

CITY OF MUSKEGO

Muskego, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2021

City of Muskego

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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the City Council of
City of Muskego

Opinions

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 (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of December 31, 2021 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the tax increment district special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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'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 11, 2022

**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**

City of Muskego, Wisconsin
Management Discussion and Analysis
As of and for the Year Ended December 31, 2021
(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, 2021. 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 \$147,526,810 as of December 31, 2021. Of this amount, \$16,012,244 (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 decreased by \$651,022.
- At the close of the 2021 fiscal year, the City's governmental funds reported combined ending fund balances of \$16,188,165, which is a decrease of \$6,607,868 in comparison with the prior year. Of this total amount, approximately 84% or \$13,630,154 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 \$7,841,809 or 50% of the total general fund expenditures (including transfers out) for fiscal year 2021. Of this total, \$2,821,115 is committed to meet the requirements of the City's Fund Balance and Annual General Fund Budgeted Contingency policy.
- The City's total long-term debt, excluding compensated absences, decreased by \$3,400,178 (8.18%) during the 2021 fiscal year. The decrease was due to the net of scheduled payment.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City'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'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, 2021
(Unaudited)**

Government-wide Financial Statements (continued)

Both the government-wide financial statements distinguish functions of the City 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 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 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 16 through 18 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, 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 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 77 through 84 of this report.

The City 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 20 this report. The basic governmental fund financial statements can be found on pages 14 through 20 of this report.

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(Unaudited)

Proprietary Funds

The City 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 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 21 through 24 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'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 \$33,450,696.

The basic fiduciary funds financial statements can be found on pages 25 and 26 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 27 through 73 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 74 through 76.

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$147,526,810 as of December 31, 2021.

The largest portion of the City's net position (75.5%) 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 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, 2021
(Unaudited)**

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

	Governmental Activities		Business - type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 37,515,916	\$ 41,363,146	\$ 23,088,748	\$ 22,502,168	\$ 60,604,664	\$ 63,865,314
Capital assets	81,967,019	80,781,352	67,151,218	68,274,562	149,118,237	149,055,914
Total assets	119,482,935	122,144,498	90,239,966	90,776,730	209,722,901	212,921,228
Deferred outflows of resources	6,035,707	4,364,828	628,944	469,292	6,664,651	4,834,120
Total Assets and Deferred Outflows of Resources	125,518,642	126,509,326	90,868,910	91,246,022	216,387,552	217,755,348
Current liabilities	2,984,815	1,832,681	1,261,466	1,837,486	4,246,281	3,670,167
Noncurrent outstanding	38,487,084	41,869,342	2,056,380	2,379,275	40,543,464	44,248,617
Other liabilities	-	-	539,051	550,240	539,051	550,240
Total liabilities	41,471,899	43,702,023	3,856,897	4,767,001	45,328,796	48,469,024
Deferred inflows of resources	22,781,409	20,574,269	750,537	534,223	23,531,946	21,108,492
Net investment in capital assets	47,254,179	44,170,391	64,885,348	65,735,249	110,846,470	108,542,094
Restricted	5,550,747	8,321,906	14,547,273	13,181,693	20,098,020	21,503,599
Unrestricted	8,460,408	9,740,737	6,828,855	7,027,856	16,582,320	18,132,139
Total net position	61,265,334	62,233,034	86,261,476	85,944,798	147,526,810	148,177,832
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 125,518,642	\$ 126,509,326	\$ 90,868,910	\$ 91,246,022	\$ 216,387,552	\$ 217,755,348

At the end of the 2021 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, 2021, total net position of the City amounted to \$147,526,810, which is a decrease of \$651,022 as compared to the 2020 fiscal year end. The major items attributing to this decrease is declining investment earnings and landfill host fees.

Net position of the City's governmental activities totaled \$61,265,334, which is a decrease of \$967,700 as compared to the prior year. Of this total, \$8,460,408 or 13.8% is classified as unrestricted assets and may be used to finance the City's ongoing obligations to citizens and creditors. The restricted net position portion (9.1%) 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
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(Unaudited)

The business-type activities net position amounted to \$86,261,476, an increase of \$316,678. The unrestricted balance of \$6,828,855 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 2021 and 2020 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		Business-type		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for services	\$ 4,810,748	\$ 5,138,251	\$ 8,774,814	\$ 8,601,885	\$ 13,585,562	\$ 13,740,136
Operating grants and contributions	1,892,200	1,809,570	4,351	-	1,896,551	1,809,570
Capital grants and contributions	15,404	1,491,012	971,909	3,580,152	987,313	5,071,164
General Revenues						
Property taxes	15,151,985	14,719,325	-	-	15,151,985	14,719,325
Other Taxes	105,173	117,853	-	-	105,173	117,853
Grants and contributions not restricted to specific programs	617,545	958,429	-	-	617,545	958,429
Unrestricted investment earnings	197,767	456,164	104,118	163,424	301,885	619,588
Miscellaneous	476	419	-	-	476	419
Total Revenues	22,791,298	24,691,023	9,855,192	12,345,461	32,646,490	37,036,484
Expenses:						
General government	4,119,983	2,928,227	-	-	4,119,983	2,928,227
Public safety	8,653,092	7,645,264	-	-	8,653,092	7,645,264
Highway and transportation	5,119,141	5,167,163	-	-	5,119,141	5,167,163
Health and sanitation	1,449,324	1,160,338	-	-	1,449,324	1,160,338
Economic development	1,000,065	966,069	-	-	1,000,065	966,069
Education and recreation	2,577,278	2,329,896	-	-	2,577,278	2,329,896
Interest on long-term debt	1,281,940	1,504,344	-	-	1,281,940	1,504,344
Sewer	-	-	7,234,241	7,719,851	7,234,241	7,719,851
Water	-	-	1,862,448	1,828,697	1,862,448	1,828,697
Total Expenses	24,200,823	21,701,301	9,096,689	9,548,548	33,297,512	31,249,849
Decrease in Net Position before transfers	(1,409,525)	2,989,722	758,503	2,796,913	(651,022)	5,786,635
Transfers	441,825	474,627	(441,825)	(474,627)	-	-
Change in Net Position	(967,700)	3,464,349	316,678	2,322,286	(651,022)	5,786,635
Net Position - Beginning	62,233,034	58,768,685	85,944,798	83,622,512	148,177,832	142,391,197
Net Position - Ending	\$ 61,265,334	\$ 62,233,034	\$ 86,261,476	\$ 85,944,798	\$ 147,526,810	\$ 148,177,832

**City of Muskego
Management Discussion and Analysis
As of and for the Year Ended December 31, 2021
(Unaudited)**

Governmental Activities

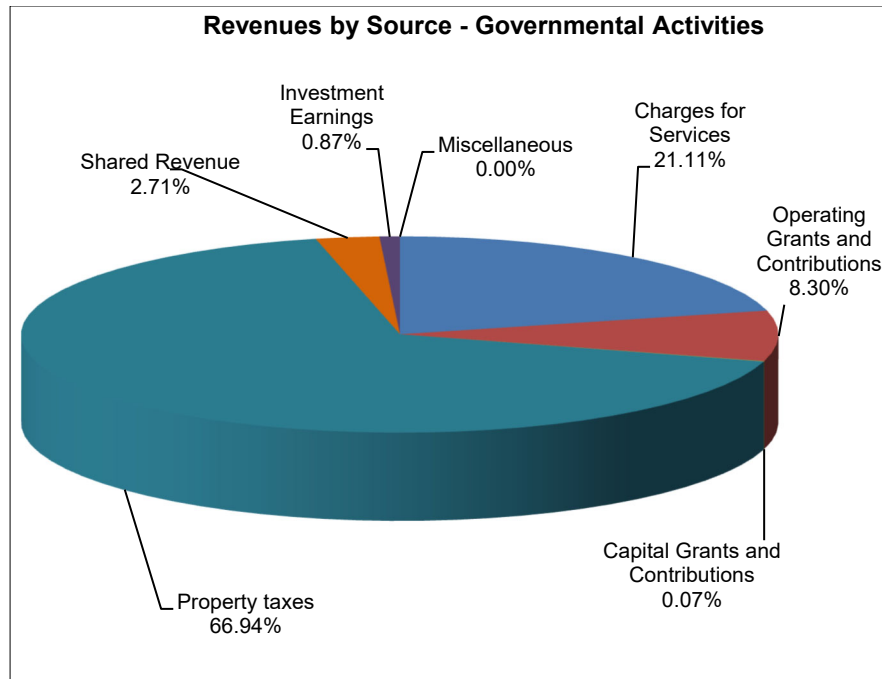
The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs. The net of services column shows how much of the total amount is not covered by program revenues. Succinctly put net costs that must be covered by local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

Programs	Total Cost of Services		Net (Expenses) of Services	
	2021	2020	2021	2020
General government	\$ 4,119,983	\$ 2,928,227	\$ (3,825,074)	\$ (2,616,677)
Public safety	8,653,092	7,645,264	(7,351,047)	(6,360,073)
Public works	5,119,141	5,167,163	(3,644,654)	(2,442,323)
Health and sanitation	1,449,324	1,160,338	1,398,814	2,108,079
Conservation & development	1,000,065	966,069	(920,023)	(642,553)
Education and recreation	2,577,278	2,329,896	(1,858,547)	(1,804,577)
Interest and long-term debt	1,281,940	1,504,344	(1,281,940)	(1,504,344)
Total	<u>\$ 24,200,823</u>	<u>\$ 21,701,301</u>	<u>\$ (17,482,471)</u>	<u>\$ (13,262,468)</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 72% of total cost of services in 2021. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

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

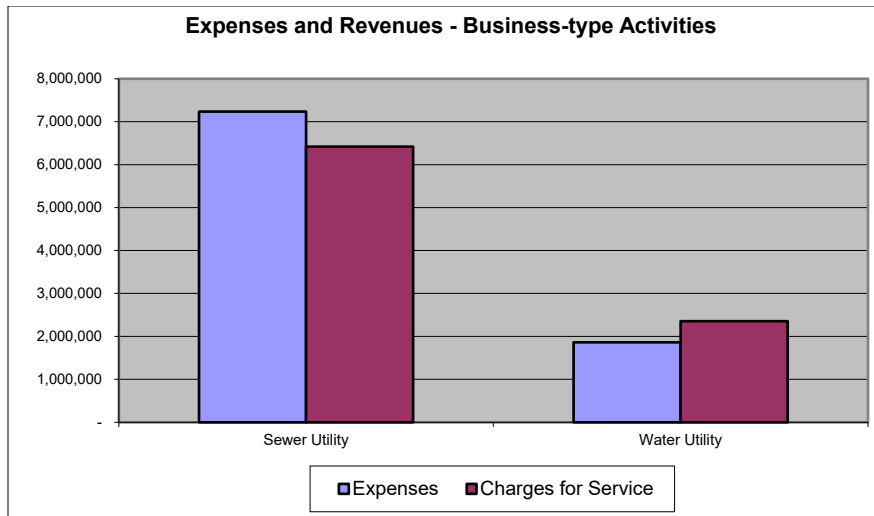


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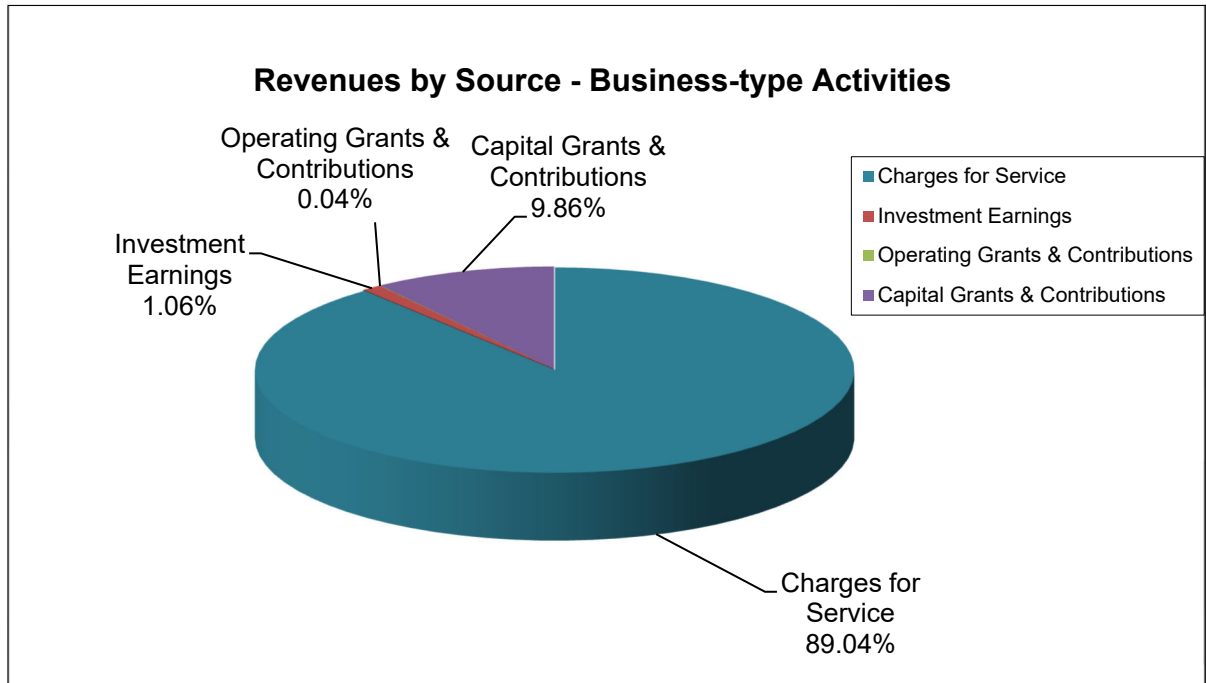
Business-Type Activities

Total Business-type activities' charges for service revenues for the year ending December 31, 2021 were \$8,774,814, which is a slight increase of \$172,929 over 2020 and primarily due to additional revenue generated from the sewer and water utility charges for services. The Business-type activities increased the City's net position by \$316,678, which reflects reduction in sewer utility related operating expenses.

The following graph shows the relationship between revenues and expenses for the City 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 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 \$16,188,165, a decrease of \$6,607,868 in comparison with the prior year. Approximately 84% of this total amount (\$13,630,154) is available for spending at the government's discretion. However, 36% of this amount (\$5,788,345) 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 2021, the General Fund balance increased by \$118,044. 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 \$7,841,809, while total fund balance reached \$7,878,219. 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 49% of total general fund expenditures.

Debt Service Fund

Fund balance in the Debt Service Fund decreased by \$1,199,832 during 2021. This decrease resulted from net principal retirements and interest payments, along with the \$296,747 distribution of fund balance due to the termination of Tax Increment District #9.

Capital Projects – Capital Budget Fund

Fund balance in the Capital Budget Fund decreased by \$909,234 during 2021, which reflects expenditures incurred for completion of a major road project.

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 \$56,310,050 with the Water Fund totaling \$29,951,426. The Sewer Utility Fund decreased in net position by \$111,811 and the Water Utility Fund increased in net position by \$428,489.

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

General Fund Budgetary Highlights

The 2021 final budget of \$16,390,786 included no amendments for the year. During the year revenues were slightly lower than budgetary revenues, however the deficit was offset by actual expenditures being less than budgetary expenditures.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$149,118,237 (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 completion of the Hillendale Road project; purchase of an aerial ladder truck for the Fire Department, road reconstruction and various public safety and public works equipment purchases.

City of Muskego's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 5,721,603	\$ 5,722,103	\$ 272,448	\$ 272,448	\$ 5,994,051	\$ 5,994,551
Intangibles	778,050	715,392	36,500	36,500	814,550	751,892
Construction in progress	3,189,983	437,536	70,458	126,261	3,260,441	563,797
Land Improvements	4,337,081	4,337,081	-	-	4,337,081	4,337,081
Buildings	33,019,646	32,870,539	21,473,043	21,334,183	54,492,689	54,204,722
Equipment	11,304,308	10,591,057	82,005,580	5,465,844	93,309,888	16,056,901
Library Collection	4,234,003	4,071,099	-	-	4,234,003	4,071,099
Infrastructure	89,964,834	88,797,671	5,671,139	82,005,580	95,635,973	170,803,251
Acc. Depreciation	(70,582,489)	(66,761,126)	(42,377,950)	(40,966,254)	(112,960,439)	(107,727,380)
Total	\$ 81,967,019	\$ 80,781,352	\$ 67,151,218	\$ 68,274,562	\$ 149,118,237	\$ 149,055,914

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, 2021, the City had general obligation bonds and notes outstanding totaling \$35,883,828. The City's business-type activities include revenue bonds and notes payable, which total \$2,265,872.

In the current year, the City paid \$3,029,188 in principal and \$1,293,788 in interest on outstanding debt. Business-Type Activities paid \$266,807 in principal and \$80,373 in interest on its outstanding debt.

Of the total City debt, \$2,731,927 will become due within one year. The City has a Moody's "Aa1" 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, 2021
(Unaudited)**

Long-term Debt (continued)

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
G.O. Bonds and Notes	\$ 35,054,048	\$ 38,083,237	\$ 1,992,870	\$ 2,234,786	\$ 37,046,918	\$ 40,318,023
Unamortized premium	829,780	927,327	48,424	55,058	878,204	982,385
Revenue Refunding Bonds	-	-	-	-	-	-
Wisconsin Safe Drinking Water Loan	-	-	224,578	249,469	224,578	249,469
Total	<u>\$ 35,883,828</u>	<u>\$ 39,010,564</u>	<u>\$ 2,265,872</u>	<u>\$ 2,539,313</u>	<u>\$ 38,149,700</u>	<u>\$ 41,549,877</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 experienced a 6% increase in equalized valuation over the prior year, amounting to a value of \$3.7 billion.
- Current population estimates reached 25,704; which represents an increase of 6.5% since the 2010 Census.
- Compared to the prior year, the 2021 tax rate of \$3.81 per thousand reflected a significant decrease of \$0.74 due the City-wide assessment revaluation and termination of Tax Increment Districts #8 & #9; adding 0.60% or \$80,000 to the allowable levy funding.
- Approximately \$486,400 of residual tax increment revenue was recognized as a result of the Tax Increment District closures.
- Minimal debt service tax levy adjustments are anticipated in part due to an upcoming advance refunding of the 2013 \$12,625,000 Bond issue and structured amortization schedules.
- The City received 50% of the estimated \$2,630,007 Federal *American Rescue Plan Act* award, which will be used to combat the negative effects of the public health emergency in the local economy.

All these factors were considered in preparing the City's budget for the year ending December 31, 2021.

Requests for information

This financial report is designed to provide a general overview of the City'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, 2021

	Governmental Activities	Business-type Activities	Totals	Component Unit
ASSETS				
Cash and cash equivalents	\$ 17,638,612	\$ 5,031,791	\$ 22,670,403	\$ 190,355
Temporary investments	-	897,821	897,821	-
Receivables (net of allowance for uncollectibles)				
Accounts	1,058,914	2,526,573	3,585,487	-
Loan	154,368	-	154,368	-
Due from other governments	62,304	-	62,304	-
Taxes	15,072,618	-	15,072,618	-
Prepaid items	36,410	-	36,410	-
Restricted Assets				
Cash and cash equivalents	-	13,818,290	13,818,290	-
RCA and WCA assessments receivable	-	424,591	424,591	-
Pension assets	3,492,690	322,532	3,815,222	-
Special assessments receivable	-	67,150	67,150	-
Capital Assets				
Land and easements	5,721,603	308,948	6,030,551	-
Construction in progress	3,189,983	70,458	3,260,441	-
Other capital assets, net of depreciation	73,055,433	66,771,812	139,827,245	-
Total Assets	<u>119,482,935</u>	<u>90,239,966</u>	<u>209,722,901</u>	<u>190,355</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to pension	5,767,375	576,699	6,344,074	-
Deferred outflow related to OPEB - LRLIF	<u>268,332</u>	<u>52,245</u>	<u>320,577</u>	-
Total Deferred Outflows of Resources	<u>6,035,707</u>	<u>628,944</u>	<u>6,664,651</u>	-
LIABILITIES				
Accounts payable and other current liabilities	1,149,125	771,491	1,920,616	-
Accrued interest payable	215,085	-	215,085	-
Unearned revenue	1,315,987	155,188	1,471,175	-
Special Deposits	304,869	-	304,869	-
Liabilities payable from restricted assets				
Accounts payable	-	15,739	15,739	-
Accrued interest payable	-	12,645	12,645	-
Current portion of long-term debt	-	306,403	306,403	-
Noncurrent Liabilities:				
Due within one year	2,831,927	-	2,831,927	-
Due in more than one year	34,992,481	1,959,467	36,951,948	-
Net OPEB liability - LRLIF	662,676	96,913	759,589	-
Unearned revenue	-	539,051	539,051	-
Total Liabilities	<u>41,472,150</u>	<u>3,856,897</u>	<u>45,329,047</u>	-
DEFERRED INFLOWS OF RESOURCES				
Property taxes for the subsequent year	15,065,080	-	15,065,080	-
Deferred inflow related to pension	7,620,604	731,549	8,352,153	-
Deferred inflow related to OPEB - LRLIF	<u>95,474</u>	<u>18,988</u>	<u>114,462</u>	-
Total Deferred Inflows of Resources	<u>22,781,158</u>	<u>750,537</u>	<u>23,531,695</u>	-
NET POSITION				
Net investment in capital assets	47,254,179	64,885,348	111,416,546	-
Restricted for:				
Depreciation and equipment and replacement funds	-	1,436,608	1,436,608	-
Water and sewer capacity assessment funds	-	12,788,133	12,788,133	-
Landfill	1,433,731	-	1,433,731	-
Big Muskego Lake - Bass Bay Protection and Rehabilitation District	191,381	-	191,381	-
Revolving loans	201,541	-	201,541	-
Library	40,132	-	40,132	-
Tax increment district purposes	56,856	-	56,856	-
Debt service	134,416	-	134,416	-
Pensions	3,492,690	322,532	3,815,222	-
Unrestricted	<u>8,460,408</u>	<u>6,828,855</u>	<u>16,012,244</u>	<u>190,355</u>
TOTAL NET POSITION	<u>\$ 61,265,334</u>	<u>\$ 86,261,476</u>	<u>\$ 147,526,810</u>	<u>\$ 190,355</u>

See accompanying notes to financial statements

City of Muskego

Statement of Activities
For the Year Ended December 31, 2021

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	\$ 4,119,983	\$ 294,909	\$ -	\$ -	\$ (3,825,074)	\$ -	\$ (3,825,074)	\$ -
Public safety	8,653,092	1,093,047	195,998	13,000	(7,351,047)	-	(7,351,047)	-
Public works	5,119,141	121,947	1,350,136	2,404	(3,644,654)	-	(3,644,654)	-
Health and sanitation	1,449,324	2,774,900	73,238	-	1,398,814	-	1,398,814	-
Conservation and development	1,000,065	41,610	38,432	-	(920,023)	-	(920,023)	-
Education and recreation	2,577,278	484,335	234,396	-	(1,858,547)	-	(1,858,547)	-
Interest on long-term debt and fiscal charges	1,281,940	-	-	-	(1,281,940)	-	(1,281,940)	-
Total Governmental Activities	<u>24,200,823</u>	<u>4,810,748</u>	<u>1,892,200</u>	<u>15,404</u>	<u>(17,482,471)</u>	<u>-</u>	<u>(17,482,471)</u>	<u>-</u>
Business-type activities								
Sewer Utility	7,234,241	6,420,914	4,351	614,735	-	(194,241)	(194,241)	-
Water Utility	1,862,448	2,353,900	-	357,174	-	848,626	848,626	-
Total Business-type Activities	<u>9,096,689</u>	<u>8,774,814</u>	<u>4,351</u>	<u>971,909</u>	<u>-</u>	<u>654,385</u>	<u>654,385</u>	<u>-</u>
Total primary government	<u>\$ 33,297,512</u>	<u>\$ 13,585,562</u>	<u>\$ 1,896,551</u>	<u>\$ 987,313</u>	<u>(17,482,471)</u>	<u>654,385</u>	<u>(16,828,086)</u>	<u>-</u>
Component Unit								
Community Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Revenues								
Taxes								
Property taxes, levied for general purposes					12,911,985	-	12,911,985	-
Property taxes, levied for debt service					2,240,000	-	2,240,000	-
Other taxes					105,173	-	105,173	-
Intergovernmental revenues not restricted to specific programs					617,545	-	617,545	-
Investment income					197,767	104,118	301,885	-
Miscellaneous					476	-	476	-
Total General Revenues					<u>16,072,946</u>	<u>104,118</u>	<u>16,177,064</u>	<u>-</u>
Transfers					441,825	(441,825)	-	-
Change in Net Position					(967,700)	316,678	(651,022)	-
NET POSITION - Beginning of Year					<u>62,233,034</u>	<u>85,944,798</u>	<u>148,177,832</u>	<u>190,355</u>
NET POSITION - END OF YEAR					<u>\$ 61,265,334</u>	<u>\$ 86,261,476</u>	<u>\$ 147,526,810</u>	<u>\$ 190,355</u>

See accompanying notes to financial statements

City of Muskego

Balance Sheet
Governmental Funds
As of December 31, 2021

	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	\$ 8,522,574	\$ 349,501	\$ 321,561	\$ 56,856	\$ 8,388,120	\$ 17,638,612
Receivables - net						
Accounts	239,745	-	-	-	819,169	1,058,914
Due from other governments	29,459	-	-	-	32,845	62,304
Taxes	11,400,489	2,240,000	-	1,389,975	42,154	15,072,618
Loan receivables	-	-	-	-	154,368	154,368
Prepaid items	36,410	-	-	-	-	36,410
Total Assets	<u>\$ 20,228,677</u>	<u>\$ 2,589,501</u>	<u>\$ 321,561</u>	<u>\$ 1,446,831</u>	<u>\$ 9,436,656</u>	<u>\$ 34,023,226</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 414,785	\$ -	\$ 73,102	\$ -	\$ 465,539	\$ 953,426
Accrued liabilities	195,699	-	-	-	-	195,699
Unearned revenues	-	-	-	-	1,315,987	1,315,987
Special Deposits	304,869	-	-	-	-	304,869
Total Liabilities	<u>915,353</u>	<u>-</u>	<u>73,102</u>	<u>-</u>	<u>1,781,526</u>	<u>2,769,981</u>
Deferred Inflows of Resources						
Property taxes for the subsequent year	11,435,105	2,240,000	-	1,389,975	-	15,065,080
Total Deferred Inflows of Resources	<u>11,435,105</u>	<u>2,240,000</u>	<u>-</u>	<u>1,389,975</u>	<u>-</u>	<u>15,065,080</u>
Fund Balances						
Nonspendable	36,410	-	-	-	-	36,410
Restricted	-	349,501	248,459	56,856	1,866,785	2,521,601
Committed	-	-	-	-	5,189,427	5,189,427
Assigned	-	-	-	-	598,918	598,918
Unassigned	7,841,809	-	-	-	-	7,841,809
Total Fund Balances	<u>7,878,219</u>	<u>349,501</u>	<u>248,459</u>	<u>56,856</u>	<u>7,655,130</u>	<u>16,188,165</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 20,228,677</u>	<u>\$ 2,589,501</u>	<u>\$ 321,561</u>	<u>\$ 1,446,831</u>	<u>\$ 9,436,656</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.	81,967,019
Net Pension asset does not relate to current financial resources and is not reported in the governmental funds	3,492,690
Net OPEB does not relate to current financial resources and is not reported in the governmental funds	(662,676)
Deferred outflow of resources related to pension and OPEB do not relate to current financial resources and is not reported in the governmental funds	6,035,707
Deferred inflow of resources related to pension and OPEB do not relate to current financial resources and is not reported in the governmental funds	(7,716,078)
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>(38,039,493)</u>
	<u>\$ 61,265,334</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, 2021

	General Fund	Debt Service Fund	Capital Projects Budget Fund	Special Revenue Tax Increment District Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$11,132,602	\$ 2,240,000	\$ -	\$ 1,852,186	\$ -	\$ 15,224,788
Intergovernmental	2,297,375	-	-	10,184	82,093	2,389,652
Licenses and permits	673,986	-	-	-	2	673,988
Fines, forfeitures and penalties	323,769	-	-	-	-	323,769
Public charges for services	605,915	-	-	-	2,831,292	3,437,207
Commercial revenue	135,012	430	444	-	147,881	283,767
Intergovernmental charges for services	243,156	-	-	-	-	243,156
Interdepartmental revenues	104,422	-	-	-	-	104,422
Total Revenues	<u>15,516,237</u>	<u>2,240,430</u>	<u>444</u>	<u>1,862,370</u>	<u>3,061,268</u>	<u>22,680,749</u>
EXPENDITURES						
Current						
General government	2,458,171	-	-	29,113	260,453	2,747,737
Public safety	7,370,737	-	-	-	-	7,370,737
Public works	2,971,187	-	-	-	26,166	2,997,353
Health and sanitation	3,829	-	-	-	1,442,754	1,446,583
Conservation and development	425,494	-	-	-	28,621	454,115
Education and recreation	1,759,602	-	-	-	371	1,759,973
Debt service						
Principal retirement	-	3,029,188	-	-	-	3,029,188
Interest	-	1,293,788	-	-	-	1,293,788
Capital outlay	1,028,418	-	1,984,751	1,553,720	4,077,079	8,643,968
Total Expenditures	<u>16,017,438</u>	<u>4,322,976</u>	<u>1,984,751</u>	<u>1,582,833</u>	<u>5,835,444</u>	<u>29,743,442</u>
Excess (Deficiency) of revenues under expenditures	<u>(501,201)</u>	<u>(2,082,546)</u>	<u>(1,984,307)</u>	<u>279,537</u>	<u>(2,774,176)</u>	<u>(7,062,693)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	606,245	1,348,648	1,075,073	300,774	3,526,648	6,857,388
Transfers out	-	(465,934)	-	(1,565,830)	(4,383,799)	(6,415,563)
Proceeds from sale of capital assets	13,000	-	-	-	-	13,000
Total Other Financing Sources (Uses)	<u>619,245</u>	<u>882,714</u>	<u>1,075,073</u>	<u>(1,265,056)</u>	<u>(857,151)</u>	<u>454,825</u>
Net Change in Fund Balance	118,044	(1,199,832)	(909,234)	(985,519)	(3,631,327)	(6,607,868)
FUND BALANCES - Beginning of Year	<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>
FUND BALANCES - END OF YEAR	<u>\$ 7,878,219</u>	<u>\$ 349,501</u>	<u>\$ 248,459</u>	<u>\$ 56,856</u>	<u>\$ 7,655,130</u>	<u>\$ 16,188,165</u>

City of Muskego

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2021

Net change in fund balances - total governmental funds \$ (6,607,868)

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	8,643,968
Some items capitalized were not reported as capital outlay	162,904
Some items reported as capital outlay were not capitalized	(3,757,014)
Depreciation is reported in the government-wide statements	(3,851,107)
Net book value of assets retired	(13,085)

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

Principal repaid	3,029,188
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	397,303
Accrued interest on debt	11,848
Net pension asset	1,723,160
Net OPEB liability - LRLIF	(141,781)
Deferred outflows related to pensions	1,619,193
Deferred outflows related to OPEB - LRLIF	51,686
Deferred inflows related to pensions	(2,318,546)
Deferred inflows related OPEB - LRLIF	(15,097)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (967,700)

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, 2021

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual	
REVENUES			
Taxes	\$ 1,824,769	\$ 1,852,186	\$ 27,417
Intergovernmental	10,684	10,184	(500)
Total Revenues	1,835,453	1,862,370	26,917
EXPENDITURES			
Current			
General government	20,600	29,113	8,513
Close TID	1,361,020	1,249,039	(111,981)
Capital Outlay	300,635	304,681	4,046
Total Expenditures	1,682,255	1,582,833	(99,422)
Excess (deficiency) of revenues over (under) expenditures	153,198	279,537	126,339
OTHER FINANCING SOURCES (USES)			
Transfers in	475,616	300,774	(174,842)
Transfers out	(1,604,111)	(1,565,830)	38,281
Total Other Financing Sources	(1,128,495)	(1,265,056)	(136,561)
Net Change in Fund Balance	\$ (975,297)	(985,519)	\$ (10,222)
FUND BALANCES - Beginning of Year		1,042,375	
FUND BALANCES - END OF YEAR		\$ 56,856	

See accompanying notes to financial statements

City of Muskego

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		Variance with Final Budget - Over (Under)
	<u>Original and Final</u>	<u>Actual</u>	
REVENUES			
Taxes	\$ 11,129,052	\$ 11,132,602	\$ 3,550
Intergovernmental	2,218,725	2,297,375	78,650
Licenses and permits	795,840	673,986	(121,854)
Fines, forfeitures and penalties	310,000	323,769	13,769
Public charges for service	572,694	605,915	33,221
Commercial revenues	296,675	135,012	(161,663)
Intergovernmental charges for services	242,000	243,156	1,156
Interdepartmental revenues	<u>326,250</u>	<u>104,422</u>	<u>(221,828)</u>
Total Revenues	<u>15,891,236</u>	<u>15,516,237</u>	<u>(374,999)</u>
EXPENDITURES			
Current			
General government	2,525,040	2,458,171	(66,869)
Public safety	7,424,000	7,370,737	(53,263)
Public works	3,064,595	2,971,187	(93,408)
Health and sanitation	3,850	3,829	(21)
Conservation and development	434,486	425,494	(8,992)
Education and recreation	1,850,190	1,759,602	(90,588)
Capital Outlay	1,006,625	1,028,418	21,793
Contingency	<u>82,000</u>	<u>-</u>	<u>(82,000)</u>
Total Expenditures	<u>16,390,786</u>	<u>16,017,438</u>	<u>(373,348)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(499,550)</u>	<u>(501,201)</u>	<u>(1,651)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	524,550	606,245	81,695
Transfers out	(50,000)	-	50,000
Sale of property	<u>25,000</u>	<u>13,000</u>	<u>(12,000)</u>
Total Other Financing Sources (Uses)	<u>499,550</u>	<u>619,245</u>	<u>119,695</u>
Net Change in Fund Balance	<u>\$ -</u>	118,044	<u>\$ 118,044</u>
FUND BALANCES - Beginning of Year		<u>7,760,175</u>	
FUND BALANCES - END OF YEAR		<u>\$ 7,878,219</u>	

City of Muskego

Statement of Net Position
Proprietary Funds
As of December 31, 2021

	Business Type Activities		
	Enterprise Funds		Total
	Sewer Utility	Water Utility	Enterprise Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,275,274	\$ 756,517	\$ 5,031,791
Temporary investments	897,821	-	897,821
Receivables, net	2,011,446	515,127	2,526,573
Restricted Assets			
Cash and cash equivalents	-	5,258	5,258
Total Current Assets	<u>7,184,541</u>	<u>1,276,902</u>	<u>8,461,443</u>
NON-CURRENT ASSETS			
Restricted Assets			
Cash and cash equivalents	11,711,817	2,101,215	13,813,032
RCA and WCA assessments receivable	231,571	193,020	424,591
Pension asset	210,638	111,894	322,532
Capital Assets			
Land and easements	130,918	178,030	308,948
Construction work in progress	-	70,458	70,458
Plant in service	65,311,509	43,838,253	109,149,762
Accumulated depreciation	(27,196,730)	(15,181,220)	(42,377,950)
Other assets			
Special assessments	-	67,150	67,150
Total Non-Current Assets	<u>50,399,723</u>	<u>31,378,800</u>	<u>81,778,523</u>
Total Assets	<u>57,584,264</u>	<u>32,655,702</u>	<u>90,239,966</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	365,806	210,893	576,699
Deferred outflows related to OPEB - LRLIF	29,756	22,489	52,245
Total Deferred Outflows of Resources	<u>395,562</u>	<u>233,382</u>	<u>628,944</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	500,991	24,632	525,623
Accrued vacation, sick leave and compensatory time	165,318	80,550	245,868
Deferred lease and other revenue	48,978	106,210	155,188
Liabilities Payable From Restricted Assets			
Accounts payable	-	15,739	15,739
Current portion of long-term debt	-	306,403	306,403
Accrued interest	-	12,645	12,645
Total Current Liabilities	<u>715,287</u>	<u>546,179</u>	<u>1,261,466</u>
NON-CURRENT LIABILITIES			
Long-term debt	-	1,959,467	1,959,467
Net pension liability	-	-	-
Net OPEB liability - LRLIF	13,096	83,817	96,913
Unearned revenue	471,901	67,150	539,051
Total Non-current Liabilities	<u>484,997</u>	<u>2,110,434</u>	<u>2,595,431</u>
Total Liabilities	<u>1,200,284</u>	<u>2,656,613</u>	<u>3,856,897</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	458,282	273,267	731,549
Deferred inflows related to OPEB - LRLIF	11,210	7,778	18,988
Total Deferred Inflows of Resources	<u>469,492</u>	<u>281,045</u>	<u>750,537</u>
NET POSITION			
Net investment in capital assets	38,245,697	26,639,651	64,885,348
Restricted for			
RCA and WCA funds	10,995,545	1,792,588	12,788,133
Depreciation and equipment replacement funds	947,843	488,765	1,436,608
Pension	210,638	111,894	322,532
Unrestricted	5,910,327	918,528	6,828,855
TOTAL NET POSITION	<u>\$ 56,310,050</u>	<u>\$ 29,951,426</u>	<u>\$ 86,261,476</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, 2021

	Business Type Activities Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 6,296,849	\$ 2,224,861	\$ 8,521,710
Other operating revenues	124,065	129,039	253,104
Total Operating Revenues	<u>6,420,914</u>	<u>2,353,900</u>	<u>8,774,814</u>
OPERATING EXPENSES			
Operation and maintenance	6,597,302	891,885	7,489,187
Depreciation	632,588	868,916	1,501,504
Taxes	-	29,055	29,055
Total Operating Expenses	<u>7,229,890</u>	<u>1,789,856</u>	<u>9,019,746</u>
Operating Income (Loss)	<u>(808,976)</u>	<u>564,044</u>	<u>(244,932)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	10,474	9,985	20,459
Interest income on special assessments	71,956	11,703	83,659
MMSD I&I subsidy	4,351	-	4,351
I&I MMSD program expenses	(4,351)	-	(4,351)
Amortization of bond premium	-	6,634	6,634
Interest on long term debt	-	(79,226)	(79,226)
Total Nonoperating Revenues (Expenses)	<u>82,430</u>	<u>(50,904)</u>	<u>31,526</u>
Income (Loss) before Contributions and Transfers	(726,546)	513,140	(213,406)
CAPITAL CONTRIBUTIONS	614,735	357,174	971,909
TRANSFERS - TAX EQUIVALENT	-	(441,825)	(441,825)
Change in Net Position	(111,811)	428,489	316,678
NET POSITION - BEGINNING OF YEAR	<u>56,421,861</u>	<u>29,522,937</u>	<u>85,944,798</u>
NET POSITION - END OF YEAR	<u>\$ 56,310,050</u>	<u>\$ 29,951,426</u>	<u>\$ 86,261,476</u>

See accompanying notes to financial statements

City of Muskego

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business Type Activities Enterprise Funds		
	Sewer Utility	Water Utility	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 6,410,883	\$ 1,976,355	\$ 8,387,238
Receipts from municipality for services	-	347,783	347,783
Payments to other funds	(52,139)	-	(52,139)
Paid to vendor for goods and services	(5,926,210)	(561,816)	(6,488,026)
Paid to employees for services	(771,314)	(366,174)	(1,137,488)
Net Cash Flows From Operating Activities	<u>(338,780)</u>	<u>1,396,148</u>	<u>1,057,368</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	-	(441,825)	(441,825)
Net Cash Flows From Non-Capital Financing Activities	<u>-</u>	<u>(441,825)</u>	<u>(441,825)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid	-	(266,807)	(266,807)
Interest paid	-	(80,374)	(80,374)
Special assessments received	1,390,171	348,849	1,739,020
Acquisition and construction of capital assets	(92,181)	(345,356)	(437,537)
Connection fees received	11,500	-	11,500
Net Cash Flows From Capital and Related Financing Activities	<u>1,309,490</u>	<u>(343,688)</u>	<u>965,802</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income			
Interest on investments	10,474	9,985	20,459
Interest on special assessments	71,956	11,703	83,659
Investments purchased	(1,006)	-	(1,006)
Net Cash Flows From Investing Activities	<u>81,424</u>	<u>21,688</u>	<u>103,112</u>
Net Change in Cash and Cash Equivalents	1,052,134	632,323	1,684,457
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>14,934,956</u>	<u>2,230,667</u>	<u>17,165,623</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 15,987,090</u>	<u>\$ 2,862,990</u>	<u>\$ 18,850,080</u>

See accompanying notes to financial statements

City of Muskego

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021
(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	\$ 4,275,274	\$ 756,517	\$ 5,031,791
Temporary investments	897,821	-	897,821
Restricted cash and cash equivalents	-	5,258	5,258
Non-current			
Restricted cash and cash equivalents	11,711,816	2,101,215	13,813,031
Less: Non-cash equivalents	(897,821)	-	(897,821)
Cash and cash equivalents - end of year	\$ 15,987,090	\$ 2,862,990	\$ 18,850,080
NON CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES			
Assessment of benefits for property owners for improvements	\$ 603,235	\$ 357,174	\$ 960,409
Premium on debt amortization	\$ -	\$ 6,634	\$ 6,634
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating Income (loss)	\$ (808,976)	\$ 564,044	\$ (244,932)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	632,588	868,916	1,501,504
Depreciation charged to other accounts	-	35,320	35,320
Pension related expense	(116,949)	15,226	(101,723)
(Increase) decrease in assets/deferred outflows:			
Accounts receivable - other	321,858	(34,197)	287,661
Prepaid Items	1,084	1,084	2,168
Increase (decrease) in liabilities/deferred inflows:			
Accounts payable	(13,052)	(47,640)	(60,692)
Accrued vacation, sick leave and compensatory time	(23,444)	(12,417)	(35,861)
Deferred contractual credit	(331,889)	-	(331,889)
Unearned revenue	-	1,377	1,377
Unearned lease revenue	-	4,435	4,435
Total adjustments	470,196	832,104	1,302,300
Net Cash Flows From Operating Activities	\$ (338,780)	\$ 1,396,148	\$ 1,057,368

See accompanying notes to financial statements

City of Muskego

Statement of Fiduciary Net Position
Fiduciary Funds
As of December 31, 2021

	Private Purpose Trust Funds		Custodial Fund
	Library Expansion Trust Fund	Volunteer Fire Co. Scholarship Fund	Tax Collection Fund
ASSETS			
Cash and cash equivalents	\$ 25,878	\$ 186,976	\$ 28,805,127
Taxes receivable	-	-	4,432,715
	<u>25,878</u>	<u>186,976</u>	<u>33,237,842</u>
LIABILITIES			
Accounts payable	-	-	200,291
Due to other taxing units	-	-	33,035,332
Other Deferred Credits	-	-	2,219
	<u>-</u>	<u>-</u>	<u>33,237,842</u>
NET POSITION			
Restricted - held in trust	<u>25,878</u>	<u>186,976</u>	<u>-</u>
TOTAL NET POSITION	<u><u>\$ 25,878</u></u>	<u><u>\$ 186,976</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements

City of Muskego

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended December 31, 2021

	Private Purpose Trust Funds		Custodial Fund
	Library Expansion Trust Fund	Volunteer Fire Co. Scholarship Fund	Tax Collection Fund
ADDITIONS			
Investment income	\$ 33	\$ 112	\$ -
Tax collections	-	-	34,458,566
Total additions	<u>33</u>	<u>112</u>	<u>34,458,566</u>
DEDUCTIONS			
Payments to overlying districts	-	-	34,458,566
Total deductions	<u>-</u>	<u>-</u>	<u>34,458,566</u>
Change in Net Position	33	112	-
NET POSITION - Beginning	<u>25,845</u>	<u>186,864</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 25,878</u>	<u>\$ 186,976</u>	<u>\$ -</u>

City of Muskego

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As of and for the Year Ended December 31, 2021

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City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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, 2021. The Authority does not issue separate financial statements.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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, 2021

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, 2021

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).

Park	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
	ARPA

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
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In addition, the City reports the following fund types:

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

Library Expansion Trust	Volunteer Fire Co. Scholarship
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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, 2021

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, 2021, there are unrecorded future assessments of \$670,075 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, 2021

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, 2021

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, 2021

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, 2021, 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, 2021

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 – 2021 tax roll:

Lien date and levy date	December 2021
Tax bills mailed	December 2021
Payment in full, or	January 31, 2022
First installment due	January 31, 2022
Second installment due	July 31, 2022
Personal property taxes in full	January 31, 2022
Tax deed by county – 2021 delinquent Real estate taxes	October 2024

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, 2021

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. 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, 2021

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, 2021 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, 2021

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 Unearned Revenue

Utility deferred lease and other unearned 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.

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 received 50% of the funds in 2021, with the remaining expected in 2022. The funds are to cover costs incurred by December 31, 2024.

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, 2021

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	\$ 47,254,179	\$ 64,885,348	\$ (722,981)	\$ 111,416,546
Unrestricted	8,460,408	6,828,855	722,981	16,012,244

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, 2021

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, and 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 \$2,821,115, or 17% of the ensuing year's budgeted general fund expenditures. The balance at year end was \$7,841,809 or 47% of 2022 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, 2021

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, 2021

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. This district was officially terminated on September 9, 2021.
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. This district was officially terminated on September 9, 2021.
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, 2021

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	\$ 5,721,603
Intangibles	778,050
Construction in progress	3,189,983
Land improvements	4,337,081
Buildings	33,019,646
Machinery and equipment	11,304,308
Library collection	4,234,003
Infrastructure	89,964,834
Less: Accumulated depreciation	<u>(70,582,489)</u>
Adjustment for Capital Assets	<u>\$ 81,967,019</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	\$ 35,054,048
Compensated absences	1,940,580
Unamortized debt premium	829,780
Accrued interest	<u>215,085</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 38,039,493</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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 American Rescue Plan Act (ARPA) Special Revenue Fund, 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
Special Revenue Funds			
Park Fund	\$ 1,055,000	\$ 1,217,035	\$ 162,035
Refuse/Recycling Fund	1,290,435	1,391,217	100,782
Compensated Absences Fund	161,475	398,635	237,160

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, 2021

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	\$ 66,356,905	\$ 63,894,704	Custodial Credit Risk
LGIP	45,825	45,825	Credit Risk
Petty cash	<u>1,765</u>	<u>-</u>	None
Total Cash and Investments	<u>\$ 66,404,495</u>	<u>\$ 63,940,529</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 22,670,403		
Temporary investments	897,821		
Restricted cash and investments	13,818,290		
Per statement of fiduciary net position			
Library expansion trust	25,878		
Volunteer Fire-Co. Scholarship	186,976		
Custodial	<u>28,805,127</u>		
Total Cash and Investments	<u>\$ 66,404,495</u>		

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, 2021

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, 2021

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	\$ 947,843	\$ -	\$ 947,843
Reserve capacity assessments	10,763,974	-	10,763,974
RCA assessments receivable	231,571	-	231,571
Net pension asset	<u>210,638</u>	<u>-</u>	<u>210,638</u>
Total Sewer Utility	<u>12,154,026</u>	<u>-</u>	<u>12,154,026</u>
Water Utility			
Cash and investments			
Redemption account	5,258	12,645	-
Reserve account	-	306,403	- -1
Depreciation account	488,765	-	488,765
Construction funds	-	24,632	- -1
Reserve capacity assessments	1,612,450	-	1,612,450
WCA assessments receivable	193,020	12,882	180,138
Net pension asset	<u>111,894</u>	<u>-</u>	<u>111,894</u>
Total Water Utility	<u>2,411,387</u>	<u>356,562</u>	<u>2,393,247</u>
Total Business-type Activities	<u>\$ 14,565,413</u>	<u>\$ 356,562</u>	<u>\$ 14,547,273</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, 2021

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	\$ 15,065,080	-	\$ 15,065,080
Other	<u>-</u>	<u>251</u>	<u>251</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 15,065,080</u>	<u>\$ 251</u>	<u>\$ 15,065,331</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, 2021

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

Governmental Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 5,722,103	\$ -	\$ 500	\$ 5,721,603
Construction in progress	437,536	2,790,944	38,497	3,189,983
Total capital assets not being depreciated/amortized	<u>6,159,639</u>	<u>2,790,944</u>	<u>38,997</u>	<u>8,911,586</u>
Capital assets being depreciated/amortized				
Intangibles	715,392	62,658	-	778,050
Land improvements	4,337,081	-	-	4,337,081
Buildings	32,870,539	149,107	-	33,019,646
Machinery and equipment	10,591,057	755,580	42,329	11,304,308
Library collection	4,071,099	162,904	-	4,234,003
Infrastructure	88,797,671	1,167,163	-	89,964,834
Total Capital Assets Being Depreciated/Amortized	<u>141,382,839</u>	<u>2,297,412</u>	<u>42,329</u>	<u>143,637,922</u>
Less: Accumulated depreciation/amortization for				
Intangibles	(586,590)	(43,150)	-	(629,740)
Land improvements	(2,977,654)	(143,039)	-	(3,120,693)
Buildings	(8,166,838)	(666,968)	-	(8,833,806)
Machinery and equipment	(7,557,887)	(704,296)	29,744	(8,232,439)
Library collection	(3,350,548)	(179,729)	-	(3,530,277)
Infrastructure	(44,121,609)	(2,113,925)	-	(46,235,534)
Total Accumulated Depreciation/Amortization	<u>(66,761,126)</u>	<u>(3,851,107)</u>	<u>29,744</u>	<u>(70,582,489)</u>
Net Capital Assets Being Depreciated/Amortized	<u>74,621,713</u>	<u>(1,553,695)</u>	<u>12,585</u>	<u>73,055,433</u>
Total Governmental Activities Capital Assets, Net of Depreciation/Amortization	<u>\$ 80,781,352</u>	<u>\$ 1,237,249</u>	<u>\$ 51,582</u>	<u>\$ 81,967,019</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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	\$ 278,524
Public safety	542,621
Public works, which includes the depreciation of infrastructure	2,162,380
Conservation and development	209,355
Education and recreation	<u>658,227</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 3,851,107</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	<u>126,261</u>	<u>-</u>	<u>55,803</u>	<u>70,458</u>
Total Capital Assets Not Being Depreciated	<u>435,209</u>	<u>-</u>	<u>55,803</u>	<u>379,406</u>
Capital Assets being depreciated				
Buildings and improvements	21,334,183	138,860	-	21,473,043
Improvements other than buildings	82,005,580	-	-	82,005,580
Machinery and equipment	<u>5,465,844</u>	<u>330,423</u>	<u>125,128</u>	<u>5,671,139</u>
Total Capital Assets Being Depreciated	<u>108,805,607</u>	<u>469,283</u>	<u>125,128</u>	<u>109,149,762</u>
Less: Accumulated Depreciation				
Buildings and improvements	(14,130,771)	(284,442)	-	(14,415,213)
Improvements other than buildings	(22,616,698)	(1,046,300)	-	(23,662,998)
Machinery and equipment	<u>(4,218,785)</u>	<u>(206,082)</u>	<u>125,128</u>	<u>(4,299,739)</u>
Total Accumulated Depreciation	<u>(40,966,254)</u>	<u>(1,536,824)</u>	<u>125,128</u>	<u>(42,377,950)</u>
Net Capital Assets				
Being Depreciated	<u>67,839,353</u>	<u>(1,067,541)</u>	<u>-</u>	<u>66,771,812</u>
Total Business Activities Capital Assets, Net of Depreciation	<u>\$ 68,274,562</u>	<u>\$ (1,067,541)</u>	<u>\$ 55,803</u>	<u>\$ 67,151,218</u>

Acquisition and construction of capital assets reflect a \$24,062 non-cash reduction in accounts payable retainage amounts over the prior year.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Sewer utility	\$	632,588
Water utility		<u>868,916</u>
Total Business-Type Activities Depreciation Expense		<u>\$ 1,501,504</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	\$ 441,825
General Fund	Nonmajor Governmental Funds	164,420
Special Revenue Fund - Tax Increment District	Nonmajor Governmental Funds	300,774
Debt Service Fund	Nonmajor Governmental Funds	100,000
Debt Service Fund	Debt Service Fund	169,187
Capital Budget Fund	Nonmajor Governmental Funds	1,075,073
Debt Service Fund	Special Revenue Fund - Tax Increment District Fund	1,079,461
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>3,526,648</u>
Subtotal - Fund Financial Statements		6,857,388
Less: Fund eliminations		<u>(6,415,563)</u>
Total Transfers - Government-Wide Statement of Activities		<u>\$ 441,825</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, 2021

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, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 36,759,217	\$ -	\$ 2,895,082	\$ 33,864,134	\$ 2,593,148
General obligation notes from direct borrowings and direct placements	1,324,020	-	134,106	1,189,914	138,779
Unamortized debt premium	927,327	-	97,548	829,780	-
Total Bonds and Notes Payable	<u>39,010,564</u>	<u>-</u>	<u>3,126,737</u>	<u>35,883,828</u>	<u>2,731,927</u>
Other Liabilities					
Accrued compensted absences - vacation and sick leave	2,337,883	-	397,303	1,940,580	100,000
Net OPEB Liability - LRLIF	520,895	141,781	-	662,676	-
Total Other Liabilities	<u>2,858,778</u>	<u>141,781</u>	<u>397,303</u>	<u>2,603,256</u>	<u>100,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 41,869,343</u>	<u>\$ 141,781</u>	<u>\$ 3,524,040</u>	<u>\$ 38,487,084</u>	<u>\$ 2,831,927</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 2,234,786	\$ -	\$ 241,916	\$ 1,992,870	\$ 280,849
Direct Debt - WI Safe Drinking Water Loan	249,469	-	24,891	224,578	25,554
Unamortized debt premium	55,058	-	6,634	48,424	-
Total Bonds and Notes Payable	<u>2,539,313</u>	<u>-</u>	<u>273,441</u>	<u>2,265,872</u>	<u>306,403</u>
Other Liabilities					
Net pension liability	-	-	-	-	-
Net OPEB Liability - LRLIF	106,767	46,502	56,356	96,913	-
Total Other Liabilities	<u>106,767</u>	<u>46,502</u>	<u>56,356</u>	<u>96,913</u>	<u>-</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 2,646,080</u>	<u>\$ 46,502</u>	<u>\$ 329,797</u>	<u>\$ 2,362,785</u>	<u>\$ 306,403</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, 2021, was \$184,786,775 million. Total general obligation debt outstanding at year end was \$37,046,916.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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 12/31/21
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	\$ 2,612,000
Refunding Debt	10/22/13	2.00-4.00	4/1/14-31	4/1 & 10/1	11,805,000	10,145,372
Promissory notes	10/22/13	2.00-3.125	4/1/14-23	4/1 & 10/1	885,000	351,762
Refunding Debt	11/26/13	1.00-3.00	4/1/14-22	4/1 & 10/1	9,550,000	200,000
Direct Borrowing Promissory notes	12/31/14	N/A	2/15/15-22	-	76,082	9,512
Direct Debt Promissory notes	7/31/19	3.75	3/15/20-29	3/15	1,444,690	1,180,402
General obligation debt	8/01/18	2.00-4.00	6/1/19-38	6/1 & 12/1	22,780,000	<u>20,555,000</u>
Total Governmental Activities - General Obligation Debt						<u>\$ 35,054,048</u>

	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/21
Business-type activities						
General obligation debt	10/22/13	2.00-4.00%	4/1/14-31	4/1 & 10/1	820,000	\$ 704,628
General obligation debt	10/22/13	2.00-3.125	4/1/14-23	4/1 & 10/1	440,000	223,240
General obligation debt	8/01/18	2.00-4.00	6/1/19-28	6/1 & 12/1	1,450,000	<u>1,065,000</u>
Total Business-Type Activities						<u>\$ 1,992,868</u>

Debt service requirements to maturity are as follows:

	Governmental Type Long-Term Debt		Direct Borrowing Long-Term Debt		Business Type Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,593,148	\$ 1,190,516	\$ 138,779	\$ 44,265	\$ 280,849	\$ 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	1,415,250	974,275	149,773	23,760	229,750	34,013
2027-2031	8,698,124	3,844,079	483,835	36,767	756,870	56,109
2032-2036	10,640,000	1,958,200	-	-	-	-
2037-2038	4,865,000	196,500	-	-	-	-
Totals	<u>\$ 33,864,134</u>	<u>\$ 11,408,603</u>	<u>\$ 1,189,914</u>	<u>\$ 207,866</u>	<u>\$ 1,992,868</u>	<u>\$ 308,997</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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 12/31/21
Business-type activities						
WI Safe Drinking Water Direct Loan	11/25/09	2.668%	5/1/10-29	5/1&11/1	\$ 453,974	\$ <u>224,578</u>
Total Business-Type Activities						\$ <u><u>224,578</u></u>

Debt service requirements to maturity are as follows:

	Business-type Activities Long-Term Debt	
	Principal	Interest
2022	\$ 25,554	\$ 5,651
2023	26,236	4,960
2024	26,936	4,251
2025	27,655	3,522
2026	28,393	2,775
2027-2029	89,804	3,637
	\$ 224,578	\$ 24,795

The City's outstanding revenue bonds from direct borrowings and/or direct placement related to business type activities of \$224,578 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.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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, 2021 includes the following:

Net investment in capital assets	
Land	\$ 5,721,603
Other capital assets, net of accumulated depreciation	73,055,433
Construction in progress	3,189,983
Less: related long-term debt outstanding	(35,054,048)
Less: unamortized debt premium	(829,780)
Plus: unspent capital related debt proceeds	321,561
Plus: non-capital debt proceeds	<u>849,427</u>
Total Net investment in capital assets	<u>47,254,179</u>
Restricted for:	
Tax Increment District purposes	56,856
Library	40,132
Big Muskego Lake - Bass Bay Protection and Rehabilitation District	191,381
Revolving loans	201,541
Landfill	1,433,731
Other debt service	134,416
Pension	<u>3,492,690</u>
Total Restricted Net Position	<u>5,550,747</u>
Unrestricted	<u>8,460,408</u>
Total Governmental Activities Net Position	<u>\$ 61,265,334</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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, 2021 include the following:

Nonspendable	
Major Fund	
General Fund	
Prepaid items	\$ 36,410
Total Nonspendable Fund Balance	\$ 36,410
Restricted	
Major Funds	
Debt Service Fund	\$ 349,501
Capital Budget Fund	248,459
Tax Increment District Funds	56,856
Total Major Funds	654,816
Nonmajor Fund	
Special Revenue Fund	
Landfill Fund	1,433,731
Revolving Loan Fund	201,541
Big Muskego Lake - Bass Bay Protection and Rehabilitation District	191,381
Federated Library System Fund	40,132
Total Nonmajor Funds	1,866,785
Total Restricted Fund Balance	\$ 2,521,601

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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	\$ 315,724
Refuse / Recycling Fund	1,006,145
Landfill Standing Committee Funds	124,248
Stormwater Management Fund	159,876
Well Testing Reserve Fund	709,793
Land Open Space Conservation Fund	479,435
Compensated Absences Fund	1,940,581
Capital Improvements Fund	<u>453,625</u>

Total Committed Fund Balance

\$ 5,189,427

Assigned

Nonmajor Fund

Capital Projects Fund

Capital Equipment Fund	<u>\$ 598,918</u>
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Unassigned

Major Fund

General Fund

\$ 7,841,809

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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, 2021 includes the following:

Business-type Activities

Net Investment in Capital Assets	
Land and easements	\$ 308,948
Other capital assets, net of accumulated depreciation	66,771,812
Construction in progress	70,458
Less: related long-term debt outstanding	(2,217,446)
Less: unamortized debt premium	<u>(48,424)</u>
Total Net Investment in Capital Assets	<u>64,885,348</u>
Restricted for:	
Depreciation and equipment replacement funds	1,436,608
Net Pension Asset	322,532
Water and sewer capacity assessment funds	<u>12,788,133</u>
Total Restricted Net Position	<u>14,547,273</u>
Unrestricted	<u>6,828,855</u>
Total Business-type Activities Net Position	<u>\$ 86,261,476</u>

City of Muskego

Notes to Financial Statements As of and for the Year Ended December 31, 2021

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, 2021

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 Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

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.

Vested participants may retire at age 55 (50 for protective occupation employees) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

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, 2021

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>
2011	(1.2)%	11.0%
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0

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 \$694,088 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2021:

	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

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

At December 31, 2020, the City reported an asset of \$3,815,222 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, the City of Muskego's proportion was 0.06111064%, which was an increase of 0.00083594% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the City recognized pension expense of (\$402,532).

At December 31, 2021, 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	\$ 5,521,797	\$ (1,189,385)
Changes in actuarial assumptions	86,536	-
Net differences between projected and actual earnings on pension plan investments	-	(7,162,768)
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,294	-
Employer contributions subsequent to the measurement date	721,447	-
Total	\$ 6,344,074	\$ (8,352,153)

\$721,447 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, 2022. 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)
2022	\$ (697,955)
2023	(186,616)
2024	(1,296,090)
2025	(548,865)

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability (Asset)	December 31, 2020
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.

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, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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	51 %	7.2 %	4.7 %
Fixed Income	25	3.2	0.8
Inflation Sensitive Assets	16	2.0	(0.4)
Real Estate	8	5.6	3.1
Private Equity/Debt	11	10.2	7.6
Multi-Asset	4	5.8	3.3
Total Core Fund	115 %	6.6 %	4.1 %
Variable Fund Asset Class:			
US Equities	70	6.6	4.1
International Equities	30	7.4	4.9
Total Variable Fund	100 %	7.1 %	4.6 %

New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.4%. 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 2.00% (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, 2020. 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, 2021

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 a single discount rate of 7.0 percent, as well as what the plan’s net pension liability (asset) would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	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)	\$ 3,631,562	\$ (3,815,222)	(\$ 9,284,829)

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.

The City has active construction projects as of December 31, 2021. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

NOTE V – OTHER INFORMATION (continued)

C. COMMITMENTS AND CONTINGENCIES (continued)

Environmental Protection Agency

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

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

At December 31, 2021, 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 Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

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, 2021

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 of December 31, 2021 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 employee contribution rates in effect for the plan year are as listed below:

Life Insurance Employee Contribution Rates For
the Plan Year Ended December 31, 2020

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

During the reporting period, the LRLIF recognized \$2,753 in contributions from the employer.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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, 2021 the City reported a liability of \$759,589 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, the City's proportion was 0.13808900%, which was a decrease of 0.009312% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the City recognized OPEB expense of \$91,594.

At December 31, 2021 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	\$ -	\$ 36,244
Changes in assumptions	295,490	52,118
Net differences between projected and actual earnings on OPEB plan investments	11,059	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,262	26,100
Employer contributions subsequent to the measurement date	2,766	-
Total	\$ 320,577	\$ 114,462

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

NOTE V – OTHER INFORMATION (continued)

D. OTHER POST-EMPLOYMENT BENEFITS (continued)

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

\$2,766 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, 2022. 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)
2022	\$ 39,487
2023	38,291
2024	37,059
2025	33,104
2026	39,778
Thereafter	15,630

Actuarial assumptions. The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2020
Measurement Date of Net OPEB Liability	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.12%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.25%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
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, 2020 actuarial valuation.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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, 2018**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
US Credit Bonds	Barclays Credit	50%	1.47%
US Mortgages	Barclays MBS	50%	0.82
Inflation			2.2
Long-Term Expected Rate of Return			4.25

Single Discount rate. A single discount rate of 2.25% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 2.87% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020. 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.

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.

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

NOTE V – OTHER INFORMATION (continued)

D. OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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 2.25 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 (1.25 percent) or one percentage point higher (3.25 percent) than the current rate:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
City’s proportionate share of the net OPEB liability	<u>\$1,033,258</u>	<u>\$759,589</u>	<u>\$552,621</u>

E. WATER AND SEWER UTILITY RATES

The Water Utility implemented current rates effective January 1, 2021 as a result of the Wisconsin Public Service Commission simplified rate case.

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 \$119,739.

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

2022	\$125,726
2023	132,012
2024	138,613
2025	145,543
2026	<u>152,820</u>
Total	<u>\$694,713</u>

City of Muskego

Notes to Financial Statements
As of and for the Year Ended December 31, 2021

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., 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 the 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 received 50% of the funds in 2021, with the remaining expected a year later. The funds are to cover costs incurred by December 31, 2024.

Future Refunding

On January 18, 2022, the City issued a General Obligation Refunding Bonds in the amount of \$10,335,000 for the public purpose of advance refunding a portion of the 2013 \$12,625,000 Bond issue.

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, 2021

<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	0.00061570	1,000,506	7,419,369	0.13	0.98
12/31/16	0.00060099	495,356	7,115,805	0.07	0.99
12/31/17	0.00059270	(1,759,782)	7,095,534	-0.25	1.03
12/31/18	0.00059378	2,112,467	7,473,478	0.28	0.96
12/31/19	0.00060275	(1,943,531)	7,706,785	-0.25	1.03
12/31/20	0.00061111	(3,815,222)	7,855,868	-0.49	1.05

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2021

<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	0.08
12/31/17	621,541	621,541	-	7,095,534	0.09
12/31/18	630,846	630,846	-	7,473,478	0.08
12/31/19	640,490	640,490	-	7,340,429	0.09
12/31/20	709,006	709,006	-	7,661,789	0.09
12/31/21	721,447	721,447	-	8,100,420	0.09

See accompanying notes to required supplementary information

City of Muskego

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
LRLIF
For the Year Ended December 31, 2021

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	0.00147190	379,800	7,304,000	5.20%	0.49
12/31/19	0.00147401	627,662	7,560,000	8.30%	0.38
12/31/20	0.00138089	759,589	7,490,000	10.14%	0.31

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LRLIF
For the Year Ended December 31, 2021

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	0.00
12/31/20	3,770	3,770	-	7,661,789	0.00
12/31/21	2,766	2,766	-	7,734,000	0.00

See accompanying notes to required supplementary information

City of Muskego

Notes to Required Supplementary Information
As of and for the Year Ended December 31, 2021

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, 2021

	Park Fund	Refuse/ Recycling Fund	Revolving Loan Fund	Landfill Standing Committee Fund	Stormwater Management Fund	Well Testing Reserve Fund	Land Open Space Conservation Fund
ASSETS							
Cash and cash equivalents	\$ 355,649	\$ 793,607	\$ 94,624	\$ 124,248	\$ 159,876	\$ 709,793	\$ 479,747
Accounts receivable - net	-	272,122	106,917	-	-	-	6,451
Loan receivables	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Taxes receivable	-	42,154	-	-	-	-	-
TOTAL ASSETS	<u>\$ 355,649</u>	<u>\$ 1,107,883</u>	<u>\$ 201,541</u>	<u>\$ 124,248</u>	<u>\$ 159,876</u>	<u>\$ 709,793</u>	<u>\$ 486,198</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 39,925	\$ 101,738	\$ -	\$ -	\$ -	\$ -	\$ 6,763
Unearned revenue	-	-	-	-	-	-	-
Total Liabilities	<u>39,925</u>	<u>101,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,763</u>
Fund Balances							
Restricted	-	-	201,541	-	-	-	-
Committed	315,724	1,006,145	-	124,248	159,876	709,793	479,435
Total Fund Balances	<u>315,724</u>	<u>1,006,145</u>	<u>201,541</u>	<u>124,248</u>	<u>159,876</u>	<u>709,793</u>	<u>479,435</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 355,649</u>	<u>\$ 1,107,883</u>	<u>\$ 201,541</u>	<u>\$ 124,248</u>	<u>\$ 159,876</u>	<u>\$ 709,793</u>	<u>\$ 486,198</u>

City of Muskego

Combining Balance Sheet
 Non-major Governmental Funds
 Special Revenue Funds
 As of December 31, 2021
 (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	ARPA Funds	Non-Major Special Revenue Fund Total
ASSETS								
Cash and cash equivalents	\$ 1,940,581	\$ -	\$ 300,241	\$ 40,132	\$ 158,536	\$ 1,008,967	\$ 1,315,003	\$ 7,481,004
Accounts receivable - net	-	-	-	-	-	428,383	-	813,873
Loan receivables	-	-	154,368	-	-	-	-	154,368
Due from other governments	-	-	-	-	32,845	-	-	32,845
Taxes receivable	-	-	-	-	-	-	-	42,154
TOTAL ASSETS	<u>\$ 1,940,581</u>	<u>\$ -</u>	<u>\$ 454,609</u>	<u>\$ 40,132</u>	<u>\$ 191,381</u>	<u>\$ 1,437,350</u>	<u>\$ 1,315,003</u>	<u>\$ 8,524,244</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,619	\$ -	\$ 152,045
Unearned revenue	-	-	984	-	-	-	1,315,003	1,315,987
Total Liabilities	<u>-</u>	<u>-</u>	<u>984</u>	<u>-</u>	<u>-</u>	<u>3,619</u>	<u>1,315,003</u>	<u>1,468,032</u>
Fund Balances								
Restricted	-	-	-	40,132	191,381	1,433,731	-	1,866,785
Committed	1,940,581	-	453,625	-	-	-	-	5,189,427
Total Fund Balances	<u>1,940,581</u>	<u>-</u>	<u>453,625</u>	<u>40,132</u>	<u>191,381</u>	<u>1,433,731</u>	<u>-</u>	<u>7,056,212</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,940,581</u>	<u>\$ -</u>	<u>\$ 454,609</u>	<u>\$ 40,132</u>	<u>\$ 191,381</u>	<u>\$ 1,437,350</u>	<u>\$ 1,315,003</u>	<u>\$ 8,524,244</u>

City of Muskego

Combining Balance Sheet
 Non-major Governmental Funds
 Capital Projects Funds
 As of December 31, 2021

	Capital Equipment Fund	Tax Increment District Capital Project Funds	Non-Major Capital Projects Fund Total
ASSETS			
Cash and cash equivalents	\$ 907,116	\$ -	\$ 907,116
Accounts receivable - net	5,296	-	5,296
TOTAL ASSETS	<u>\$ 912,412</u>	<u>\$ -</u>	<u>\$ 912,412</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 313,494	\$ -	\$ 313,494
TOTAL LIABILITIES	<u>313,494</u>	<u>-</u>	<u>313,494</u>
 Fund Balances			
Assigned	598,918	-	598,918
Total Fund Balances	<u>598,918</u>	<u>-</u>	<u>598,918</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 912,412</u>	<u>\$ -</u>	<u>\$ 912,412</u>

City of Muskego

Combining Balance Sheet
Non-major Governmental Funds
As of December 31, 2021

	Non-Major Special Revenue Fund Total	Non-Major Capital Projects Fund Total	Non-major Governmental Funds Total
ASSETS			
Cash and cash equivalents	\$ 7,481,004	\$ 907,116	\$ 8,388,120
Accounts receivable - net	813,873	5,296	819,169
Loan receivables	154,368	-	154,368
Due from other governments	32,845	-	32,845
Taxes receivable	42,154	-	42,154
TOTAL ASSETS	<u>\$ 8,524,244</u>	<u>\$ 912,412</u>	<u>\$ 9,436,656</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 152,045	\$ 313,494	\$ 465,539
Unearned revenues	1,315,987	-	1,315,987
Total Liabilities	<u>1,468,032</u>	<u>313,494</u>	<u>1,781,526</u>
Fund Balances			
Restricted	1,866,785	-	1,866,785
Committed	5,189,427	-	5,189,427
Assigned	-	598,918	598,918
Total Fund Balances	<u>7,056,212</u>	<u>598,918</u>	<u>7,655,130</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,524,244</u>	<u>\$ 912,412</u>	<u>\$ 9,436,656</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, 2021

	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							
Intergovernmental	\$ -	\$ 73,238	\$ -	\$ -	\$ -	\$ -	\$ 6,451
Licenses and permits	2	-	-	-	-	-	-
Public charges for services	401,717	1,032,710	-	10,000	-	-	242,800
Commercial revenue	33,637	95,818	3,220	13	125	426	271
Total Revenues	<u>435,356</u>	<u>1,201,766</u>	<u>3,220</u>	<u>10,013</u>	<u>125</u>	<u>426</u>	<u>249,522</u>
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	-
Public works	-	-	-	-	26,166	-	-
Health and sanitation	-	1,391,217	-	-	-	-	-
Conservation and development	-	-	-	2,600	-	-	26,021
Education and recreation	-	-	-	-	-	-	-
Capital Outlay	1,217,035	-	-	-	9,791	-	58,464
Total Expenditures	<u>1,217,035</u>	<u>1,391,217</u>	<u>-</u>	<u>2,600</u>	<u>35,957</u>	<u>-</u>	<u>84,485</u>
Excess (deficiency) of revenues over expenditures	<u>(781,679)</u>	<u>(189,451)</u>	<u>3,220</u>	<u>7,413</u>	<u>(35,832)</u>	<u>426</u>	<u>165,037</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	480,000	-	-	-	-	-	-
Transfers out	-	-	(400,000)	-	-	-	(100,000)
Total Other Financing Source (Uses)	<u>480,000</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net Change in Fund Balance	(301,679)	(189,451)	(396,780)	7,413	(35,832)	426	65,037
FUND BALANCES - Beginning 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>
FUND BALANCES - END OF YEAR	<u>\$ 315,724</u>	<u>\$ 1,006,145</u>	<u>\$ 201,541</u>	<u>\$ 124,248</u>	<u>\$ 159,876</u>	<u>\$ 709,793</u>	<u>\$ 479,435</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, 2021
 (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							
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,689
Licenses and permits	-	-	-	-	-	-	2
Public charges for services	-	-	-	-	31,981	1,112,084	2,831,292
Commercial revenue	1,333	-	3,317	3,168	49	1,208	142,585
Total Revenues	<u>1,333</u>	<u>-</u>	<u>3,317</u>	<u>3,168</u>	<u>32,030</u>	<u>1,113,292</u>	<u>3,053,568</u>
EXPENDITURES							
Current							
General government	234,215	-	-	-	26,238	-	260,453
Public Works	-	-	-	-	-	-	26,166
Health and sanitation	-	-	-	-	-	51,537	1,442,754
Conservation and development	-	-	-	-	-	-	28,621
Education and recreation	-	-	-	371	-	-	371
Capital Outlay	-	-	-	-	-	-	1,285,290
Total Expenditures	<u>234,215</u>	<u>-</u>	<u>-</u>	<u>371</u>	<u>26,238</u>	<u>51,537</u>	<u>3,043,655</u>
Excess (deficiency) of revenues over expenditures	<u>(232,882)</u>	<u>-</u>	<u>3,317</u>	<u>2,797</u>	<u>5,792</u>	<u>1,061,755</u>	<u>9,913</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	486,369	-	-	-	966,369
Transfers out	(164,420)	-	(725,000)	-	-	(2,990,352)	(4,379,772)
Total Other Financing Source (Uses)	<u>(164,420)</u>	<u>-</u>	<u>(238,631)</u>	<u>-</u>	<u>-</u>	<u>(2,990,352)</u>	<u>(3,413,403)</u>
Net Change in Fund Balance	(397,302)	-	(235,314)	2,797	5,792	(1,928,597)	(3,403,490)
FUND BALANCES - Beginning of Year	<u>2,337,883</u>	<u>-</u>	<u>688,939</u>	<u>37,335</u>	<u>185,589</u>	<u>3,362,328</u>	<u>10,459,702</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,940,581</u>	<u>\$ -</u>	<u>\$ 453,625</u>	<u>\$ 40,132</u>	<u>\$ 191,381</u>	<u>\$ 1,433,731</u>	<u>\$ 7,056,212</u>

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, 2021

	Capital Equipment Fund	Tax Increment District Capital Project Funds	Non-Major Capital Projects Fund Total
REVENUES			
Intergovernmental revenues	\$ 2,404	\$ -	\$ 2,404
Commercial revenue	5,296	-	5,296
Total Revenues	<u>7,700</u>	<u>-</u>	<u>7,700</u>
EXPENDITURES			
Capital Outlay			
General government	153,984	-	153,984
Public safety	432,171	-	432,171
Public works	1,953,010	-	1,953,010
Conservation and development	32,523	-	32,523
Education and recreation	220,099	-	220,099
Total Expenditures	<u>2,791,789</u>	<u>-</u>	<u>2,791,789</u>
Deficiency of revenues under expenditures	(2,784,089)	-	(2,784,089)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,560,279	-	2,560,279
Transfers out	-	(4,027)	(4,027)
Total Other Financing Sources (Uses)	<u>2,560,279</u>	<u>(4,027)</u>	<u>2,556,252</u>
Net Change in Fund Balance	(223,810)	(4,027)	(227,837)
FUND BALANCES - Beginning of Year	<u>822,728</u>	<u>4,027</u>	<u>826,755</u>
FUND BALANCES - END OF YEAR	<u>\$ 598,918</u>	<u>\$ -</u>	<u>\$ 598,918</u>

City of Muskego

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2021

	Non-Major Special Revenue Fund Total	Non-Major Capital Projects Fund Total	Non-major Governmental Funds Total
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	79,689	2,404	82,093
Licenses and permits	2	-	2
Public charges for services	2,831,292	-	2,831,292
Commercial revenue	142,585	5,296	147,881
Total Revenues	<u>3,053,568</u>	<u>7,700</u>	<u>3,061,268</u>
EXPENDITURES			
Current:			
General government	260,453	-	260,453
Public works	26,166	-	26,166
Health and sanitation	1,442,754	-	1,442,754
Conservation and development	28,621	-	28,621
Education and recreation	371	-	371
Capital Outlay	<u>1,285,290</u>	<u>2,791,789</u>	<u>4,077,079</u>
Total Expenditures	<u>3,043,655</u>	<u>2,791,789</u>	<u>5,835,444</u>
Deficiency of revenues under expenditures	<u>9,913</u>	<u>(2,784,089)</u>	<u>(2,774,176)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	966,369	2,560,279	3,526,648
Transfers out	<u>(4,379,772)</u>	<u>(4,027)</u>	<u>(4,383,799)</u>
Total Other Financing Source (Uses)	<u>(3,413,403)</u>	<u>2,556,252</u>	<u>(857,151)</u>
Net Change in Fund Balance	(3,403,490)	(227,837)	(3,631,327)
FUND BALANCES - Beginning of Year	<u>10,459,702</u>	<u>826,755</u>	<u>11,286,457</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,056,212</u>	<u>\$ 598,918</u>	<u>\$ 7,655,130</u>