

CITY OF MUSKEGO

Muskego, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2020

City of Muskego

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City of Muskego

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As of and for the Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Muskego, Wisconsin, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Muskego's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Mayor and Common Council
City of Muskego

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Muskego, Wisconsin, as of December 31, 2020 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskego's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Milwaukee, Wisconsin
July 26, 2021

**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**

City of Muskego, Wisconsin
Management Discussion and Analysis
As of and for the Year Ended December 31, 2020
(Unaudited)

As management of the City of Muskego, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020. The discussion and analysis presents the highlights of financial activities and financial position for the City of Muskego (City). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$148,177,832 as of December 31, 2020. Of this amount, \$17,686,036 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Compared to the prior year, the City's total net position increased by \$5,786,635.
- At the close of the 2020 fiscal year, the City's governmental funds reported combined ending fund balances of \$22,796,033, which is a decrease of \$432,369 in comparison with the prior year. Of this total amount, approximately 65% or \$14,839,310 is available for spending at the government's discretion (committed, assigned and unassigned fund balances).
- The City's unassigned fund balance for the General Fund was \$7,740,453 or 50% of the total general fund expenditures (including transfers out) for fiscal year 2020. Of this total, \$2,794,933 is committed to meet the requirements of the City's Fund Balance and Annual General Fund Budgeted Contingency policy.
- The City of Muskego's total long-term debt, excluding compensated absences, decreased by \$4,741,361 (10.24%) during the 2020 fiscal year. In addition to net scheduled payments contributing to the decrease there was the issuance of \$3,414,000 General Obligation Debt Refunding Bonds which increased the balance.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

City of Muskego
Management Discussion and Analysis
As of and for the Year Ended December 31, 2020
(Unaudited)

Government-wide Financial Statements (continued)

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

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

The government-wide financial statements can be found on pages 13 through 14 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City of Muskego maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, Capital Budget Fund and Tax Increment District Capital Project Funds, all of which are considered to be major funds. Individual fund data for each of the fifteen non-major governmental funds is provided in the form of combining statements and can be found on pages 76 through 83 of this report.

The City of Muskego adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its budget on page 19 this report. The basic governmental fund financial statements can be found on pages 15 through 19 of this report.

City of Muskego
Management Discussion and Analysis
As of and for the Year Ended December 31, 2020
(Unaudited)

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Muskego's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds for the City are private purpose trust funds and agency funds. Total assets of the fiduciary funds were \$34,761,906.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 72 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 76 through 83 of this report. Required supplementary information for the Wisconsin Retirement System and Local Retiree Life Insurance Fund are included on pages 73 through 75.

Government-Wide Financial Analysis

As financial information is accumulated from year-to-year, changes in net position may serve as a useful indicator of a government's financial position. In the case of the City of Muskego, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$148,177,832 as of December 31, 2020.

The largest portion of the City of Muskego's net position (73.6%) reflects its investment in capital assets (e.g., land, buildings, improvements, and machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City of Muskego uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Muskego
Management Discussion and Analysis
As of and for the Year Ended December 31, 2020
(Unaudited)

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

City of Muskego - Net Position						
	Governmental Activities		Business - type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 41,363,146	\$ 39,451,995	\$ 22,502,168	\$ 20,611,474	\$ 63,865,314	\$ 60,063,469
Capital assets	80,781,352	81,227,450	68,274,562	67,688,233	149,055,914	148,915,683
Total assets	122,144,498	120,679,445	90,776,730	88,299,707	212,921,228	208,979,152
Deferred outflows of resources	4,364,828	5,245,182	469,292	577,873	4,834,120	5,823,055
Total Assets and Deferred Outflows of Resources	126,509,326	125,924,627	91,246,022	88,877,580	217,755,348	214,802,207
Current liabilities	1,832,681	1,730,972	1,837,486	1,580,115	3,670,167	3,311,087
Noncurrent outstanding	41,869,342	47,957,828	2,379,275	2,812,565	44,248,617	50,770,393
Other liabilities	-	-	550,240	555,847	550,240	555,847
Total liabilities	43,702,023	49,688,800	4,767,001	4,948,527	48,469,024	54,637,327
Deferred inflows of resources	20,574,269	17,467,142	534,223	306,541	21,108,492	17,773,683
Net investment in capital assets	44,170,391	42,337,573	65,735,249	64,897,595	108,612,583	105,871,622
Restricted	8,321,906	6,921,323	13,181,693	11,050,142	21,503,599	17,971,465
Unrestricted	9,740,737	9,509,789	7,027,856	7,674,775	18,061,650	18,548,110
Total net position	62,233,034	58,768,685	85,944,798	83,622,512	148,177,832	142,391,197
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 126,509,326	\$ 125,924,627	\$ 91,246,022	\$ 88,877,580	\$ 217,755,348	\$ 214,802,207

At the end of the 2020 fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net position

As of December 31, 2020, total net position of the City of Muskego amounted to \$148,177,832, which is an increase of \$5,786,635 as compared to the 2020 fiscal year end. The major items attributing to this increase is contributed capital from development and required financial reporting for pensions adjustments.

Net position of the City's governmental activities totaled \$62,233,034, which is an increase of \$3,464,349 as compared to the prior year. Of this total, \$9,740,737 or 15.7% is classified as unrestricted assets and may be used to finance the City's ongoing obligations to citizens and creditors. The restricted net position portion (13.4%) represents resources that are subject to external restrictions on how they may be used, which include financing for debt service.

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

City of Muskego
Management Discussion and Analysis
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(Unaudited)

The business-type activities net position amounted to \$85,944,798, an increase of \$2,322,286. The unrestricted balance of \$7,027,856 is used to finance the continued operations of the water and sewer utilities.

The following schedule highlights the key elements of the City's revenues and expenses for the 2020 and 2019 fiscal year ends. These two main components are subtracted to yield the change in net position and are summarized as follows:

City of Muskego's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues						
Charges for services	\$ 5,138,251	\$ 5,412,894	\$ 8,601,885	\$ 8,144,775	\$ 13,740,136	\$ 13,557,669
Operating grants and contributions	1,809,570	1,582,723	-	-	1,809,570	1,582,723
Capital grants and contributions	1,491,012	907,362	3,580,152	1,280,323	5,071,164	2,187,685
General Revenues						
Property taxes	14,719,325	14,819,266	-	-	14,719,325	14,819,266
Other Taxes	117,853	113,142	-	-	117,853	113,142
Grants and contributions not restricted to specific programs	958,429	506,081	-	-	958,429	506,081
Unrestricted investment earnings	456,164	760,687	163,424	413,275	619,588	1,173,962
Miscellaneous	419	1,560	-	-	419	1,560
Total Revenues	24,691,023	24,103,715	12,345,461	9,838,373	37,036,484	33,942,088
Expenses:						
General government	2,928,227	2,926,499	-	-	2,928,227	2,926,499
Public safety	7,645,264	8,704,722	-	-	7,645,264	8,704,722
Highway and transportation	5,167,163	5,280,103	-	-	5,167,163	5,280,103
Health and sanitation	1,160,338	1,142,104	-	-	1,160,338	1,142,104
Economic development	966,069	710,392	-	-	966,069	710,392
Education and recreation	2,329,896	2,287,988	-	-	2,329,896	2,287,988
Interest on long-term debt	1,504,344	1,811,691	-	-	1,504,344	1,811,691
Sewer	-	-	7,719,851	8,250,085	7,719,851	8,250,085
Water	-	-	1,828,697	1,911,933	1,828,697	1,911,933
Total Expenses	21,701,301	22,863,499	9,548,548	10,162,018	31,249,849	33,025,517
Decrease in Net Position before transfers	2,989,722	1,240,216	2,796,913	(323,645)	5,786,635	916,571
Transfers	474,627	482,580	(474,627)	(482,580)	-	-
Change in Net Position	3,464,349	1,722,796	2,322,286	(806,225)	5,786,635	916,571
Net Position - Beginning	58,768,685	57,045,889	83,622,512	84,428,737	142,391,197	141,474,626
Net Position - Ending	\$ 62,233,034	\$ 58,768,685	\$ 85,944,798	\$ 83,622,512	\$ 148,177,832	\$ 142,391,197

**City of Muskego
Management Discussion and Analysis
As of and for the Year Ended December 31, 2020
(Unaudited)**

Governmental Activities

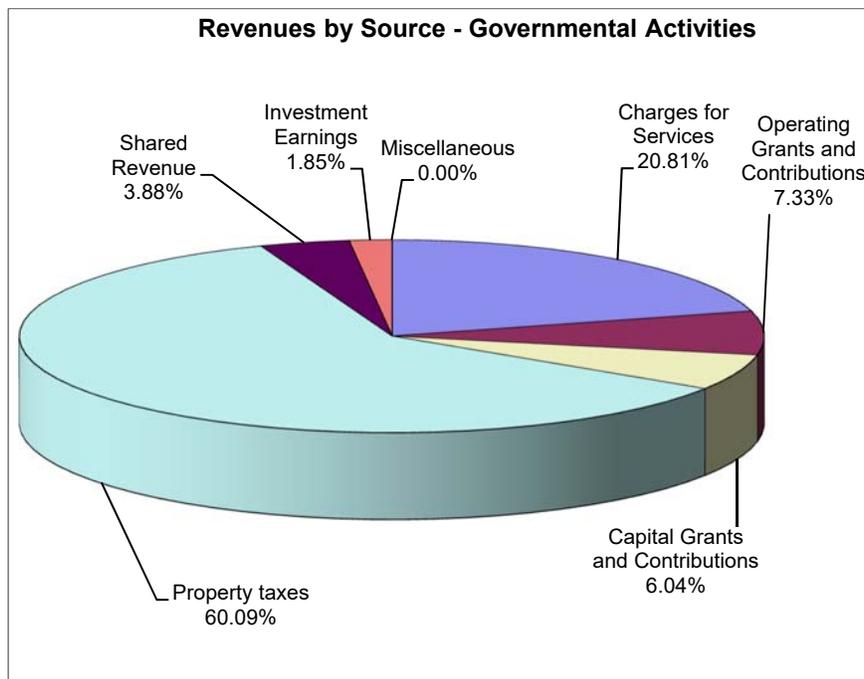
The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs. The net of services column shows how much of the total amount is not covered by program revenues. Succinctly put net costs that must be covered by local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

Programs	Total Cost of Services		Net (Expenses) of Services	
	2020	2019	2020	2019
General government	\$ 2,928,227	\$ 2,926,499	\$ (2,616,677)	\$ (2,579,580)
Public safety	7,645,264	8,704,722	(6,360,073)	(7,340,532)
Public works	5,167,163	5,280,103	(2,442,323)	(3,664,101)
Health and sanitation	1,160,338	1,142,104	2,108,079	2,044,558
Conservation & development	966,069	710,392	(642,553)	(50,139)
Education and recreation	2,329,896	2,287,988	(1,804,577)	(1,559,035)
Interest and long-term debt	1,504,344	1,811,691	(1,504,344)	(1,811,691)
Total	<u>\$ 21,701,301</u>	<u>\$ 22,863,499</u>	<u>\$ (13,262,468)</u>	<u>\$ (14,960,520)</u>

The increase in total cost of services is primarily attributed to the public safety building remodel and addition; as well as additional pension expense accounted for under GASB 68.

Net cost of services is 61% of total cost of services in 2020. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

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

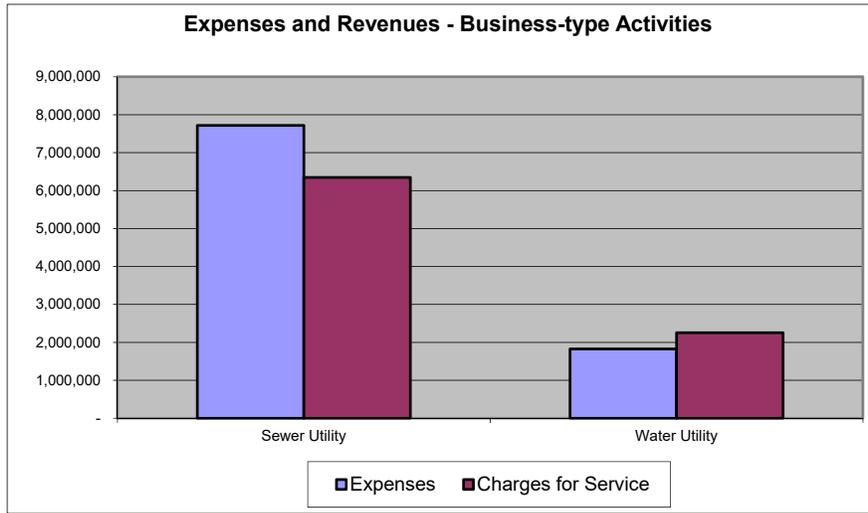


**City of Muskego
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(Unaudited)**

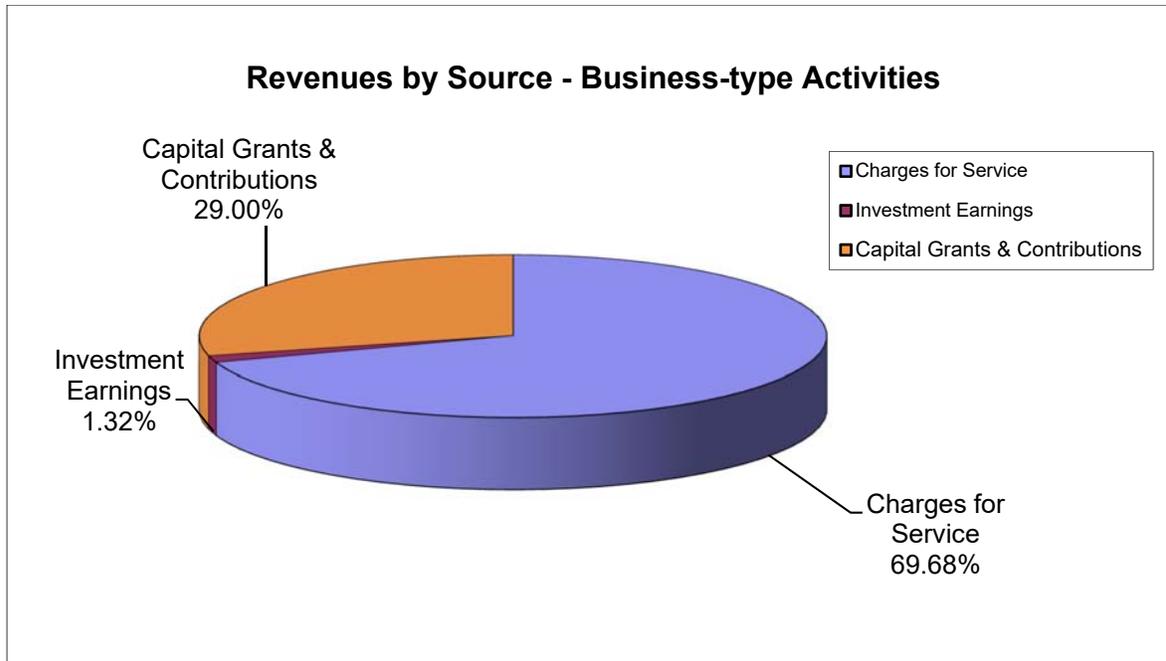
Business-Type Activities

Total Business-type activities' charges for service revenues for the year ending December 31, 2020 were \$8,601,885, which is a slight increase of \$457,110 over 2019 and primarily due to additional revenue generated from the sewer and water utility charges for services. The Business-type activities increased the City of Muskego's net position by \$2,322,286, which reflects the developer contributed capital.

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



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



City of Muskego
Management Discussion and Analysis
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(Unaudited)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds – General Fund, Debt Service Fund, Tax Increment District Capital Project Funds, and all Other Non-major Governmental Funds – reported a combined ending fund balances of \$22,796,033, a decrease of \$432,369 in comparison with the prior year. Approximately 65% of this total amount (\$14,839,310) is available for spending at the government's discretion. However, approximately 48% of this amount (\$7,098,857) is classified as committed, assigned or reported in special revenue funds or capital projects funds. The remainder of the fund balance is non-spendable or restricted.

General Fund

The General Fund is the chief operating fund of the City. During 2020, the General Fund balance increased by \$485,132. This was primarily due to various position vacancies, employee benefit reductions, and remaining contingency funds. At the end of the year, the committed and unassigned fund balance of the General Fund was \$7,740,453, while total fund balance reached \$7,760,175. As a measure of the general fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. The net committed and unassigned fund balance represents 50% of total general fund expenditures.

Debt Service Fund

Fund balance in the Debt Service Fund decreased by \$1,253,936 during 2020. This decrease resulted from net principal retirements and interest payments resulting from the General Obligation Refunding Bond.

Capital Projects – Capital Budget Fund

Fund balance in the Capital Budget Fund decreased by \$83,457 during 2020. This decrease reflects expenditures incurred for road reconstruction.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. At year-end, net position of the Sewer Utility Fund amounted to \$56,421,861 with the Water Fund totaling \$29,522,937. The Sewer Utility Fund increased in net position by \$770,162 and the Water Utility Fund increased in net position by \$1,552,124.

City of Muskego
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(Unaudited)

General Fund Budgetary Highlights

The 2020 final budget of \$15,949,346 included no amendments for the year. During the year, however, revenues were slightly lower than budgetary revenues and expenditures were significantly less than budgetary expenditures.

Capital Assets and Debt Administration

Capital Assets

The City of Muskego's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$149,055,914 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure and construction in progress.

Major capital events during the current year included final construction of the of the Police Department facilities; road reconstruction and various public safety and public works equipment purchases.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 5,722,103	\$ 5,722,103	\$ 272,448	\$ 272,448	\$ 5,994,551	\$ 5,994,551
Intangibles	715,392	652,782	36,500	36,500	751,892	689,282
Construction in progress	437,536	378,863	126,261	70,122	563,797	448,985
Land Improvements	4,337,081	4,337,081	-	-	4,337,081	4,337,081
Buildings	32,870,539	32,694,551	21,334,183	21,334,183	54,204,722	54,028,734
Equipment	10,591,057	10,123,402	5,465,844	5,179,541	16,056,901	15,302,943
Library Collection	4,071,099	3,887,691	-	-	4,071,099	3,887,691
Infrastrucure	88,797,671	86,380,252	82,005,580	80,270,142	170,803,251	166,650,394
Acc. Depreciation	(66,761,126)	(62,949,275)	(40,966,254)	(39,474,703)	(107,727,380)	(102,423,978)
Total	\$ 80,781,352	\$ 81,227,450	\$ 68,274,562	\$ 67,688,233	\$ 149,055,914	\$ 148,915,683

Additional information on the City's capital assets can be found in Note IV on pages 49 through 51 of this report.

Long-term Debt

As of December 31, 2020, the City of Muskego had general obligation bonds and notes outstanding totaling \$39,010,564. The City's business-type activities include revenue bonds and notes payable, which total \$2,484,255.

In the current year, the City paid \$7,806,488 in principal and \$1,525,646 in interest on outstanding debt. Business-Type Activities paid \$236,955 in principal and \$86,646 in interest on its outstanding debt.

Of the total City debt, \$3,029,189 will become due within one year. The City of Muskego has a Moody's "Aa2" rating on its General Obligation Debt, and past Sewer Revenue Bonds; and a Moody's "A1" on its Water Revenue Bonds.

City of Muskego
Management Discussion and Analysis
As of and for the Year Ended December 31, 2020
(Unaudited)

Long-term Debt (continued)

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
G.O. Bonds and Notes	\$ 38,083,237	\$ 42,475,725	\$ 2,234,786	\$ 2,447,499	\$ 40,318,023	\$ 44,923,224
Unamortized premium	927,327	1,024,875	55,058	69,427	982,385	1,094,302
Revenue Refunding Bonds	-	-	-	-	-	-
Wisconsin Safe Drinking Water Loan	-	-	249,469	273,712	249,469	273,712
Total	<u>\$ 39,010,564</u>	<u>\$ 43,500,600</u>	<u>\$ 2,539,313</u>	<u>\$ 2,790,638</u>	<u>\$ 41,549,877</u>	<u>\$ 46,291,238</u>

Additional information about the City's long-term debt can be found in Note IV on pages 52 through 54 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors are noteworthy:

- The City of Muskego experienced a 5% increase in equalized valuation over the prior year, with a total value of \$3.5 billion.
- Current population estimates reached 25,271; with residential growth expected to continue on an upward trend.
- The City's 2020 tax rate of \$4.55 per thousand reflected a slight increase of \$0.08 as compared to the prior year.
- A City-wide assessment revaluation will be conducted in 2021, with a projected value increase of 22%. Since the last revaluation in 2017, the level of assessment fell to 87.6% of fair market value.
- Minimal debt service tax levy adjustments are anticipated in part due to an upcoming advance refunding and structured amortization schedules.
- Despite the negative impact of COVID-19, the City's financial position is expected to remain stable given prudent fiscal management, along with the State *Routes to Recovery* grant and Federal *American Rescue Plan Act*, which has resulted in positive operations and continued healthy reserve levels.

All these factors were considered in preparing the City of Muskego's budget for the year ending December 31, 2020.

Requests for information

This financial report is designed to provide a general overview of the City of Muskego's finances for all those with an interest in the government's finances. Readers having question about any of the information in this report or needing additional information should contact Director of Finance and Administration, City of Muskego, W182 S8200 Racine Ave, Muskego, WI 53150, direct contact at 262-679-5622 or e-mail smueller@cityofmuskego.org.

BASIC FINANCIAL STATEMENTS

City of Muskego

Statement of Net Position
As of December 31, 2020

	Governmental Activities	Business-type Activities	Totals	Component Unit
ASSETS				
Cash and cash equivalents	\$ 22,584,392	\$ 5,349,362	\$ 27,933,754	190,355
Temporary investments	-	896,815	896,815	-
Receivables (net of allowance for uncollectibles)				
Accounts	1,536,100	2,986,710	4,522,810	-
Loan	180,702		180,702	-
Due from other governments	69,066	-	69,066	-
Taxes	15,203,634	-	15,203,634	-
Prepaid items	19,722	2,168	21,890	-
Restricted Assets				
Cash and cash equivalents	-	11,816,261	11,816,261	-
RCA and WCA assessments receivable	-	1,207,997	1,207,997	-
Pension assets	1,769,530	174,001	1,943,531	-
Special assessments receivable	-	68,854	68,854	-
Capital Assets				
Land and easements	5,722,103	308,948	6,031,051	-
Construction in progress	437,536	126,261	563,797	-
Other capital assets, net of depreciation	74,621,713	67,839,353	142,461,066	-
Total Assets	<u>122,144,498</u>	<u>90,776,730</u>	<u>212,921,228</u>	<u>190,355</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to pension	4,148,182	424,750	4,572,932	-
Deferred outflow related to OPEB - LRLIF	<u>216,646</u>	<u>44,542</u>	<u>261,188</u>	-
Total Deferred Outflows of Resources	<u>4,364,828</u>	<u>469,292</u>	<u>4,834,120</u>	-
LIABILITIES				
Accounts payable and other current liabilities	1,055,303	980,224	2,035,527	-
Accrued interest payable	226,932	-	226,932	-
Unearned revenue	1,180	536,157	537,337	-
Special Deposits	549,266	-	549,266	-
Liabilities payable from restricted assets				
Accounts payable	-	40,509	40,509	-
Accrued interest payable	-	13,791	13,791	-
Current portion of long-term debt	-	266,805	266,805	-
Noncurrent Liabilities:				
Due within one year	3,129,189	-	3,129,189	-
Due in more than one year	38,219,258	2,272,508	40,491,766	-
Net OPEB liability - LRLIF	520,895	106,767	627,662	-
Unearned revenue	-	550,240	550,240	-
Total Liabilities	<u>43,702,023</u>	<u>4,767,001</u>	<u>48,469,024</u>	-
DEFERRED INFLOWS OF RESOURCES				
Property taxes for the subsequent year	15,191,834	-	15,191,834	-
Deferred inflow related to pension	5,302,058	517,443	5,819,501	-
Deferred inflow related to OPEB - LRLIF	<u>80,377</u>	<u>16,780</u>	<u>97,157</u>	-
Total Deferred Inflows of Resources	<u>20,574,269</u>	<u>534,223</u>	<u>21,108,492</u>	-
NET POSITION				
Net investment in capital assets	44,170,391	65,735,249	108,988,197	-
Restricted for:				
Depreciation and equipment and replacement funds	-	1,405,976	1,405,976	-
Water and sewer capacity assessment funds	-	11,601,716	11,601,716	-
Landfill	3,362,328	-	3,362,328	-
Big Muskego Lake - Bass Bay Protection and Rehabilitation District	185,589	-	185,589	-
Revolving loans	598,321	-	598,321	-
Library	37,335	-	37,335	-
Tax increment district purposes	1,046,402	-	1,046,402	-
Debt service	1,322,401	-	1,322,401	-
Pension	1,769,530	174,001	1,943,531	-
Unrestricted	<u>9,740,737</u>	<u>7,027,856</u>	<u>17,686,036</u>	<u>190,355</u>
TOTAL NET POSITION	<u>\$ 62,233,034</u>	<u>\$ 85,944,798</u>	<u>\$ 148,177,832</u>	<u>\$ 190,355</u>

See accompanying notes to financial statements.

City of Muskego

Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government								
Governmental Activities								
General government	\$ 2,928,227	\$ 311,550	\$ -	\$ -	\$ (2,616,677)	\$ -	\$ (2,616,677)	\$ -
Public safety	7,645,264	1,033,211	251,980	-	(6,360,073)	-	(6,360,073)	-
Public works	5,167,163	156,101	1,305,947	1,262,792	(2,442,323)	-	(2,442,323)	-
Health and sanitation	1,160,338	3,268,417	-	-	2,108,079	-	2,108,079	-
Conservation and development	966,069	44,166	51,130	228,220	(642,553)	-	(642,553)	-
Education and recreation	2,329,896	324,806	200,513	-	(1,804,577)	-	(1,804,577)	-
Interest on long-term debt and fiscal charges	1,504,344	-	-	-	(1,504,344)	-	(1,504,344)	-
Total Governmental Activities	21,701,301	5,138,251	1,809,570	1,491,012	(13,262,468)	-	(13,262,468)	-
Business-type activities								
Sewer Utility	7,719,851	6,347,715	-	2,009,267	-	637,131	637,131	-
Water Utility	1,828,697	2,254,170	-	1,570,885	-	1,996,358	1,996,358	-
Total Business-type Activities	9,548,548	8,601,885	-	3,580,152	-	2,633,489	2,633,489	-
Total primary government	\$ 31,249,849	\$ 13,740,136	\$ 1,809,570	\$ 5,071,164	(13,262,468)	2,633,489	(10,628,979)	-
Component Unit								
Community Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Revenues								
Taxes								
Property taxes, levied for general purposes					12,529,325	-	12,529,325	-
Property taxes, levied for debt service					2,190,000	-	2,190,000	-
Other taxes					117,853	-	117,853	-
Intergovernmental revenues not restricted to specific programs					958,429	-	958,429	-
Investment income					456,164	163,424	619,588	-
Miscellaneous					419	-	419	-
Total General Revenues					16,252,190	163,424	16,415,614	-
Transfers					474,627	(474,627)	-	-
Change in Net Position					3,464,349	2,322,286	5,786,635	-
NET POSITION - Beginning of Year					58,768,685	83,622,512	142,391,197	190,355
NET POSITION - END OF YEAR					\$ 62,233,034	\$ 85,944,798	\$ 148,177,832	\$ 190,355

City of Muskego

Balance Sheet
Governmental Funds
As of December 31, 2020

	General Fund	Debt Service Fund	Capital Projects Budget Fund	Special Revenue Tax Increment District Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 8,402,965	\$ 1,549,333	\$ 1,157,932	\$ 1,042,375	\$ 10,431,787	\$ 22,584,392
Receivables - net						
Accounts	546,039	-	-	-	990,061	1,536,100
Due from other governments	36,056	-	-	-	33,010	69,066
Taxes	11,065,070	2,240,000	-	1,852,184	46,380	15,203,634
Loan receivables	-	-	-	-	180,702	180,702
Prepaid items	19,722	-	-	-	-	19,722
Total Assets	<u>\$ 20,069,852</u>	<u>\$ 3,789,333</u>	<u>\$ 1,157,932</u>	<u>\$ 2,894,559</u>	<u>\$ 11,681,940</u>	<u>\$ 39,593,616</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 498,162	\$ -	\$ 239	\$ -	\$ 394,303	\$ 892,704
Accrued liabilities	162,599	-	-	-	-	162,599
Deferred lease and other revenues	-	-	-	-	1,180	1,180
Special Deposits	549,266	-	-	-	-	549,266
Total Liabilities	<u>1,210,027</u>	<u>-</u>	<u>239</u>	<u>-</u>	<u>395,483</u>	<u>1,605,749</u>
Deferred Inflows of Resources						
Property taxes for the subsequent year	11,099,650	2,240,000	-	1,852,184	-	15,191,834
Total Deferred Inflows of Resources	<u>11,099,650</u>	<u>2,240,000</u>	<u>-</u>	<u>1,852,184</u>	<u>-</u>	<u>15,191,834</u>
Fund Balances						
Nonspendable	19,722	-	-	-	-	19,722
Restricted	-	1,549,333	1,157,693	1,042,375	4,187,600	7,937,001
Committed	-	-	-	-	6,276,129	6,276,129
Assigned	-	-	-	-	822,728	822,728
Unassigned	7,740,453	-	-	-	-	7,740,453
Total Fund Balances	<u>7,760,175</u>	<u>1,549,333</u>	<u>1,157,693</u>	<u>1,042,375</u>	<u>11,286,457</u>	<u>22,796,033</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
	<u>\$ 20,069,852</u>	<u>\$ 3,789,333</u>	<u>\$ 1,157,932</u>	<u>\$ 2,894,559</u>	<u>\$ 11,681,940</u>	

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. See Note II.	80,781,352
Net Pension asset does not relate to current financial resources and is not reported in the governmental funds	1,769,530
Net OPEB liability does not relate to current financial resources and is not reported in the governmental funds	(520,895)
Deferred outflow of resources related to pension and OPEB do not relate to current financial resources and is not reported in the governmental funds	4,364,828
Deferred inflow of resources related to pension and OPEB do not relate to current financial resources and is not reported in the governmental funds	(5,382,435)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds. See Note II.	<u>(41,575,379)</u>
	<u>\$ 62,233,034</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

City of Muskego

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Debt Service Fund	Capital Projects Capital Budget Fund	Special Revenue Tax Increment District Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 10,838,625	\$ 2,190,000	\$ -	\$ 1,760,563	\$ -	\$ 14,789,188
Intergovernmental	2,593,355	-	-	10,184	253,700	2,857,239
Licenses and permits	716,302	-	-	-	63,670	779,972
Fines, forfeitures and penalties	247,917	-	-	-	-	247,917
Public charges for services	493,975	-	-	-	3,271,961	3,765,936
Commercial revenue	337,302	10,852	6,931	-	207,498	562,583
Intergovernmental charges for services	238,316	-	-	-	-	238,316
Interdepartmental revenues	96,814	-	-	-	-	96,814
Total Revenues	15,562,606	2,200,852	6,931	1,770,747	3,796,829	23,337,965
EXPENDITURES						
Current						
General government	2,381,328	-	-	15,400	109,043	2,505,771
Public safety	7,144,324	-	-	-	-	7,144,324
Public works	2,871,870	-	-	-	24,750	2,896,620
Health and sanitation	3,691	-	-	-	1,149,837	1,153,528
Conservation and development	421,367	-	-	174,019	24,449	619,835
Education and recreation	1,707,316	-	-	-	61	1,707,377
Debt service						
Principal retirement	-	7,806,488	-	-	-	7,806,488
Interest	-	1,525,646	-	-	-	1,525,646
Bond issuance costs	-	22,948	-	-	-	22,948
Capital outlay	876,495	-	90,388	-	1,309,541	2,276,424
Total Expenditures	15,406,391	9,355,082	90,388	189,419	2,617,681	27,658,961
Deficiency of revenues under expenditures	156,215	(7,154,230)	(83,457)	1,581,328	1,179,148	(4,320,996)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	3,414,000	-	-	-	3,414,000
Transfers in	531,380	2,486,294	-	755	852,052	3,870,481
Transfers out	(202,463)	-	-	(2,385,883)	(807,508)	(3,395,854)
Total Other Financing Sources (Uses)	328,917	5,900,294	-	(2,385,128)	44,544	3,888,627
Net Change in Fund Balance	485,132	(1,253,936)	(83,457)	(803,800)	1,223,692	(432,369)
FUND BALANCES - Beginning of Year	7,275,043	2,803,269	1,241,150	1,846,175	10,062,765	23,228,402
FUND BALANCES - END OF YEAR	\$ 7,760,175	\$ 1,549,333	\$ 1,157,693	\$ 1,042,375	\$ 11,286,457	\$ 22,796,033

City of Muskego

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balances - total governmental funds \$ (432,369)

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

Governmental funds report capital outlays as expenditures. However in the statement of net position, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,276,424
Some items capitalized were not reported as capital outlay	183,408
Some items reported as capital outlay were not capitalized	(174,494)
Contributed capital assets are reported as revenue in the government-wide statements	1,255,512
Depreciation is reported in the government-wide statements	(3,955,859)
Net book value of assets retired	(31,089)

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

Debt issued	(3,414,000)
Principal repaid	7,806,488
Amortization of premium on long term debt issues	97,548

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	(114,038)
Accrued interest on debt	44,251
Net pension asset	1,769,530
Net pension liability	1,919,070
Net OPEB liability - LRLIF	(206,582)
Deferred outflows related to pension	(1,043,828)
Deferred outflows related to OPEB - LRLIF	163,474
Deferred inflows related to pension	(2,682,780)
Deferred inflows related OPEB - LRLIF	3,682

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>3,464,349</u>
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City of Muskego

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Tax Increment District Funds
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		Variance with Final Budget - Over (Under)
	<u>Original and Final</u>	<u>Actual</u>	
REVENUES			
Taxes	\$ 2,010,000	\$ 1,760,563	\$ (249,437)
Intergovernmental	10,934	10,184	(750)
Total Revenues	<u>2,020,934</u>	<u>1,770,747</u>	<u>(250,187)</u>
EXPENDITURES			
Current			
General government	20,600	15,400	(5,200)
Conservation and development	-	174,019	174,019
Total Expenditures	<u>20,600</u>	<u>189,419</u>	<u>168,819</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,000,334</u>	<u>1,581,328</u>	<u>(419,006)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	755	755
Transfers out	(2,599,499)	(2,385,883)	213,616
Total Other Financing Sources (Uses)	<u>(2,599,499)</u>	<u>(2,385,128)</u>	<u>214,371</u>
Net Change in Fund Balance	<u>\$ (599,165)</u>	(803,800)	<u>\$ (204,635)</u>
FUND BALANCES - Beginning of Year		<u>1,846,175</u>	
FUND BALANCES - END OF YEAR		<u>\$ 1,042,375</u>	

City of Muskego

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		Variance with Final Budget - Over
	<u>Original and Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUES			
Taxes	\$ 10,839,012	\$ 10,838,625	\$ (387)
Intergovernmental	2,048,453	2,593,355	544,902
Licenses and permits	769,235	716,302	(52,933)
Fines, forfeitures and penalties	310,000	247,917	(62,083)
Public charges for service	552,358	493,975	(58,383)
Commercial revenues	369,285	337,302	(31,983)
Intergovernmental charges for services	237,500	238,316	816
Interdepartmental revenues	266,750	96,814	(169,936)
Total Revenues	<u>15,392,593</u>	<u>15,562,606</u>	<u>170,013</u>
EXPENDITURES			
Current			
General government	2,431,413	2,381,328	(50,085)
Public safety	7,299,814	7,144,324	(155,490)
Public works	3,010,692	2,871,870	(138,822)
Health and sanitation	3,806	3,691	(115)
Conservation and development	428,066	421,367	(6,699)
Education and recreation	1,863,555	1,707,316	(156,239)
Capital Outlay	832,000	876,495	44,495
Contingency	80,000	-	(80,000)
Total Expenditures	<u>15,949,346</u>	<u>15,406,391</u>	<u>(542,955)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(556,753)</u>	<u>156,215</u>	<u>712,968</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	581,753	531,380	(50,373)
Transfers out	(50,000)	(202,463)	(152,463)
Sale of property	25,000	-	(25,000)
Total Other Financing Sources (Uses)	<u>556,753</u>	<u>328,917</u>	<u>(227,836)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>485,132</u>	<u>\$ 485,132</u>
FUND BALANCES - Beginning of Year		<u>7,275,043</u>	
FUND BALANCES - END OF YEAR		<u>\$ 7,760,175</u>	

City of Muskego

Statement of Net Position
Proprietary Funds
As of December 31, 2020

	Business Type Activities		
	Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,690,687	\$ 658,675	\$ 5,349,362
Temporary investments	896,815	-	896,815
Receivables, net	2,505,582	481,128	2,986,710
Prepaid Items	1,084	1,084	2,168
Restricted Assets			
Cash and cash equivalents	-	5,258	5,258
Total Current Assets	<u>8,094,168</u>	<u>1,146,145</u>	<u>9,240,313</u>
NON-CURRENT ASSETS			
Restricted Assets			
Cash and cash equivalents	10,244,269	1,566,734	11,811,003
RCA and WCA assessments receivable	1,025,971	182,026	1,207,997
Pension asset	109,944	64,057	174,001
Capital Assets			
Land and easements	130,918	178,030	308,948
Construction work in progress	-	126,261	126,261
Plant in service	65,218,742	43,586,865	108,805,607
Accumulated depreciation	(26,564,142)	(14,402,112)	(40,966,254)
Other assets			
Special assessments	-	68,854	68,854
Total Non-Current Assets	<u>50,165,702</u>	<u>31,370,715</u>	<u>81,536,417</u>
Total Assets	<u>58,259,870</u>	<u>32,516,860</u>	<u>90,776,730</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	266,816	157,934	424,750
Deferred outflows related to OPEB - LRLIF	28,721	15,821	44,542
Total Deferred Outflows of Resources	<u>295,537</u>	<u>173,755</u>	<u>469,292</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	626,350	72,145	698,495
Accrued vacation, sick leave and compensatory time	188,761	92,968	281,729
Deferred lease and other revenue	435,759	100,398	536,157
Liabilities Payable From Restricted Assets			
Accounts payable	-	40,509	40,509
Current portion of long-term debt	-	266,805	266,805
Accrued interest	-	13,791	13,791
Total Current Liabilities	<u>1,250,870</u>	<u>586,616</u>	<u>1,837,486</u>
NON-CURRENT LIABILITIES			
Long-term debt	-	2,272,508	2,272,508
Net OPEB liability - LRLIF	69,452	37,315	106,767
Unearned revenue	483,858	66,382	550,240
Total Non-current Liabilities	<u>553,310</u>	<u>2,376,205</u>	<u>2,929,515</u>
Total Liabilities	<u>1,804,180</u>	<u>2,962,821</u>	<u>4,767,001</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	318,454	198,989	517,443
Deferred inflows related to OPEB - LRLIF	10,912	5,868	16,780
Total Deferred Inflows of Resources	<u>329,366</u>	<u>204,857</u>	<u>534,223</u>
NET POSITION			
Net investment in capital assets	38,785,518	26,949,731	65,735,249
Restricted for			
RCA and WCA funds	10,333,029	1,268,687	11,601,716
Depreciation and equipment replacement funds	937,211	468,765	1,405,976
Pension	109,944	64,057	174,001
Unrestricted	<u>6,256,159</u>	<u>771,697</u>	<u>7,027,856</u>
TOTAL NET POSITION	<u>\$ 56,421,861</u>	<u>\$ 29,522,937</u>	<u>\$ 85,944,798</u>

See accompanying notes to financial statements.

City of Muskego

Statement of Revenues, Expenses
And Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business Type Activities Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 6,333,824	\$ 2,126,962	\$ 8,460,786
Other operating revenues	13,891	127,208	141,099
Total Operating Revenues	<u>6,347,715</u>	<u>2,254,170</u>	<u>8,601,885</u>
OPERATING EXPENSES			
Operation and maintenance	7,092,172	860,765	7,952,937
Depreciation	627,679	870,065	1,497,744
Taxes	-	26,654	26,654
Total Operating Expenses	<u>7,719,851</u>	<u>1,757,484</u>	<u>9,477,335</u>
Operating Income (Loss)	<u>(1,372,136)</u>	<u>496,686</u>	<u>(875,450)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	95,817	15,960	111,777
Interest income on special assessments	37,214	14,433	51,647
Amortization of bond premium	-	14,369	14,369
Interest on long term debt	-	(85,582)	(85,582)
Total Nonoperating Revenues (Expenses)	<u>133,031</u>	<u>(40,820)</u>	<u>92,211</u>
Income (Loss) before Contributions and Transfers	(1,239,105)	455,866	(783,239)
CAPITAL CONTRIBUTIONS	2,009,267	1,570,885	3,580,152
TRANSFERS - TAX EQUIVALENT	-	(474,627)	(474,627)
Change in Net Position	770,162	1,552,124	2,322,286
NET POSITION - BEGINNING OF YEAR	<u>55,651,699</u>	<u>27,970,813</u>	<u>83,622,512</u>
NET POSITION - END OF YEAR	<u>\$ 56,421,861</u>	<u>\$ 29,522,937</u>	<u>\$ 85,944,798</u>

City of Muskego

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business Type Activities Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 6,378,275	\$ 1,879,177	\$ 8,257,452
Receipts from municipality for services	-	337,653	337,653
Payments to other funds	(48,198)	-	(48,198)
Paid to vendor for goods and services	(6,246,776)	(461,845)	(6,708,621)
Paid to employees for services	(821,557)	(348,759)	(1,170,316)
Net Cash Flows From Operating Activities	<u>(738,256)</u>	<u>1,406,226</u>	<u>667,970</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	-	(474,627)	(474,627)
Net Cash Flows From Non-Capital Financing Activities	<u>-</u>	<u>(474,627)</u>	<u>(474,627)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid	-	(236,955)	(236,955)
Interest paid	-	(86,646)	(86,646)
Special assessments received	883,473	464,274	1,347,747
Acquisition and construction of capital assets	(164,378)	(313,140)	(477,518)
Connection fees received	21,500	-	21,500
Net Cash Flows From Capital and Related Financing Activities	<u>740,595</u>	<u>(172,467)</u>	<u>568,128</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income			
Interest on investments	95,817	15,960	111,777
Interest on special assessments	37,214	14,433	51,647
Investments purchased	519,144	-	519,144
Net Cash Flows From Investing Activities	<u>652,175</u>	<u>30,393</u>	<u>682,568</u>
Net Change in Cash and Cash Equivalents	654,514	789,525	1,444,039
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>14,280,442</u>	<u>1,441,142</u>	<u>15,721,584</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,934,956</u>	<u>\$ 2,230,667</u>	<u>\$ 17,165,623</u>

City of Muskego

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020
(Concluded)

	Business Type Activities Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS			
Current:			
Cash and cash equivalents	\$ 4,690,687	\$ 658,675	\$ 5,349,362
Temporary investments	896,815	-	896,815
Restricted cash and cash equivalents	-	5,258	5,258
Non-current			
Restricted cash and cash equivalents	10,244,269	1,566,734	11,811,003
Less: Non-cash equivalents	(896,815)	-	(896,815)
Cash and cash equivalents - end of year	<u>\$ 14,934,956</u>	<u>\$ 2,230,667</u>	<u>\$ 17,165,623</u>
NON CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital additions contributed			
to the Utility by customers and developers	<u>\$ 606,619</u>	<u>\$ 1,147,030</u>	<u>\$ 1,753,649</u>
Assessment of benefits for property owners for improvements	<u>\$ 1,381,148</u>	<u>\$ 423,855</u>	<u>\$ 1,805,003</u>
Capital related accounts payable	<u>\$ -</u>	<u>\$ 40,509</u>	<u>\$ 40,509</u>
Premium on debt issued for refunding	<u>\$ -</u>	<u>\$ 14,369</u>	<u>\$ 14,369</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating Income (loss)	\$ (1,372,136)	\$ 496,686	\$ (875,450)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	627,679	870,065	1,497,744
Depreciation charged to other accounts	-	31,624	31,624
Pension related expense	7,097	3,048	10,145
(Increase) decrease in assets/deferred outflows:			
Accounts receivable - other	(276,370)	(41,564)	(317,934)
Prepaid Items	(1,084)	(499)	(1,583)
Increase (decrease) in liabilities/deferred inflows:			
Accounts payable	(30,411)	44,823	14,412
Accrued vacation, sick leave and compensatory time	39	550	589
Deferred contractual credit	306,930	-	306,930
Unearned revenue	-	(2,730)	(2,730)
Unearned lease revenue	-	4,223	4,223
Total adjustments	<u>633,880</u>	<u>909,540</u>	<u>1,543,420</u>
Net Cash Flows From Operating Activities	<u>\$ (738,256)</u>	<u>\$ 1,406,226</u>	<u>\$ 667,970</u>

City of Muskego

Statement of Fiduciary Net Position
Fiduciary Funds
As of December 31, 2020

	Private Purpose Trust Funds		Custodial Fund
	Library Expansion Trust Fund	Volunteer Fire Co. Scholarship Fund	Tax Collection Fund
ASSETS			
Cash and cash equivalents	\$ 25,845	\$ 186,864	\$ 31,121,173
Taxes receivable	-	-	3,428,024
Total Assets	<u>25,845</u>	<u>186,864</u>	<u>34,549,197</u>
LIABILITIES			
Accounts payable	-	-	90,386
Due to other taxing units	-	-	34,458,566
Other Deferred Credits	-	-	245
Total Liabilities	<u>-</u>	<u>-</u>	<u>34,549,197</u>
NET POSITION			
Restricted - held in trust	<u>25,845</u>	<u>186,864</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 25,845</u>	<u>\$ 186,864</u>	<u>\$ -</u>

City of Muskego

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended December 31, 2020

	Private Purpose Trust Funds		Custodial Fund
	Library Expansion Trust Fund	Volunteer Fire Co. Scholarship Fund	Tax Collection Fund
ADDITIONS			
Investment income	\$ 236	\$ 930	\$ -
Tax collections	-	-	34,263,593
Total additions	<u>236</u>	<u>930</u>	<u>34,263,593</u>
DEDUCTIONS			
Payments to overlying districts	-	-	34,263,593
Total deductions	<u>-</u>	<u>-</u>	<u>34,263,593</u>
Change in Net Position	236	930	-
NET POSITION - Beginning	<u>25,609</u>	<u>185,934</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 25,845</u>	<u>\$ 186,864</u>	<u>\$ -</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

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City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Discretely Presented Component Unit

Muskego Community Development Authority

The government-wide financial statements include the Muskego Community Development Authority (“Authority”) as a component unit. The Authority is a legally separate organization. The board of the Authority is appointed by the mayor and city council of the City of Muskego. Wisconsin Statutes provide for circumstances whereby the city can impose their will on the Authority, and also create a potential financial benefit to or burden on the city. See Note IV. H. As a component unit, the Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2020. The Authority does not issue separate financial statements.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Blended Component Unit

Big Muskego Lake – Bass Bay Protection and Rehabilitation District

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

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

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

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

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

The City reports the following major governmental funds:

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

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

Special Revenue Fund - Tax Increment District Funds – used to account for and report financial resources that are restricted for debt and administrative costs for the Tax Increment District #8, 9,10 and 11.

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

The City reports the following major enterprise funds:

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

The City reports the following non-major governmental funds:

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

- | | |
|-----------------------------|--|
| Parks | Land Open Space Conservation |
| Compensated Absences | Cable TV |
| Refuse/Recycling | Capital Improvements |
| Revolving Loan | Federated Library System |
| Landfill Standing Committee | Big Muskego Lake – Bass Bay |
| Storm Water Management | Protection and Rehabilitation District |
| Well Testing Reserve | Landfill |

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

- | | |
|-------------------|---|
| Capital Equipment | Tax Increment District Capital Projects |
|-------------------|---|

In addition, the City reports the following fund types:

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

- | | |
|-------------------------|--------------------------------|
| Library Expansion Trust | Volunteer Fire Co. Scholarship |
|-------------------------|--------------------------------|

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

- Tax Collection

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2020, there are unrecorded future assessments of \$652,035 in the Sewer Utility, which are not recorded as receivables because collection is subject to certain events occurring in the future. No formal repayment schedule has been established.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

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

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits and Investments

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

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

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

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

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

Custodial Credit Risk

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

Credit Risk

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits and Investments (continued)

Interest Rate Risk

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

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2020, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

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

See Note IV.A. for further information.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables

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

Property tax calendar – 2020 tax roll:

Lien date and levy date	December 2020
Tax bills mailed	December 2020
Payment in full, or	January 31, 2021
First installment due	January 31, 2021
Second installment due	July 31, 2021
Personal property taxes in full	January 31, 2021
Tax deed by county – 2020 delinquent Real estate taxes	October 2023

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

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

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

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Government–Wide Statements

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

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital Assets (continued)

Government–Wide Statements (continued)

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

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

Fund Financial Statements

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

6. Deferred Outflows of Resources

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

7. Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2020 are determined on the basis of current salary rates and include salary related payments.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Long-Term Obligations

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

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

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

9. Utility Deferred Lease and Other Revenue

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

10. Deferred Inflows of Resources

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Equity Classifications

Government–Wide Statements

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

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

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 44,170,391	\$ 65,735,249	\$ (917,443)	\$ 108,988,197
Unrestricted	9,740,737	7,027,856	917,443	17,686,036

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Equity Classifications (continued)

Fund Statements

Governmental fund balances are displayed as follows:

- a. Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the city. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The city has adopted a financial policy authorizing the Finance Committee 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 City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has a formal minimum fund balance policy. That policy is to maintain an unassigned fund balance in the general fund of \$2,794,933, or 17% of the ensuing year's budgeted general fund expenditures. The balance at year end was \$7,740,453 or 47% of 2021 budgeted general fund expenditures.

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Equity Classifications (continued)

Fund Statements (continued)

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

12. Pension

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

13. Postemployment Benefits Other Than Pensions (OPEB) - LRLIF

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. OTHER POLICIES - TAX INCREMENTAL DISTRICTS

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

1. District No. 8 was created in 2000 and is for the development of the City’s downtown area. Project costs were originally estimated at \$2.7 million. In September, 2005 the City amended the project plan to include an additional \$855,000 in project costs.
2. District No. 9 was created in 2003 for development in the City’s Community Development Authority Redevelopment District No. 1. Project costs were estimated at \$1.5 million and have been financed with a \$2.0 million Community Development Lease Revenue Bond.
3. District No. 10 was created in 2007 and is a mixed use tax increment district comprised of the east and west sides of Moorland Road from College Avenue on the north to one-half mile south. Project costs were estimated at \$8.3 million and have been financed with \$9.25 million bonds.
4. District No. 11 was created in 2016 and is a mixed use tax increment district located along Janesville Road near the northeast corner of Lannon Road. Project costs were estimated at \$2.9 million and have been financed with \$1.6 million of Taxable General Obligation Promissory Notes.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

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

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

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

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

Land	\$ 5,722,103
Intangibles	715,392
Construction in progress	437,536
Land improvements	4,337,081
Buildings	32,870,539
Machinery and equipment	10,591,057
Library collection	4,071,099
Infrastructure	88,797,671
Less: Accumulated depreciation	<u>(66,761,126)</u>
Adjustment for Capital Assets	<u>\$ 80,781,352</u>

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

Bonds and notes payable	\$ 38,083,237
Compensated absences	2,337,883
Unamortized debt premium	927,327
Accrued interest	<u>226,932</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 41,575,379</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

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

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Debt Service Fund			
Debt Service Budget	\$ 5,801,803	\$ 9,355,082	\$ 3,553,279
Special Revenue Funds			
Land Open Space Conservation	159,858	177,624	17,766
Capital Projects Fund			
Capital Budget	-	90,388	90,388

The City controls expenditures at the department and function level. Some individual departments/functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year end budget to actual schedules.

C. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Bank Balance	Associated Risks
Deposits with banks	\$ 71,933,148	\$ 69,534,046	Custodial Credit Risk
LGIP	45,799	45,799	Credit Risk
Petty cash	1,765	-	None
 Total Cash and Investments	 \$ 71,980,712	 \$ 69,579,845	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 27,933,754		
Temporary investments	896,815		
Restricted cash and investments	11,816,261		
Per statement of fiduciary net position			
Library expansion trust	25,845		
Volunteer Fire-Co. Scholarship	186,864		
Custodial	31,121,173		
 Total Cash and Investments	 \$ 71,980,712		

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

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

Deposits

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

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

Investments

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

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

Credit Risk

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

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

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

B. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

	<u>Restricted Assets</u>	<u>Liabilities Payable from Restricted Assets and Other Liabilities</u>	<u>Restricted Net Position</u>
Sewer Utility			
Cash and investments			
Equipment replacement	\$ 937,211	\$ -	\$ 937,211
Reserve capacity assessments	9,307,058	-	9,307,058
RCA assessments receivable	1,025,971	-	1,025,971
Net pension asset	109,944	-	109,944
Total Sewer Utility	<u>11,380,184</u>	<u>-</u>	<u>11,380,184</u>
Water Utility			
Cash and investments			
Redemption account	5,258	13,791	-
Reserve account	-	266,805	- (1)
Depreciation account	468,765	-	468,765
Construction funds	-	72,145	- (1)
Reserve capacity assessments	1,097,969	-	1,097,969
WCA assessments receivable	182,026	11,308	170,718
Net pension asset	64,057	-	64,057
Total Water Utility	<u>1,818,075</u>	<u>364,049</u>	<u>1,801,509</u>
Total Business-type Activities	<u>\$ 13,198,259</u>	<u>\$ 364,049</u>	<u>\$ 13,181,693</u>

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

Below are descriptions of restricted assets:

Long Term Debt Accounts

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

B. RESTRICTED ASSETS (continued)

Water and Sewer Capacity Assessments Account

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

Equipment Replacement Account

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

Net Pension Asset

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

C. RECEIVABLES

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

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Property taxes receivable for subsequent year	\$ 15,191,834	\$ -	\$ 15,191,834
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 15,191,834</u>	<u>\$ -</u>	<u>\$ 15,191,834</u>

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

Governmental Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 5,722,103	\$ -	\$ -	\$ 5,722,103
Construction in progress	378,863	166,368	107,695	437,536
Total capital assets not being depreciated/amortized	6,100,966	166,368	107,695	6,159,639
Capital assets being depreciated/amortized				
Intangibles	652,782	62,610	-	715,392
Land improvements	4,337,081	-	-	4,337,081
Buildings	32,694,551	175,988	-	32,870,539
Machinery and equipment	10,123,402	642,751	175,096	10,591,057
Library collection	3,887,691	183,408	-	4,071,099
Infrastructure	86,380,251	2,417,420	-	88,797,671
Total Capital Assets Being Depreciated/Amortized	138,075,758	3,482,177	175,096	141,382,839
Less: Accumulated depreciation/amortization for				
Intangibles	(537,349)	(49,241)	-	(586,590)
Land improvements	(2,829,239)	(148,415)	-	(2,977,654)
Buildings	(7,492,647)	(674,191)	-	(8,166,838)
Machinery and equipment	(7,091,970)	(609,924)	144,007	(7,557,887)
Library collection	(3,197,018)	(153,530)	-	(3,350,548)
Infrastructure	(41,801,051)	(2,320,558)	-	(44,121,609)
Total Accumulated Depreciation/Amortization	(62,949,274)	(3,955,859)	144,007	(66,761,126)
Net Capital Assets Being Depreciated/Amortized	75,126,484	(473,682)	31,089	74,621,713
Total Governmental Activities Capital Assets, Net of Depreciation/Amortization	\$ 81,227,450	\$ (307,314)	\$ 138,784	\$ 80,781,352

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation/Amortization expense was charged to functions as follows:

Governmental Activities	
General government	\$ 307,453
Public safety	453,283
Public works, which includes the depreciation of infrastructure	2,364,728
Conservation and development	198,442
Education and recreation	631,953
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 3,955,859</u>

Business Type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being depreciated				
Land and easements	\$ 308,948	\$ -	\$ -	\$ 308,948
Construction in progress	70,122	56,139	-	126,261
Total Capital Assets Not Being Depreciated	<u>379,070</u>	<u>56,139</u>	<u>-</u>	<u>435,209</u>
Capital Assets being depreciated				
Buildings and improvements	21,334,183	-	-	21,334,183
Improvements other than buildings	80,270,142	1,774,658	39,220	82,005,580
Machinery and equipment	5,179,541	287,705	1,402	5,465,844
Total Capital Assets Being Depreciated	<u>106,783,866</u>	<u>2,062,363</u>	<u>40,622</u>	<u>108,805,607</u>
Less: Accumulated Depreciation				
Buildings and improvements	(13,847,992)	(282,779)	-	(14,130,771)
Improvements other than buildings	(21,582,782)	(1,033,916)	-	(22,616,698)
Machinery and equipment	(4,043,929)	(212,671)	37,815	(4,218,785)
Total Accumulated Depreciation	<u>(39,474,703)</u>	<u>(1,529,366)</u>	<u>37,815</u>	<u>(40,966,254)</u>
Net Capital Assets				
Being Depreciated	<u>67,309,163</u>	<u>532,997</u>	<u>2,807</u>	<u>67,839,353</u>
Total Business Activities Capital Assets, Net of Depreciation	<u>\$ 67,688,233</u>	<u>\$ 589,136</u>	<u>\$ 2,807</u>	<u>\$ 68,274,562</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Sewer utility		\$ 627,679
Water utility		870,065
Total Business-Type Activities Depreciation Expense		<u>\$ 1,497,744</u>

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

E. INTERFUND TRANSFERS

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Water Utility	\$ 474,627
Nonmajor Governmental Funds	General Fund	202,052
Special Revenue Fund - Tax Increment District	Nonmajor Governmental Funds	755
Debt Service Fund	General Fund	411
General Fund	Nonmajor Governmental Funds	56,753
Debt Service Fund	Special Revenue Fund - Tax Increment District Fund	2,385,883
Nonmajor Governmental Funds	Nonmajor Governmental Funds	650,000
Debt Service Fund	Nonmajor Governmental Funds	<u>100,000</u>
Subtotal - Fund Financial Statements		3,870,482
Less: Fund eliminations		<u>(3,395,855)</u>
Total Transfers - Government-Wide Statement of Activities		<u>\$ 474,627</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.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS

General Obligation Debt

Long-term obligations activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 41,002,503	\$ 3,414,000	\$ 7,657,286	\$ 36,759,217	\$ 2,895,083
General obligation notes from direct borrowings and direct placements	1,473,222	-	149,202	1,324,020	134,106
Unamortized debt premium	<u>1,024,875</u>	<u>-</u>	<u>97,548</u>	<u>927,327</u>	<u>-</u>
Total Bonds and Notes Payable	<u>43,500,600</u>	<u>3,414,000</u>	<u>7,904,037</u>	<u>39,010,564</u>	<u>3,029,189</u>
Other Liabilities					
Accrued compensted absences - vacation and sick leave	2,223,845	213,049	99,011	2,337,883	100,000
Net pension liability	1,919,070	-	1,919,070	-	-
Net OPEB Liability - LRLIF	<u>314,313</u>	<u>206,582</u>	<u>-</u>	<u>520,895</u>	<u>-</u>
Total Other Liabilities	<u>2,538,158</u>	<u>419,631</u>	<u>99,011</u>	<u>2,858,778</u>	<u>100,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 47,957,828</u>	<u>\$ 3,833,631</u>	<u>\$ 9,922,117</u>	<u>\$ 41,869,343</u>	<u>\$ 3,129,189</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	2,447,498	-	212,712	2,234,786	241,915
Direct Debt - WI Safe Drinking Water Loan	273,712	-	24,243	249,469	24,890
Unamortized debt premium	<u>69,427</u>	<u>-</u>	<u>14,369</u>	<u>55,058</u>	<u>-</u>
Total Bonds and Notes Payable	<u>2,790,637</u>	<u>-</u>	<u>251,324</u>	<u>2,539,313</u>	<u>266,805</u>
Other Liabilities					
Net pension liability	193,397	-	193,397	-	-
Net OPEB Liability - LRLIF	<u>65,487</u>	<u>41,280</u>	<u>-</u>	<u>106,767</u>	<u>-</u>
Total Other Liabilities	<u>258,884</u>	<u>41,280</u>	<u>193,397</u>	<u>106,767</u>	<u>-</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 3,049,521</u>	<u>\$ 41,280</u>	<u>\$ 444,721</u>	<u>\$ 2,646,080</u>	<u>\$ 266,805</u>

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2020, was \$173,994,990. Total general obligation debt outstanding at year end was \$40,318,023.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt

	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/20
Governmental Activities						
General Obligation Debt						
Refunding Debt	11/13/20	0.60-0.80%	4/1/21-24	4/1 & 10/1	\$ 3,414,000	\$ 3,414,000
Refunding Debt	10/22/13	2.00-4.00	4/1/14-31	4/1 & 10/1	11,805,000	10,706,375
Promissory notes	10/22/13	2.00-3.125	4/1/14-23	4/1 & 10/1	885,000	458,842
Refunding Debt	11/26/13	1.00-3.00	4/1/14-22	4/1 & 10/1	9,550,000	400,000
Direct Borrowing Promissory notes	12/31/14	N/A	2/15/15-22	-	76,082	19,022
Direct Debt Promissory notes	7/31/19	3.75	3/15/20-29	3/15	1,444,690	1,304,998
General obligation debt	8/01/18	2.00-4.00	6/1/19-38	6/1 & 12/1	22,780,000	<u>21,780,000</u>
Total Governmental Activities - General Obligation Debt						<u>\$ 38,083,237</u>

	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/20
Business-type activities						
General obligation debt	10/22/13	2.00-4.00%	4/1/14-31	4/1 & 10/1	\$ 820,000	\$ 743,626
General obligation debt	10/22/13	2.00-3.125	4/1/14-23	4/1 & 10/1	440,000	291,160
General obligation debt	8/01/18	2.00-4.00	6/1/19-28	6/1 & 12/1	1,450,000	<u>1,200,000</u>
Total Business-Type Activities						<u>\$ 2,234,786</u>

Debt service requirements to maturity are as follows:

	Governmental Type		Direct Borrowing		Business Type	
	Long-Term Debt		Long-Term Debt		Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 2,895,083	\$ 1,244,850	\$ 134,106	\$ 48,937	\$ 241,915	\$ 74,049
2022	2,593,148	1,190,516	138,779	44,265	280,847	67,964
2023	2,075,361	1,137,011	134,116	39,418	290,650	59,939
2024	2,218,750	1,081,623	139,051	34,482	213,250	49,458
2025	1,358,500	1,026,400	144,360	29,174	221,500	41,513
2026-2030	8,203,750	4,188,161	633,608	60,527	896,250	88,302
2031-2035	10,254,625	2,355,064	-	-	90,375	1,820
2036-2038	7,160,000	429,828	-	-	-	-
Totals	<u>\$ 36,759,217</u>	<u>\$ 12,653,453</u>	<u>\$ 1,324,020</u>	<u>\$ 256,803</u>	<u>\$ 2,234,786</u>	<u>\$ 383,046</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Other Debt Information

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

	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/20
Business-type activities						
WI Safe Drinking Water Direct Loan	11/25/09	2.668%	5/1/10-29	5/1&11/1	\$ 453,974	\$ 249,469
Total Business-Type Activities						<u>\$ 249,469</u>

Debt service requirements to maturity are as follows:

	<u>Business-type Activities Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 24,890	\$ 6,324
2022	25,554	5,651
2023	26,236	4,960
2024	26,936	4,251
2025	27,655	3,522
2026-2029	118,197	6,412
	<u>\$ 249,469</u>	<u>\$ 31,118</u>

The City's outstanding revenue bonds from direct borrowings and/or direct placement related to business type activities of \$249,469 contain provisions that in an event of default, outstanding amounts are recoverable by the State by deducting those amounts from any State payments due the City, adding a special charge to the amount of taxes apportioned to and levied upon the county in which the City is located, or to collect user fees from the operations of the City's water and sewer system.

Current Refunding

On November 13, 2020, the City issued a General Obligation Refunding Bonds in the amount of \$3,414,000 with an average yield of 0.7332% to refund \$3,375,000 of outstanding General Obligation Refunding Debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$3,654,031 from 2020 through 2024. The cash flow requirements on the 2020 refunding bonds are \$3,462,413 from 2021 through 2024. 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 \$194,618.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION / FUND BALANCES

Governmental Activities

Net position reported on the government wide statement of net position at December 31, 2020 includes the following:

Net investment in capital assets	
Land	\$ 5,722,103
Other capital assets, net of accumulated depreciation	74,621,713
Construction in progress	437,536
Less: related long-term debt outstanding	(38,083,237)
Less: unamortized debt premium	(927,327)
Plus: unspent capital related debt proceeds	1,157,932
Plus: non-capital debt proceeds	<u>1,241,671</u>
Total Net investment in capital assets	<u>44,170,391</u>
Restricted for:	
Tax Increment District purposes	1,046,402
Library	37,335
Big Muskego Lake - Bass Bay Protection and Rehabilitation District	185,589
Revolving loans	598,321
Landfill	3,362,328
Other debt service	1,322,401
Pensions	<u>1,769,530</u>
Total Restricted Net Position	<u>8,321,906</u>
Unrestricted	<u>9,740,737</u>
Total Governmental Activities Net Position	<u>\$ 62,233,034</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION / FUND BALANCES (continued)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2020 include the following:

Nonspendable	
Major Fund	
General Fund	
Prepaid items	\$ 19,722
Total Nonspendable Fund Balance	\$ 19,722
Restricted	
Major Funds	
Debt Service Fund	\$ 1,549,333
Capital Budget Fund	1,157,693
Tax Increment District Funds	<u>1,042,375</u>
Total Major Funds	<u>3,749,401</u>
Nonmajor Fund	
Special Revenue Fund	
Landfill Fund	3,362,328
Revolving Loan Fund	598,321
Big Muskego Lake - Bass Bay Protection and Rehabilitation District	185,589
Federated Library System Fund	37,335
Capital Projects Fund	
Tax Increment District Fund	<u>4,027</u>
Total Nonmajor Funds	<u>4,187,600</u>
Total Restricted Fund Balance	\$ <u>7,937,001</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION / FUND BALANCES (continued)

Governmental Funds (continued)

Committed

Nonmajor Funds

Special Revenue Funds

Park Fund	\$	617,403
Refuse / Recycling Fund		1,195,596
Landfill Standing Committee Fund		116,835
Stormwater Management Fund		195,708
Well Testing Reserve Fund		709,367
Land Open Space Conservation Fund		414,398
Compensated Absences Fund		2,337,883
Capital Improvements Fund		<u>688,939</u>

Total Nonmajor Funds 6,276,129

Total Committed Fund Balance \$ 6,276,129

Assigned

Nonmajor Fund

Capital Projects Fund

Capital Equipment Fund	\$	<u>822,728</u>
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Unassigned

Major Fund

General Fund	\$	<u>7,740,453</u>
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City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION / FUND BALANCES (continued)

Net position reported on the government wide statement of net position at December 31, 2020 includes the following:

Business-type Activities

Net Investment in Capital Assets	
Land and easements	\$ 308,948
Other capital assets, net of accumulated depreciation	67,839,353
Construction in progress	126,261
Less: related long-term debt outstanding	(2,484,255)
Less: unamortized debt premium	<u>(55,058)</u>
Total Net Investment in Capital Assets	<u>65,735,249</u>
Restricted for:	
Depreciation and equipment replacement funds	1,405,976
Net Pension Asset	174,001
Water and sewer capacity assessment funds	<u>11,601,716</u>
Total Restricted Net Position	<u>13,181,693</u>
Unrestricted	<u>7,027,856</u>
Total Business-type Activities Net Position	<u>\$ 85,944,798</u>

City of Muskego

Notes to Financial Statements As of and for the Year Ended December 31, 2020

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT

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

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

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

c. Cash and Cash Equivalents

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

d. Capital Assets

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

e. Employee Retirement System

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

City of Muskego

Notes to Financial Statements As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

General Information About the Pension Plan

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

ETF issues a standalone Comprehensive Annual Financial Report, which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to receive a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES’ RETIREMENT SYSTEM (continued)

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2010	(1.3)%	22%
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	10

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$635,901 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2020:

	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES’ RETIREMENT SYSTEM (continued)

Pension Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the City reported an asset of \$(1,943,531) for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city’s proportion of the net pension asset was based on the city’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the City of Muskego’s proportion was 0.06027470%, which was an increase of 0.00089713% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized pension expense of \$681,842.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,689,267	\$ 1,846,231
Changes in actuarial assumptions	151,452	-
Net differences between projected and actual earnings on pension plan investments	-	3,973,270
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,207	-
Employer contributions subsequent to the measurement date	709,006	-
Total	\$ 4,572,932	\$ 5,819,501

\$709,006 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2021	\$ (576,108)
2022	(431,246)
2023	73,063
2024	(1,021,284)

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset)	December 31, 2019
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total Pension Liability for December 31, 2019, is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES’ RETIREMENT SYSTEM (continued)

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

Description	Current Asset Allocation %	Long-Term Expected Normal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class:			
Global Equities	49 %	8.0 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110 %	7.5 %	4.6 %
Variable Fund Asset Class:			
US Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100 %	7.8 %	4.9 %

New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.5%. Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Single discount rate. A single discount rate of 7.00% was used to measure the Total Pension Liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES’ RETIREMENT SYSTEM (continued)

Sensitivity of the City’s proportionate share of the net pension liability/(asset) to changes in the discount rate. The following presents the City’s proportionate share of the Net Pension Liability (Asset) calculated using the discount rate of 7.00 percent, as well as what the City’s proportionate share of the Net Pension Liability (Asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Single Discount Rate Assumption (7.0%)	1% Increase To Discount Rate (8.0%)
City of Muskego’s proportionate share of the net pension liability (asset)	\$ 5,004,940	\$ (1,943,531)	(\$ 7,138,313)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

B. RISK MANAGEMENT

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

C. Commitment and Contingencies

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

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

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

City of Muskego

Notes to Financial Statements As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

C. COMMITMENTS AND CONTINGENCIES (continued)

The City has active construction projects as of December 31, 2020. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

Environmental Protection Agency

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

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

At December 31, 2020, the nature and extent of a potential liability for payment for the study as well as payment for possible clean-up costs is unknown. The City has tendered the defense to its insurance carriers but has not been advised as to its carrier's position with respect to the potential liability.

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

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

D. OTHER POST-EMPLOYMENT BENEFITS

Local Retiree Life Insurance Fund (LRLIF)

Plan description. The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position. ETF issues a standalone Comprehensive Annual Financial Report, which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

Benefits provided. The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

D. OTHER POST-EMPLOYMENT BENEFITS (continued)

Local Retiree Life Insurance Fund (LRLIF) (cont.)

Contributions. The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contribution based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates for the plan year reported as December 31, 2020 of are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the plan year ended December 31, 2019 are as listed below:

Life Insurance Member Contribution Rates For the Plan Year Ended
December 31, 2019

<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
34-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

During the reporting period, the LRLIF recognized \$2,664 in contributions from the employer.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

D. OTHER POST-EMPLOYMENT BENEFITS (continued)

Local Retiree Life Insurance Fund (LRLIF) (cont.)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2020 the City reported a liability of \$627,662 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the City's proportion was 0.14740100%, which was an increase of 0.00021100% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized OPEB expense of \$46,639.

At December 31, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 28,119
Changes in assumptions	231,547	69,038
Net differences between projected and actual earnings on OPEB plan investments	11,840	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,031	-
Employer contributions subsequent to the measurement date	3,770	-
Total	\$ 261,188	\$ 97,157

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

D. OTHER POST-EMPLOYMENT BENEFITS (continued)

Local Retiree Life Insurance Fund (LRLIF) (cont.)

\$3,770 reported as deferred outflows related to OPEB resulting from the LRLIF Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflow of Resources and Deferred Inflows of Resources (net)
2021	\$ 27,779
2022	27,779
2023	26,502
2024	25,187
2025	20,982
Thereafter	32,032

Actuarial assumptions. The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.74%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.87%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.10% - 5.60%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total OPEB liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

D. OTHER POST-EMPLOYMENT BENEFITS (continued)

Local Retiree Life Insurance Fund (LRLIF) (cont.)

Long-term expected return on plan assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2019**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
US Credit Bonds	Barclays Credit	45%	2.12%
US Long Credit Bonds	Barclays Long Credit	5	2.9
US Mortgages	Barclays MBS	50	1.53
Inflation			2.2
Long-Term Expected Rate of Return			4.25

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single Discount rate. A single discount rate of 2.87% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

D. OTHER POST-EMPLOYMENT BENEFITS (continued)

Local Retiree Life Insurance Fund (LRLIF) (cont.)

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the City’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate of 2.87 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.87 percent) or one percentage point higher (3.87 percent) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
City’s proportionate share of the net OPEB liability	<u>\$866,696</u>	<u>\$627,662</u>	<u>\$445,804</u>

E. WATER AND SEWER UTILITY RATES

The Water Utility implemented current rates effective January 1, 2020.

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

F. ANTENNA LEASE AGREEMENTS

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

Rental income from rental of the water tower reported in other water revenues amounted to \$114,037.

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

2021	\$119,739
2022	125,726
2023	<u>132,012</u>
Total	<u>\$377,477</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2020

NOTE V – OTHER INFORMATION (continued)

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

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

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, a Supersession of GASB Statement No. 32.*

The statements listed above through Statement No. 93 had their effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

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

H. SUBSEQUENT EVENTS

Relief through the American Rescue Plan Act

The federal government passed the American Rescue Plan Act on March 11, 2021 to respond to the COVID-19 public health emergency and its negative economic impacts. Amounts were appropriated for fiscal year 2021 to units of local government to mitigate the fiscal effects stemming from the public health emergency. The City's estimated award is \$2,630,007, which will be used to combat the negative effects of the public health emergency in the local economy. The City will receive 50% of the funds in 2021, with the remaining expected a year later. The funds are to cover costs incurred by December 31, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

City of Muskego

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2020

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/14	0.06195031%	\$ (1,521,669)	\$ 7,320,021	-20.79%	102.74%
12/31/15	0.06157032%	\$ 1,000,506	\$ 7,419,369	13.49%	98.20%
12/31/16	0.06009865%	\$ 495,356	\$ 7,115,805	6.96%	99.12%
12/31/17	0.05926953%	\$ (1,759,782)	\$ 7,095,534	-24.80%	102.93%
12/31/18	0.05937757%	\$ 2,112,467	\$ 7,473,478	28.27%	96.45%
12/31/19	0.06027470%	\$ (1,943,531)	\$ 7,706,785	-25.22%	102.96%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2020

<u>City Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 565,424	\$ 565,424	\$ -	\$ 7,419,369	7.62%
12/31/16	\$ 566,173	\$ 566,173	\$ -	\$ 7,115,805	7.96%
12/31/17	\$ 621,541	\$ 621,541	\$ -	\$ 7,095,534	8.76%
12/31/18	\$ 630,846	\$ 630,846	\$ -	\$ 7,473,478	8.44%
12/31/19	\$ 640,490	\$ 640,490	\$ -	\$ 7,706,785	8.31%
12/31/20	\$ 709,006	\$ 709,006	\$ -	\$ 7,661,789	9.25%

City of Muskego

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
LRLIF

For the Year Ended December 31, 2020

ETF Fiscal Year Ending	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/17	0.14145900%	\$ 425,591	\$ 5,948,756	7.15%	44.81%
12/31/18	0.14719000%	\$ 379,800	\$ 7,304,000	5.20%	48.69%
12/31/19	0.14740100%	\$ 627,662	\$ 7,560,000	8.30%	37.58%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LRLIF

For the Year Ended December 31, 2020

City Fiscal Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/18	\$ 2,836	\$ 2,836	\$ -	\$ 7,473,480	0.04%
12/31/19	\$ 2,910	\$ 2,910	\$ -	\$ 7,340,429	0.04%
12/31/20	\$ 3,770	\$ 3,770	\$ -	\$ 7,661,789	0.05%

City of Muskego

Notes to Required Supplementary Information
As of and for the Year Ended December 31, 2020

NOTE I – Wisconsin Retirement System

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

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

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

Changes in Assumptions. No significant change in assumptions were noted from the prior year.

NOTE II – Local Retiree Life Insurance Fund

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

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the LRLIF.

Changes in Assumptions. Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the Actuarial Assumptions Section in Note V. D. for additional details.

SUPPLEMENTARY INFORMATION

City of Muskego

Combining Balance Sheet
 Non-major Governmental Funds
 Special Revenue Funds
 As of December 31, 2020

	<u>Park Fund</u>	<u>Refuse/ Recycling Fund</u>	<u>Revolving Loan Fund</u>	<u>Landfill Standing Committee Fund</u>	<u>Stormwater Management Fund</u>	<u>Well Testing Reserve Fund</u>	<u>Land Open Space Conservation Fund</u>
ASSETS							
Cash and cash equivalents	\$ 443,136	\$ 1,096,144	\$ 467,336	\$ 116,835	\$ 257,564	\$ 709,367	\$ 424,285
Accounts receivable - net	228,220	284,595	131,025	-	-	-	-
Loan receivables	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Taxes receivable	-	46,380	-	-	-	-	-
TOTAL ASSETS	<u>\$ 671,356</u>	<u>\$ 1,427,119</u>	<u>\$ 598,361</u>	<u>\$ 116,835</u>	<u>\$ 257,564</u>	<u>\$ 709,367</u>	<u>\$ 424,285</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 53,953	\$ 231,523	\$ 40	\$ -	\$ 61,856	\$ -	\$ 9,887
Deferred lease and other revenues	-	-	-	-	-	-	-
Total Liabilities	<u>53,953</u>	<u>231,523</u>	<u>40</u>	<u>-</u>	<u>61,856</u>	<u>-</u>	<u>9,887</u>
Fund Balances							
Restricted	-	-	598,321	-	-	-	-
Committed	617,403	1,195,596	-	116,835	195,708	709,367	414,398
Total Fund Balances	<u>617,403</u>	<u>1,195,596</u>	<u>598,321</u>	<u>116,835</u>	<u>195,708</u>	<u>709,367</u>	<u>414,398</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 671,356</u>	<u>\$ 1,427,119</u>	<u>\$ 598,361</u>	<u>\$ 116,835</u>	<u>\$ 257,564</u>	<u>\$ 709,367</u>	<u>\$ 424,285</u>

City of Muskego

Combining Balance Sheet
 Non-major Governmental Funds
 Special Revenue Funds
 As of December 31, 2020
 (Concluded)

	Compensated Absences Fund	Cable TV Fund	Capital Improvements Fund	Federated Library System Fund	Big Muskego Lake- Bass Bay Protection and Rehabilitation District	Landfill Fund	Non-Major Special Revenue Fund Total
ASSETS							
Cash and cash equivalents	\$ 2,337,883	\$ -	\$ 509,417	\$ 37,335	\$ 152,659	\$ 3,018,911	\$ 9,570,872
Accounts receivable - net	-	-	-	-	-	346,221	990,061
Loan receivables	-	-	180,702	-	-	-	180,702
Due from other governments	-	-	-	-	33,010	-	33,010
Taxes receivable	-	-	-	-	-	-	46,380
TOTAL ASSETS	\$ 2,337,883	\$ -	\$ 690,119	\$ 37,335	\$ 185,669	\$ 3,365,132	\$ 10,821,025
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 80	\$ 2,804	\$ 360,143
Deferred lease and other unearned revenues	-	-	1,180	-	-	-	1,180
Total Liabilities	-	-	1,180	-	80	2,804	361,323
Fund Balances							
Restricted	-	-	-	37,335	185,589	3,362,328	4,183,573
Committed	2,337,883	-	688,939	-	-	-	6,276,129
Total Fund Balances	2,337,883	-	688,939	37,335	185,589	3,362,328	10,459,702
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,337,883	\$ -	\$ 690,119	\$ 37,335	\$ 185,669	\$ 3,365,132	\$ 10,821,025

City of Muskego

Combining Balance Sheet
Non-major Governmental Funds
Capital Projects Funds
As of December 31, 2020

	Capital Equipment Fund	Tax Increment District Capital Project Funds	Non-Major Capital Projects Fund Total
ASSETS			
Cash and cash equivalents	\$ 856,888	\$ 4,027	\$ 860,915
TOTAL ASSETS	<u>\$ 856,888</u>	<u>\$ 4,027</u>	<u>\$ 860,915</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 34,160	\$ -	\$ 34,160
TOTAL LIABILITIES	<u>34,160</u>	<u>-</u>	<u>34,160</u>
Fund Balances			
Restricted	-	4,027	4,027
Assigned	822,728	-	822,728
Total Fund Balances	<u>822,728</u>	<u>4,027</u>	<u>826,755</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 856,888</u>	<u>\$ 4,027</u>	<u>\$ 860,915</u>

City of Muskego

Combining Balance Sheet
Non-major Governmental Funds
As of December 31, 2020

	Non-Major Special Revenue Funds Total	Non-Major Capital Projects Funds Total	Non-major Governmental Funds Total
ASSETS			
Cash and cash equivalents	\$ 9,570,872	\$ 860,915	\$ 10,431,787
Accounts receivable - net	990,061	-	990,061
Loan receivables	180,702	-	180,702
Due from other governments	33,010	-	33,010
Taxes receivable	46,380	-	46,380
TOTAL ASSETS	\$ 10,821,025	\$ 860,915	\$ 11,681,940
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 360,143	\$ 34,160	\$ 394,303
Deferred lease and other revenues	1,180	-	1,180
Total Liabilities	361,323	34,160	395,483
Fund Balances			
Restricted	4,183,573	4,027	4,187,600
Committed	6,276,129	-	6,276,129
Assigned	-	822,728	822,728
Total Fund Balances	10,459,702	826,755	11,286,457
TOTAL LIABILITIES, DEFFERED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,821,025	\$ 860,915	\$ 11,681,940

City of Muskego

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds
 Special Revenue Funds
 For the Year Ended December 31, 2020

	Park Fund	Refuse/ Recycling Fund	Revolving Loan Fund	Landfill Standing Committee Fund	Stormwater Management Fund	Well Testing Reserve Fund	Land Open Space Conservation Fund
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	228,220	-	-	-	-	-	18,200
Licenses and permits	6,470	-	-	-	-	-	-
Public charges for services	255,755	1,026,208	-	10,000	-	-	234,817
Commercial revenue	70,556	94,182	4,157	111	1,373	3,529	1,906
Total Revenues	<u>561,001</u>	<u>1,120,390</u>	<u>4,157</u>	<u>10,111</u>	<u>1,373</u>	<u>3,529</u>	<u>254,923</u>
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	-
Public works	-	-	-	-	24,750	-	-
Health and sanitation	-	1,101,024	-	-	-	-	-
Conservation and development	-	-	40	2,545	-	-	21,864
Education and recreation	-	-	-	-	-	-	-
Capital Outlay	416,849	-	-	-	74,062	-	55,760
Total Expenditures	<u>416,849</u>	<u>1,101,024</u>	<u>40</u>	<u>2,545</u>	<u>98,812</u>	<u>-</u>	<u>77,624</u>
Excess (deficiency) of revenues over expenditures	<u>144,152</u>	<u>19,366</u>	<u>4,117</u>	<u>7,566</u>	<u>(97,439)</u>	<u>3,529</u>	<u>177,299</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	250,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(100,000)
Total Other Financing Source (Uses)	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net Change in Fund Balance	394,152	19,366	4,117	7,566	(97,439)	3,529	77,299
FUND BALANCES - Beginning of Year	<u>223,251</u>	<u>1,176,230</u>	<u>594,204</u>	<u>109,269</u>	<u>293,147</u>	<u>705,838</u>	<u>337,099</u>
FUND BALANCES - END OF YEAR	<u>\$ 617,403</u>	<u>\$ 1,195,596</u>	<u>\$ 598,321</u>	<u>\$ 116,835</u>	<u>\$ 195,708</u>	<u>\$ 709,367</u>	<u>\$ 414,398</u>

City of Muskego

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds
 Special Revenue Funds
 For the Year Ended December 31, 2020
 (Concluded)

	Compensated Absences Fund	Cable TV Fund	Capital Improvements Fund	Federated Library System Fund	Big Muskego Lake- Bass Bay Protection and Rehabilitation District	Landfill Fund	Non-Major Special Revenue Fund Total
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	246,420
Licenses and permits	-	-	-	-	-	-	6,470
Public charges for services	-	-	-	-	32,930	1,712,251	3,271,961
Commercial revenue	10,997	-	6,188	1,360	101	12,869	207,329
Total Revenues	10,997	-	6,188	1,360	33,031	1,725,120	3,732,180
EXPENDITURES							
Current							
General government	99,011	-	-	-	10,032	-	109,043
Public works	-	-	-	-	-	-	24,750
Health and sanitation	-	-	-	-	-	48,813	1,149,837
Conservation and development	-	-	-	-	-	-	24,449
Education and recreation	-	-	-	61	-	-	61
Capital Outlay	-	-	-	-	-	-	546,671
Total Expenditures	99,011	-	-	61	10,032	48,813	1,854,811
Excess (deficiency) of revenues over expenditures	(88,014)	-	6,188	1,299	22,999	1,676,307	1,877,369
OTHER FINANCING SOURCES (USES)							
Transfers in	202,052	-	-	-	-	-	452,052
Transfers out	-	(2,253)	(54,500)	-	-	(650,000)	(806,753)
Total Other Financing Source (Uses)	202,052	(2,253)	(54,500)	-	-	(650,000)	(354,701)
Net Change in Fund Balance	114,038	(2,253)	(48,312)	1,299	22,999	1,026,307	1,522,668
FUND BALANCES - Beginning of Year	2,223,845	2,253	737,251	36,036	162,590	2,336,021	8,937,034
FUND BALANCES - END OF YEAR	\$ 2,337,883	\$ -	\$ 688,939	\$ 37,335	\$ 185,589	\$ 3,362,328	\$ 10,459,702

City of Muskego

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds
 Capital Projects Funds
 For the Year Ended December 31, 2020

	Capital Equipment Fund	Tax Increment District Capital Project Funds	Non-Major Capital Projects Fund Total
REVENUES			
Intergovernmental revenues	\$ 7,280	\$ -	\$ 7,280
Licenses and permits	57,200	-	57,200
Commercial revenue	-	169	169
Total Revenues	<u>64,480</u>	<u>169</u>	<u>64,649</u>
EXPENDITURES			
Capital Outlay			
General government	52,966	-	52,966
Public safety	212,792	-	212,792
Public works	430,125	-	430,125
Conservation and development	600	3,803	4,403
Education and recreation	62,584	-	62,584
Total Expenditures	<u>759,067</u>	<u>3,803</u>	<u>762,870</u>
Deficiency of revenues under expenditures	(694,587)	(3,634)	(698,221)
OTHER FINANCING SOURCES (USES)			
Transfers in	400,000	-	400,000
Transfers out	-	(755)	(755)
Total Other Financing Sources	<u>400,000</u>	<u>(755)</u>	<u>399,245</u>
Net Change in Fund Balance	(294,587)	(4,389)	(298,976)
FUND BALANCES - Beginning of Year	<u>1,117,315</u>	<u>8,416</u>	<u>1,125,731</u>
FUND BALANCES - END OF YEAR	<u>\$ 822,728</u>	<u>\$ 4,027</u>	<u>\$ 826,755</u>

City of Muskego

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2020

	Non-Major Special Revenue Funds Total	Non-Major Capital Projects Funds Total	Non-major Governmental Funds Total
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	246,420	7,280	253,700
Licenses and permits	6,470	57,200	63,670
Public charges for services	3,271,961	-	3,271,961
Commercial revenue	207,329	169	207,498
Total Revenues	<u>3,732,180</u>	<u>64,649</u>	<u>3,796,829</u>
EXPENDITURES			
Current:			
General government	109,043	-	109,043
Public works	24,750	-	24,750
Health and sanitation	1,149,837	-	1,149,837
Conservation and development	24,449	-	24,449
Education and recreation	61	-	61
Capital Outlay	546,671	762,870	1,309,541
Total Expenditures	<u>1,854,811</u>	<u>762,870</u>	<u>2,617,681</u>
Deficiency of revenues under expenditures	<u>1,877,369</u>	<u>(698,221)</u>	<u>1,179,148</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	452,052	400,000	852,052
Transfers out	(806,753)	(755)	(807,508)
Total Other Financing Source (Uses)	<u>(354,701)</u>	<u>399,245</u>	<u>44,544</u>
Net Change in Fund Balance	1,522,668	(298,976)	1,223,692
FUND BALANCES - Beginning of Year	<u>8,937,034</u>	<u>1,125,731</u>	<u>10,062,765</u>
FUND BALANCES - END OF YEAR	<u>\$ 10,459,702</u>	<u>\$ 826,755</u>	<u>\$ 11,286,457</u>