Fund	Recycling Fund	Library Fund	Stormwater Fund	Impact Fee Fund
REVENUES					
Taxes	\$ -	\$ 476,999	\$ 370,682	\$ -	\$ -
Intergovernmental	-	22,221	417,386	-	-
Licenses and permits	-	-	-	-	120,662
Public charges for services	-	93,166	35,109	18,641	-
Intergovernmental charges for services	-	-	-	-	-
Investment income	3,237	1,812	1,814	80	3,500
Miscellaneous	-	-	19,849	-	-
Total Revenues	3,237	594,198	844,840	18,721	124,162
EXPENDITURES					
Current					
Public works	-	599,846	-	49,124	4,428
Culture, recreation and education	-	-	672,109	-	-
Conservation and development	-	-	-	1,063	-
Capital Outlay	-	-	109,389	-	12,590
Total Expenditures	-	599,846	781,498	50,187	17,018
Excess (deficiency) of revenues over expenditures	3,237	(5,648)	63,342	(31,466)	107,144
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	20,000	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	20,000	-
Net Change in Fund Balances	3,237	(5,648)	63,342	(11,466)	107,144
FUND BALANCES - Beginning of Year	82,444	102,727	204,750	32,159	1,333,650
FUND BALANCES - END OF YEAR	\$ 85,681	\$ 97,079	\$ 268,092	\$ 20,693	\$ 1,440,794

Special Revenue Funds	Capital Projects Funds							
	Park Land Site Fund	2001 GO Bond Fund	2009 GO Bond Fund	Capital Projects Fund	2010 Taxable GO Note (BAB) Fund	Capital Equipment Fund	Library Building Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,875	\$ -	\$ 891,556
-	-	-	-	-	-	-	-	439,607
13,290	-	-	-	-	-	-	-	133,952
-	-	-	-	-	-	-	-	146,916
-	-	-	-	-	-	22,784	-	22,784
681	-	1,481	5,083	662	1,057	-	16	19,423
10	-	250,698	-	72,619	-	-	-	343,176
<u>13,981</u>	<u>-</u>	<u>252,179</u>	<u>5,083</u>	<u>73,281</u>	<u>67,716</u>	<u>16</u>	<u>16</u>	<u>1,997,414</u>
-	-	-	-	-	-	-	-	653,398
-	-	-	-	-	-	-	-	672,109
-	-	-	-	-	-	-	-	1,063
<u>1,461</u>	<u>-</u>	<u>125,465</u>	<u>32,390</u>	<u>546,403</u>	<u>106,797</u>	<u>-</u>	<u>-</u>	<u>934,495</u>
<u>1,461</u>	<u>-</u>	<u>125,465</u>	<u>32,390</u>	<u>546,403</u>	<u>106,797</u>	<u>-</u>	<u>-</u>	<u>2,261,065</u>
<u>12,520</u>	<u>-</u>	<u>126,714</u>	<u>(27,307)</u>	<u>(473,122)</u>	<u>(39,081)</u>	<u>16</u>	<u>16</u>	<u>(263,651)</u>
-	-	-	-	-	-	-	-	20,000
<u>-</u>	<u>(29,237)</u>	<u>-</u>	<u>(2,008,938)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,038,175)</u>
<u>-</u>	<u>(29,237)</u>	<u>-</u>	<u>(2,008,938)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,018,175)</u>
12,520	(29,237)	126,714	(2,036,245)	(473,122)	(39,081)	16	16	(2,281,826)
<u>127,272</u>	<u>29,237</u>	<u>441,509</u>	<u>3,343,189</u>	<u>522,259</u>	<u>193,683</u>	<u>7,666</u>	<u>7,666</u>	<u>6,420,545</u>
<u>\$ 139,792</u>	<u>\$ -</u>	<u>\$ 568,223</u>	<u>\$ 1,306,944</u>	<u>\$ 49,137</u>	<u>\$ 154,602</u>	<u>\$ 7,682</u>	<u>\$ 7,682</u>	<u>\$ 4,138,719</u>