

VILLAGE OF MUKWONAGO

Mukwonago, Wisconsin

FINANCIAL STATEMENTS

December 31, 2008

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, 2008, 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, 2008, 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.

The required supplementary information as noted in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Village of Mukwonago, Wisconsin, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Village of Mukwonago

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 introductory section, supplementary schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Baker Tilly Vinchow Krause, LLP

Milwaukee, Wisconsin
August 26, 2005

BASIC FINANCIAL STATEMENTS

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VILLAGE OF MUKWONAGO

STATEMENT OF NET ASSETS December 31, 2008

	<u>Governmental Activites</u>	<u>Business- Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 8,759,554	\$ 3,820,847	\$ 12,580,401
Receivables (net)			
Taxes receivable	4,998,616	111,636	5,110,252
Accounts	94,671	629,732	724,403
Special assessments	1,739,799	1,094,586	2,834,385
Due from other governmental units	8,821	-	8,821
Internal balances	113,370	(113,370)	-
Inventories and prepaid items	60,512	25,417	85,929
Unamortized debt issuance expense	364,589	307,307	671,896
Restricted assets			
Cash and investments	1,491,760	1,985,994	3,477,754
Accounts receivable	2,379	-	2,379
Capital assets			
Land	904,500	598,969	1,503,469
Construction in progress	2,528,161	2,134,251	4,662,412
Other capital assets, net of depreciation	<u>17,615,859</u>	<u>28,158,205</u>	<u>45,774,064</u>
Total Assets	<u>38,682,591</u>	<u>38,753,574</u>	<u>77,436,165</u>
LIABILITIES			
Accounts payable and accrued expenses	822,466	242,887	1,065,353
Unearned revenue	4,998,053	508,408	5,506,461
Noncurrent liabilities			
Due within one year	2,109,765	961,933	3,071,698
Due in more than one year	<u>23,131,956</u>	<u>17,058,832</u>	<u>40,190,788</u>
Total Liabilities	<u>31,062,240</u>	<u>18,772,060</u>	<u>49,834,300</u>
NET ASSETS			
Invested in capital assets, net of related debt	546,537	14,784,055	15,330,592
Restricted for			
Debt service	723,263	52,469	775,732
Equipment replacement	-	290,066	290,066
Impact fees	1,491,760	-	1,491,760
Unrestricted	<u>4,858,791</u>	<u>4,854,924</u>	<u>9,713,715</u>
TOTAL NET ASSETS	<u>\$ 7,620,351</u>	<u>\$ 19,981,514</u>	<u>\$ 27,601,865</u>

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 872,336	\$ 124,214	\$ 50,580	\$ -
Public safety	3,232,485	1,030,502	52,473	79,581
Public works	1,834,216	354,062	691,599	885,683
Health and human services	2,520	122,307	-	-
Culture, education and recreation	909,062	39,984	387,295	21,683
Conservation and development	134,990	-	-	-
Interest and fiscal charges	1,141,135	-	-	-
Total Governmental Activities	8,126,744	1,671,069	1,181,947	986,947
Business-type Activities				
Water Utility	1,074,339	1,525,548	-	30,935
Sanitary Sewer Utility	1,853,296	1,167,197	-	44,660
Total Business-type Activities	2,927,635	2,692,745	-	75,595
Total	\$ 11,054,379	\$ 4,363,814	\$ 1,181,947	\$ 1,062,542

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

Total General Revenues

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>
\$ (697,542)	\$ -	\$ (697,542)
(2,069,929)	-	(2,069,929)
97,128	-	97,128
119,787	-	119,787
(460,100)	-	(460,100)
(134,990)	-	(134,990)
<u>(1,141,135)</u>	<u>-</u>	<u>(1,141,135)</u>
<u>(4,286,781)</u>	<u>-</u>	<u>(4,286,781)</u>
-	482,144	482,144
-	<u>(641,439)</u>	<u>(641,439)</u>
-	<u>(159,295)</u>	<u>(159,295)</u>
<u>(4,286,781)</u>	<u>(159,295)</u>	<u>(4,446,076)</u>
2,136,014	-	2,136,014
1,984,214	-	1,984,214
712,392	-	712,392
14,901	-	14,901
469,311	-	469,311
443,172	291,939	735,111
304,000	-	304,000
22,847	28,819	51,666
<u>6,086,851</u>	<u>320,758</u>	<u>6,407,609</u>
<u>204,100</u>	<u>(204,100)</u>	<u>-</u>
2,004,170	(42,637)	1,961,533
<u>5,616,181</u>	<u>20,024,151</u>	<u>25,640,332</u>
<u>\$ 7,620,351</u>	<u>\$ 19,981,514</u>	<u>\$ 27,601,865</u>

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	<u>General Fund</u>	<u>Tax Incremental District No. 3</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
ASSETS				
Cash and investments	\$ 1,968,116	\$ 1,365,398	\$ 944,112	\$ 3,262,026
Receivables				
Taxes	1,459,968	373,286	2,188,552	-
Accounts	90,816	-	-	-
Special assessments	5,226	-	1,703,719	-
Due from other governments	8,821	-	-	-
Due from other funds	121,692	-	269,433	317,902
Prepaid items	46,196	-	-	-
Restricted cash and investments	-	-	-	-
Restricted accounts receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,700,835</u>	<u>\$ 1,738,684</u>	<u>\$ 5,105,816</u>	<u>\$ 3,579,928</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 129,034	\$ 2,062	\$ -	\$ 64,114
Accrued liabilities	81,955	-	-	-
Due to other funds	270,069	-	301,379	67
Deferred revenues	1,466,613	373,286	3,902,271	-
Due to other governments	-	-	-	-
Total Liabilities	<u>1,947,671</u>	<u>375,348</u>	<u>4,203,650</u>	<u>64,181</u>
Fund Balances				
Reserved				
Debt service	-	-	902,166	-
Impact fees	-	-	-	-
Prepaid items	46,196	-	-	-
Encumbrances	-	-	-	431,372
Unreserved, reported in:				
General fund designated	848,298	-	-	-
General fund undesignated	858,670	-	-	-
Special revenue funds undesignated	-	-	-	-
Capital projects funds designated	-	1,363,336	-	-
Capital projects funds undesignated	-	-	-	3,084,375
Total Fund Balances	<u>1,753,164</u>	<u>1,363,336</u>	<u>902,166</u>	<u>3,515,747</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,700,835</u>	<u>\$ 1,738,684</u>	<u>\$ 5,105,816</u>	<u>\$ 3,579,928</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,219,902	\$ 8,759,554
976,810	4,998,616
3,855	94,671
30,854	1,739,799
-	8,821
35,313	744,340
14,316	60,512
1,491,760	1,491,760
<u>2,379</u>	<u>2,379</u>
<u>\$ 3,775,189</u>	<u>\$ 17,900,452</u>

\$ 109,201	\$ 304,411
49,130	131,085
59,455	630,970
1,008,812	6,750,982
<u>323,067</u>	<u>323,067</u>
<u>1,549,665</u>	<u>8,140,515</u>

-	902,166
1,491,760	1,491,760
14,316	60,512
-	431,372
-	848,298
-	858,670
712,457	712,457
-	1,363,336
<u>6,991</u>	<u>3,091,366</u>
<u>2,225,524</u>	<u>9,759,937</u>
<u>\$ 3,775,189</u>	<u>\$ 17,900,452</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 December 31, 2008

Total Fund Balances - Governmental Funds \$ 9,759,937

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

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III.D. 21,048,520

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. 1,752,929

Accrued interest payable (178,903)

Unamortized debt issuance expenses 364,589

Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note III.F. (25,126,721)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 7,620,351

VILLAGE OF MUKWONAGO

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

For the Year Ended December 31, 2008

	<u>General Fund</u>	<u>Tax Incremental District No. 3</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
REVENUES				
Taxes	\$ 1,227,601	\$ 712,392	\$ 1,984,214	\$ -
Special assessments	86	-	191,452	-
Intergovernmental	1,170,536	9,838	-	-
Licenses and permits	264,952	-	-	-
Fines, forfeitures and penalties	155,198	-	-	-
Public charges for services	22,452	-	-	-
Intergovernmental charges for services	139,015	-	-	-
Investment income	116,417	97,203	33,707	109,576
Miscellaneous	17,229	-	-	-
Total Revenues	<u>3,113,486</u>	<u>819,433</u>	<u>2,209,373</u>	<u>109,576</u>
EXPENDITURES				
Current				
General government	656,537	-	-	-
Public safety	2,186,974	-	-	-
Public works	778,105	-	-	-
Health and human services	12,257	-	-	-
Culture, recreation and education	135,786	-	-	-
Conservation and development	68,040	-	-	-
Capital Outlay	-	34,084	-	508,673
Debt Service				
Principal	-	5,465,660	1,638,772	-
Interest and fiscal charges	-	431,056	849,850	-
Total Expenditures	<u>3,837,699</u>	<u>5,930,800</u>	<u>2,488,622</u>	<u>508,673</u>
Excess (deficiency) of revenues over expenditures	<u>(724,213)</u>	<u>(5,111,367)</u>	<u>(279,249)</u>	<u>(399,097)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	5,300,000	-	-
Premium on debt issued	-	78,512	-	-
Transfers in	268,100	-	700,000	-
Transfers out	(300,000)	(62,000)	-	(500,000)
Sales of fixed assets	304,000	-	-	-
Total Other Financing Sources (Uses)	<u>272,100</u>	<u>5,316,512</u>	<u>700,000</u>	<u>(500,000)</u>
Net Change in Fund Balances	(452,113)	205,145	420,751	(899,097)
FUND BALANCES - Beginning of Year	<u>2,205,277</u>	<u>1,158,191</u>	<u>481,415</u>	<u>4,414,844</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,753,164</u>	<u>\$ 1,363,336</u>	<u>\$ 902,166</u>	<u>\$ 3,515,747</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 937,330	\$ 4,861,537
3,165	194,703
453,503	1,633,877
142,776	407,728
-	155,198
410,561	433,013
490,196	629,211
74,245	431,148
<u>100,221</u>	<u>117,450</u>
<u>2,611,997</u>	<u>8,863,865</u>
-	656,537
843,778	3,030,752
548,399	1,326,504
-	12,257
696,871	832,657
66,950	134,990
446,339	989,096
-	7,104,432
-	<u>1,280,906</u>
<u>2,602,337</u>	<u>15,368,131</u>
<u>9,660</u>	<u>(6,504,266)</u>
-	5,300,000
-	78,512
181,000	1,149,100
(83,000)	(945,000)
-	<u>304,000</u>
<u>98,000</u>	<u>5,886,612</u>
107,660	(617,654)
<u>2,117,864</u>	<u>10,377,591</u>
<u>\$ 2,225,524</u>	<u>\$ 9,759,937</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, 2008

Net change in fund balances - total governmental funds	\$	(617,654)
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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		989,096
Some items reported as capital outlay were not capitalized		(252,514)
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements		12,103
Depreciation is reported in the government-wide financial statements		(776,117)

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		750,578
Other receivables		8,372

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt issued		(5,300,000)
Principal repaid		7,104,432

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

Debt issuance costs capitalized		123,419
Amortization of debt issuance costs		(85,626)
Debt premium capitalized		(78,512)
Amortization of loss on refunding		(28,717)
Amortization of debt premiums		32,580

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		24,616
Accrued interest on debt		98,114

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>2,004,170</u>
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VILLAGE OF MUKWONAGO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS December 31, 2008

	Business-type Activities - Enterprise Funds		
	Water Utility	Sanitary Sewer Utility	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 164,777	\$ 3,656,070	\$ 3,820,847
Receivables			
Accounts	345,645	284,087	629,732
Taxes	58,655	52,981	111,636
Due from other funds	66,985	50,850	117,835
Inventories	18,603	-	18,603
Prepaid items	1,648	5,166	6,814
Restricted Assets			
Cash and investments	<u>50,973</u>	<u>62,457</u>	<u>113,430</u>
Total Current Assets	<u>707,286</u>	<u>4,111,611</u>	<u>4,818,897</u>
Noncurrent Assets			
Restricted Assets			
Cash and investments	602,214	1,270,350	1,872,564
Capital Assets			
Land	556,467	42,502	598,969
Construction in progress	1,639,769	494,482	2,134,251
Capital assets being depreciated	17,201,867	20,361,933	37,563,800
Less: Accumulated depreciation	(3,247,410)	(6,158,185)	(9,405,595)
Other Assets			
Special assessments	356,613	737,973	1,094,586
Unamortized debt issuance expenses	<u>90,090</u>	<u>217,217</u>	<u>307,307</u>
Total Noncurrent Assets	<u>17,199,610</u>	<u>16,966,272</u>	<u>34,165,882</u>
Total Assets	<u>17,906,896</u>	<u>21,077,883</u>	<u>38,984,779</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Sanitary		Totals
	Water Utility	Sewer Utility	
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 61,787	\$ 91,895	\$ 153,682
Accrued liabilities	6,299	16,869	23,168
Accrued interest payable	4,894	182	5,076
Due to other funds	159,624	71,581	231,205
Current portion of long-term debt	130,304	225,660	355,964
Liabilities Payable from Restricted Assets			
Accrued interest payable	19,158	41,803	60,961
Current portion of long-term debt	<u>235,044</u>	<u>370,925</u>	<u>605,969</u>
Total Current Liabilities	<u>617,110</u>	<u>818,915</u>	<u>1,436,025</u>
Noncurrent Liabilities			
Long-Term Debt			
Bonds and notes payable	5,873,436	11,119,778	16,993,214
Special deposits	5,120	-	5,120
Unearned revenues	67,776	440,632	508,408
Compensated absences	<u>29,295</u>	<u>31,203</u>	<u>60,498</u>
Total Noncurrent Liabilities	<u>5,975,627</u>	<u>11,591,613</u>	<u>17,567,240</u>
Total Liabilities	<u>6,592,737</u>	<u>12,410,528</u>	<u>19,003,265</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,604,213	4,179,842	14,784,055
Restricted for			
Equipment replacement	-	290,066	290,066
Debt service	31,815	20,654	52,469
Unrestricted	<u>678,131</u>	<u>4,176,793</u>	<u>4,854,924</u>
TOTAL NET ASSETS	<u>\$ 11,314,159</u>	<u>\$ 8,667,355</u>	<u>\$ 19,981,514</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, 2008

	Business-type Activities - Enterprise Funds		
	Sanitary		Totals
	Water Utility	Sewer Utility	
OPERATING REVENUES	<u>\$ 1,524,478</u>	<u>\$ 1,167,197</u>	<u>\$ 2,691,675</u>
OPERATING EXPENSES			
Operation and maintenance	443,845	745,870	1,189,715
Depreciation	343,512	530,800	874,312
Taxes	<u>10,526</u>	<u>444</u>	<u>10,970</u>
Total Operating Expenses	<u>797,883</u>	<u>1,277,114</u>	<u>2,074,997</u>
Operating Income (Loss)	<u>726,595</u>	<u>(109,917)</u>	<u>616,678</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	72,262	219,677	291,939
Miscellaneous	1,070	28,818	29,888
Interest and fiscal charges	<u>(276,456)</u>	<u>(576,182)</u>	<u>(852,638)</u>
Total Nonoperating Revenues (Expenses)	<u>(203,124)</u>	<u>(327,687)</u>	<u>(530,811)</u>
Income (Loss) Before Contributions and Transfers	<u>523,471</u>	<u>(437,604)</u>	<u>85,867</u>
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	30,935	44,660	75,595
Transfers in	-	62,000	62,000
Transfers out	<u>(263,226)</u>	<u>(2,874)</u>	<u>(266,100)</u>
Total Contributions and Transfers	<u>(232,291)</u>	<u>103,786</u>	<u>(128,505)</u>
Change in Net Assets	291,180	(333,818)	(42,638)
NET ASSETS - Beginning of Year	<u>11,022,979</u>	<u>9,001,173</u>	<u>20,024,152</u>
NET ASSETS - END OF YEAR	<u>\$ 11,314,159</u>	<u>\$ 8,667,355</u>	<u>\$ 19,981,514</u>

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sanitary Sewer Utility</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 1,478,003	\$ 1,096,766	\$ 2,574,769
Paid to suppliers for goods and services	(265,609)	(402,708)	(668,317)
Paid to employees for services	(120,685)	(263,966)	(384,651)
Net Cash Flows From Operating Activities	<u>1,091,709</u>	<u>430,092</u>	<u>1,521,801</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>72,262</u>	<u>219,677</u>	<u>291,939</u>
Net Cash Flows From Investing Activities	<u>72,262</u>	<u>219,677</u>	<u>291,939</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent Transfers from municipality	(240,944)	(2,874)	(243,818)
Net Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>62,000</u>	<u>62,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt issued	918,720	5,556,280	6,475,000
Debt retired	(3,124,942)	(8,361,982)	(11,486,924)
Interest paid	(308,009)	(644,680)	(952,689)
Debt issuance costs paid	(28,156)	(130,364)	(158,520)
Special assessments received	43,300	46,040	89,340
Acquisition and construction of capital assets	(422,972)	(695,886)	(1,118,858)
Premium on debt issued received	<u>17,006</u>	<u>71,997</u>	<u>89,003</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(2,905,053)</u>	<u>(4,158,595)</u>	<u>(7,063,648)</u>
Net Change in Cash and Cash Equivalents	<u>(1,982,026)</u>	<u>(3,449,700)</u>	<u>(5,431,726)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,799,990</u>	<u>8,438,577</u>	<u>11,238,567</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 817,964</u>	<u>\$ 4,988,877</u>	<u>\$ 5,806,841</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Water Utility	Sanitary Sewer Utility	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 726,595	\$ (109,917)	\$ 616,678
Nonoperating revenue	1,070	28,818	29,888
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	343,512	530,799	874,311
Depreciation charged to other funds	12,703	(12,703)	-
Changes in assets and liabilities			
Accounts and taxes receivable	(11,767)	(35,696)	(47,463)
Inventory	622	-	622
Prepaid items	(7)	(581)	(588)
Due from other funds	25,079	(338)	24,741
Accounts payable	(11,153)	39,501	28,348
Due to other funds	(30,381)	34,656	4,275
Compensated absences	2,613	119	2,732
Accrued liabilities	411	5,946	6,357
Unearned revenues	(18,100)	-	(18,100)
Due to sewer utility	50,512	-	50,512
Due from water utility	-	(50,512)	(50,512)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,091,709	\$ 430,092	\$ 1,521,801
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS			
Cash and investments - statement of net assets	\$ 164,777	\$ 3,656,070	\$ 3,820,847
Restricted cash and investments - statement of net assets	653,187	1,332,807	1,985,994
CASH AND CASH EQUIVALENTS	\$ 817,964	\$ 4,988,877	\$ 5,806,841
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Special assessments levied	\$ 30,760	\$ 34,808	

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

	Private Purpose Trust Library Trust Fund	Agency Fund Tax Escrow Fund
ASSETS		
Cash and investments	\$ 29,685	\$ 5,981,833
Taxes receivable	-	2,089,470
Total Assets	29,685	8,071,303
LIABILITIES		
Accounts payable	-	87,348
Due to other taxing units	-	7,983,955
Total Liabilities	-	8,071,303
NET ASSETS		
Held in trust	29,685	-
TOTAL NET ASSETS	\$ 29,685	\$ -

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2008**

	<u>Private Purpose Trust Library Trust Fund</u>
ADDITIONS	
Investment income	\$ 408
Total Additions	<u>408</u>
Change in Net Assets	408
NET ASSETS - Beginning of Year	<u>29,277</u>
NET ASSETS - END OF YEAR	<u><u>\$ 29,685</u></u>

See accompanying notes to financial statements.

VILLAGE OF MUKWONAGO

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VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Government-Wide Financial Statements (cont.)

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 non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the 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 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- 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.

The village reports the following major governmental funds:

General Fund - accounts for the village's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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: (cont.)

Debt Service Fund - accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise fund debt.

Capital Projects Fund - accounts for proceeds from long-term borrowing and other resources to be used for non-TID capital improvement projects.

Tax Incremental District (TID) No. 3 Capital Projects Fund - accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing.

The village reports the following major enterprise funds:

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

Water Utility - accounts for operations of the water system

The village reports the following non-major governmental funds:

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Library	Recycling
Revolving Loan	Park Land Site
Impact Fee	Ambulance Designated
Fire Designated	Fire and Ambulance
Stormwater	Specific Use

Capital Projects Funds - used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

Capital Equipment	2001 GO Bond
Library Building	

In addition, the village reports the following fund types:

Private-purpose trust used to 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 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

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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 deferred 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 pronouncements 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.

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. Delinquent special assessments being held by the county are reported as receivables and deferred revenue.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Fund Financial Statements (cont.)

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.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements 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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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, or by the University of Wisconsin Hospitals and Clinics Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- 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.

The village has not adopted an investment policy.

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.

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, 2008, the fair value of the village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

