

Presentation to the Committee of the Whole of the Village of Mukwonago

July 5, 2017

1. Objective of the audit was to express our opinion on your financial statements.
2. Reports issued
 - a. Financial statements
 - i. Unmodified opinion, commonly referred to as a “clean” opinion
 - ii. Highest level of assurance you can receive from your auditor.
 - b. Communication to Those Charged with Governance and Management
 - i. Included all communications required under professional standards
 - ii. Includes comments and recommendations resulting from our audit
 - iii. Includes Information applicable to future audits
3. Financial highlights
 - a. Governmental Funds

	<u>General Fund</u>	<u>Fire and Ambulance Fund</u>	<u>Debt Service Fund</u>	<u>Tax Incremental District No. 3</u>	<u>Community Development Fund</u>	<u>Nonmajor Governmental Funds</u>
Current year activity						
Revenues and other sources	\$ 4,458,193	\$ 1,366,287	\$ 2,782,042	\$ 832,504	\$ 230,184	\$ 4,761,343
Expenditures and other uses	(4,345,205)	(1,368,621)	(4,417,898)	(1,279,999)	(67,205)	(3,434,551)
Special item	-	-	1,698,142	-	-	-
Change in fund balances	<u>\$ 112,988</u>	<u>\$ (2,334)</u>	<u>\$ 62,286</u>	<u>\$ (447,495)</u>	<u>\$ 162,979</u>	<u>\$ 1,326,792</u>

	<u>General Fund</u>	<u>Fire and Ambulance Fund</u>	<u>Debt Service Fund</u>	<u>Tax Incremental District No. 3</u>	<u>Community Development Fund</u>	<u>Nonmajor Governmental Funds</u>
Fund Balance						
Nonspendable	\$ 105,384	\$ 6,192	\$ -	\$ 228	\$ -	\$ 5,669
Restricted	-	-	414,685	970,843	-	450,192
Committed	-	29,657	-	-	2,848,133	2,201,662
Assigned	870,684	-	-	-	-	-
Unassigned (deficit)	1,138,672	-	-	-	-	-
	<u>\$ 2,114,740</u>	<u>\$ 35,849</u>	<u>\$ 414,685</u>	<u>\$ 971,071</u>	<u>\$ 2,848,133</u>	<u>\$ 2,657,523</u>

b. Enterprise Funds

	<u>Water Utility</u>	<u>Sewer Utility</u>
Current year activity		
Revenues including transfers in and capital contributions	\$ 2,031,127	\$ 1,771,969
Expenses including transfers out (tax equivalent)	<u>(1,648,683)</u>	<u>(1,724,657)</u>
Change in net position	<u>\$ 382,444</u>	<u>\$ 47,312</u>
Cash flows		
Operating activities	\$ 1,387,975	\$ 995,883
Investing activities	10,080	13,651
Noncapital financing activities	(369,606)	1,807
Capital and related financing activities	<u>(660,936)</u>	<u>820,706</u>
Net change in cash and cash equivalents	<u>\$ 367,513</u>	<u>\$ 1,832,047</u>
Net Position		
Net investment in capital assets	\$ 13,137,231	\$ 6,958,079
Restricted	213,110	1,074,915
Unrestricted	<u>1,477,367</u>	<u>2,921,211</u>
	<u>\$ 14,827,708</u>	<u>\$ 10,954,205</u>

c. Budgetary compliance

Details of individual funds actual results to budget can be found in the Village's year-end budget to actual report. A summary of the general fund budget to actual results follows:

	Final Budget	Actual	Variance Favorable (unfavorable)
Revenues	\$ 4,003,415	\$ 4,064,849	\$ 61,434
Expenditures	<u>(4,290,081)</u>	<u>(4,345,205)</u>	<u>(55,124)</u>
Excess (deficiency)	(286,666)	(280,356)	6,310
Other financing sources	256,110	393,344	137,234
Net change in fund balance	<u>\$ (30,556)</u>	<u>\$ 112,988</u>	<u>\$ 143,544</u>

d. Long-term debt

Type of debt	Governmental Activities	Business-type Activites	Total
General obligation bonds and notes	\$ 27,294,791	\$ 245,821	\$ 27,540,612
Revenue bonds	-	10,122,461	10,122,461
Bond anticipation notes	-	2,280,000	2,280,000
Vested compensated absences	552,359	55,970	608,329
Net pension liability	378,028	53,698	431,726
Due to other governments	115,000	-	115,000
	\$ 28,340,178	\$ 12,757,950	\$ 41,098,128
Statutory debt limit (5% of equalized value)	\$ 40,108,165		
Capacity for additional general obligation debt	\$ 12,567,553		
Percentage of capacity to debt limit		31%	

4. Questions?

VILLAGE OF MUKWONAGO

Mukwonago, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2016

VILLAGE OF MUKWONAGO

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VILLAGE OF MUKWONAGO

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Mukwonago
Mukwonago, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mukwonago, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village of Mukwonago's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Village Board
Village of Mukwonago

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mukwonago, Wisconsin, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Village of Mukwonago
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

The Village of Mukwonago's management offers this overview and analysis of the Village's financial activities for the fiscal year ended December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with the information provided in the audited Financial Statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The information in this discussion and analysis is intended to serve as an introduction to the Village of Mukwonago's basic financial statements, which are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The Governmental Activities reported an ending net position of \$9,436,312 at the close of 2016, a decrease of \$686,947 in net position over the prior year.
- The Business-Type Activity reported \$25,781,913 for 2016, an increase of \$429,756 in net position over the prior year.
- The combined assets and deferred outflows of resources for the Governmental and Business-Type Activity of the Village of Mukwonago exceeded its liabilities and deferred inflows of resources at the close of 2016 by \$35,218,225 and its net position decreased by \$257,191 for the same period.
- The Governmental Funds reported ending fund balances of \$9,042,001 which is an increase of \$1,215,216 over 2016.
- \$1,138,672 (unassigned fund balance) of the Governmental Funds fund balances is available to spend at the Village Board's discretion. This is 13% of the total fund balances for Governmental Funds and 27% of the General Fund's 2016 budgeted expenditures.
- The Village issued \$3,100,000 in General Obligation Notes in 2016 to fund capital projects and capital equipment replacements for Public Works and the Police Department. The borrowing included a refunding of \$261,000 of outstanding notes that were callable in 2016.
- The Village issued \$5,445,000 in Revenue Bonds in 2016 to advance refund the \$3,125,000 balance of a 2007 revenue bond at a lower interest rate. \$1,698,142 from the 2016 borrowing replaced the Utilities' portion of General Obligation debt and was used to pay off the notes callable in 2016. This was shown as a transfer of responsibility was shown as a special item in the financial statements. The balance of the revenue bond proceeds, \$621,000, were used to finance Utility infrastructure projects.
- The Village issued \$2,280,000 in Bond Anticipation Notes to pay for Water and Sewer Utility capital projects, including a major water main replacement following multiple breaks.
- Through scheduled debt payments and refundings, the Village paid down \$4,881,621 in General Obligation debt and \$3,750,354 in Revenue Bonds in 2016. The net effect of all 2016 debt activity including premium amortization is an overall debt increase of \$2,588,156. The Village will pay down a total of \$2,799,743 in General Obligation debt and \$776,053 in Revenue Bonds in 2017.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

Village of Mukwonago
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (cont.)

The *statement of activities* presents information showing how the government'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 the future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the Village 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 Village include general government, public safety, public works, health and sanitation, culture, recreation, and education, and conservation and development. The business-type activities of the Village are the Water and Sewer Utilities, which are classified as proprietary funds.

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 Village, 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 Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains fourteen 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, Fire and Ambulance fund, Debt Service fund, Tax Incremental District No. 3 fund, and Community Development fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major government funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for all governmental funds and proprietary funds as required by state statute. A budgetary comparison statement has been provided as required supplementary information for the general fund and fire and ambulance fund to demonstrate compliance with the adopted budget. In addition, in the supplementary information the Village has provided a detailed budgetary comparison for the general fund.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Village maintains two proprietary funds. The proprietary fund financial statements provide separate information for the Water and Sewer Utility funds, which are considered to be major funds of the Village of Mukwonago.

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 statements because the resources of those funds are *not* available to support the Village's own programs. The Village maintains a Tax Escrow fund which is an agency fund. The accounting for fiduciary funds is much like that used for governmental funds.

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 29-69 of this report.

Village of Mukwonago
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (cont.)

Supplementary information. The combining statements referred to earlier in connection with non major governmental funds is presented immediately following the required supplementary information along with detailed schedules of revenues and expenditures for the general fund. Combining statements and schedules can be found on pages 74-81 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position is a useful indicator of a government's financial position. The Village's combined total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,218,255 at the close of the most current fiscal year, as presented in the following table.

VILLAGE OF MUKWONAGO NET POSITION
As of December 31, 2016 and 2015

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Current and other assets	\$ 18,143,079	\$ 17,574,775	\$ 6,991,130	\$ 4,919,217
Capital assets	27,269,624	28,258,258	31,663,934	31,031,920
Total assets	<u>45,412,703</u>	<u>45,833,033</u>	<u>38,655,064</u>	<u>35,951,137</u>
Deferred outflows of resources	<u>2,170,046</u>	<u>666,412</u>	<u>645,685</u>	<u>301,337</u>
Current and other liabilities	1,757,312	1,850,967	193,887	136,393
Long-term liabilities	28,856,591	28,293,157	13,211,923	10,763,924
Total liabilities	<u>30,613,903</u>	<u>30,144,124</u>	<u>13,405,810</u>	<u>10,900,317</u>
Deferred inflows of resources	<u>7,532,534</u>	<u>6,232,062</u>	<u>113,006</u>	<u>-</u>
Net position				
Net investment in capital assets	4,518,147	4,438,025	20,095,310	21,723,223
Restricted	1,218,295	3,271,205	1,288,025	1,191,569
Unrestricted	3,701,870	2,414,029	4,398,578	2,437,365
Total net position	<u>\$ 9,436,312</u>	<u>\$ 10,123,259</u>	<u>\$ 25,781,913</u>	<u>\$ 25,352,157</u>

Net position is comprised of three components:

- *Net investment in capital assets* reflects the Village's investment in capital assets (e.g. land, buildings, equipment and infrastructure) less any related debt used to acquire those assets. The Village uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's net investment of capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- *Restricted* represents resources that are subject to external restrictions on how they may be used.
- *Unrestricted* is the remaining amount available to spend at the Village Board's discretion.

Village of Mukwonago
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

Governmental and Business-Type Activities. Governmental activities decreased the Village's net position by \$686,947 whereas Business-Type activities increased the Village's net position by \$429,756. The net effect is an overall decrease in the Village's total net position of \$257,191.

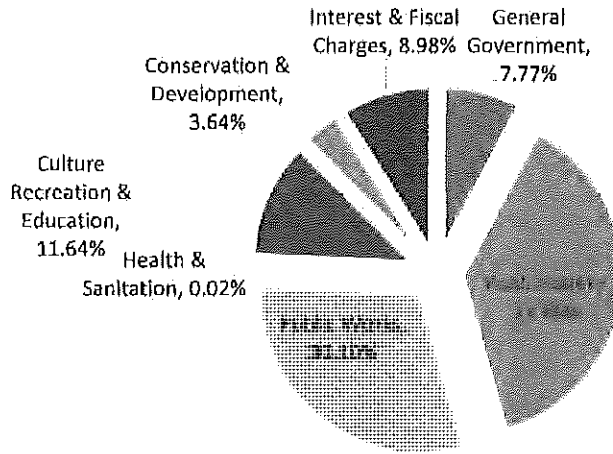
VILLAGE OF MUKWONAGO CHANGES IN NET POSITION
For the years ending December 31, 2016 and 2015

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Revenues				
Program revenues				
Charges for services	\$ 2,098,740	\$ 2,363,960	\$ 3,603,443	\$ 3,575,800
Operating grants and contributions	1,207,038	1,357,012	-	-
Capital grants and contributions	183,320	860,672	168,365	1,845,250
General revenues				
Property and other taxes	6,236,018	5,982,468	-	-
Intergovernmental revenues not restricted to specific programs	361,854	364,657	-	-
Investment income	99,937	93,170	21,288	20,319
Other	6,923	37,572	-	622
Total revenues	<u>10,193,830</u>	<u>11,059,511</u>	<u>3,793,096</u>	<u>5,441,991</u>
Expenses				
General government	873,502	837,670	-	-
Public safety	4,257,968	4,082,966	-	-
Public works	3,388,055	3,549,663	-	-
Health and sanitation	2,728	2,865	-	-
Culture, recreation and education	1,309,019	1,325,719	-	-
Conservation and development	409,280	698,227	-	-
Interest and fiscal charges	1,010,024	867,866	-	-
Water Utility	-	-	1,279,077	1,194,627
Sewer Utility	-	-	1,716,464	1,756,835
Total expenses	<u>11,248,576</u>	<u>11,364,976</u>	<u>2,995,541</u>	<u>2,951,462</u>
Transfers	367,799	602,802	(367,799)	(602,802)
Increase (decrease) in net position	(686,947)	297,337	429,756	1,887,727
Net position - January 1	10,123,259	9,825,922	25,352,157	23,464,430
Net position - December 31	<u>\$ 9,436,312</u>	<u>\$ 10,123,259</u>	<u>\$ 25,781,913</u>	<u>\$ 25,352,157</u>

Village of Mukwonago
 Management's Discussion and Analysis
 As of and for the Year Ended December 31, 2016
 (Unaudited)

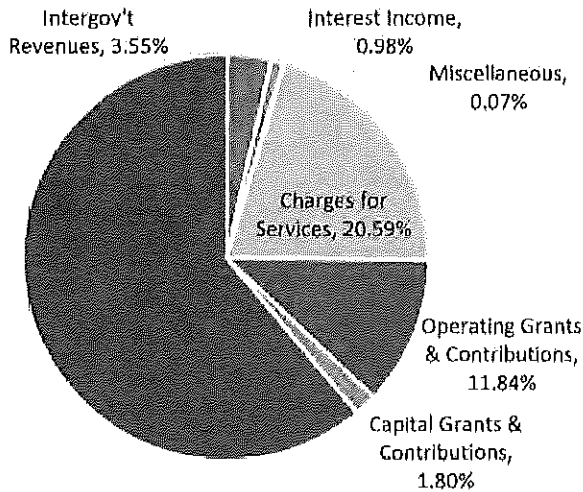
EXPENSES BY FUNCTION – GOVERNMENTAL ACTIVITIES

The graph below shows the percentage of the total governmental activities expenses allocated by each function type.



PROGRAM AND GENERAL REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

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



Business-type activities. Business-type activities increased the Village's net position by \$429,756. The operating income from business-type activities was \$1,194,582, with net non-operating expenses of \$565,392 and capital contributions and transfer activity of \$199,434. Operating revenue for the current fiscal year was \$3,587,348 with the operating expense of \$2,392,766.

Village of Mukwonago
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Village of Mukwonago uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government Funds. The focus of the Village of Mukwonago's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, 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.

The following chart shows each Governmental Fund's ending fund balance grouped by its fund balance categorization. For 2016 the percentage shown is of the total 2016 fund balance. There is also comparison to the prior year and an explanation of the change between the two years if significant. The fund balance categories shown in the chart are described as follows:

- Nonspendable – fund balances are not in a spendable form
 - Prepaid items – this exist for every operating fund at year end and represent the health insurance premium that is paid one month in advance
 - Advances to other funds – the General Fund advance to the Storm Water fund
- Restricted – Constraints are placed on the use of funds by external factors, constitutional provisions, or enabling legislation
 - Special assessments, impact fees, tax increments and grants
- Committed – Constraints are placed on the use of funds for specific purposes via formal action by the Village Board
 - Capital improvements and equipment funds; Fire Dept, Library & Recycling operating funds
- Assigned – Constraints are placed on the use of funds for specific purposes by the Village Board but can be reallocated by a Village Board designee
 - Accrued sick leave, Fire Dept capital and Village designated use funds
- Unassigned – funds are available for spending at the Village Board's discretion, net of negative fund balances

Village of Mukwonago
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (cont.)

Fund Balances as listed in the Balance Sheet for Governmental Funds	2016	% of Total	2015	Increase (Decrease) from Prior Year	% Change from Prior Year Increase (Decrease)	Explanation of Change
Nonspendable Fund Balances						
Stormwater	\$ 10,000		\$ 26,500	\$ (16,500)	-62.3%	Partial payback of General Fund advance to Stormwater
Various - Prepaid	107,473		128,581	(21,108)	-16.4%	Repayment of employee advance
	<u>\$ 117,473</u>	1%	<u>\$ 155,081</u>	<u>\$ (37,608)</u>	<u>-24.3%</u>	
Restricted Fund Balances						
Debt Service	\$ 414,685		\$ 352,399	\$ 62,286	17.7%	Collection of special assessments
TID #3	970,843		1,418,566	(447,723)	-31.6%	Use of reserves for debt payments Intentional cost savings to replenish reserves
Library	149,717		84,882	64,835	76.4%	
Revolving Loan	89,293		87,271	2,022	2.3%	Interest earnings
Stormwater	2,603		-	2,603	0.0%	Reclassification from 2015 unassigned
Impact Fees	208,579		184,087	24,492	13.3%	Development revenue
	<u>\$1,835,720</u>	20%	<u>\$ 2,127,205</u>	<u>\$ (291,485)</u>	<u>-13.7%</u>	
Committed Fund Balances						
Fire Dept	\$ 29,657		\$ 32,594	\$ (2,937)	-9.0%	Use of reserves for equipment purchase
Recycling	76,515		63,373	13,142	20.7%	
Parkland Site	223,898		165,716	58,182	35.1%	Development revenue
Capital Projects	1,718,116		565,108	1,153,008	204.0%	Debt proceeds for anticipated projects
Community Development	2,848,133		2,685,154	162,979	6.1%	Debt proceeds for anticipated projects
Library Building	13,393		21,203	(7,810)	-36.8%	Transfer of reserves to Library Fund
Capital Equipment	169,740		168,661	1,079	0.6%	
	<u>\$5,079,452</u>	56%	<u>\$ 3,701,809</u>	<u>\$ 1,377,643</u>	<u>37.2%</u>	
Assigned Fund Balances						
GF - Accrued Sick Leave	\$ 175,784		\$ 208,489	\$ (32,705)	-15.7%	Use of reserves for retiree payout
GF - Ambulance Capital	219,529		218,641	888	0.4%	Interest earnings
GF - Village Designated Use	475,371		346,139	129,232	37.3%	Prohealth donation
	<u>\$ 870,684</u>	10%	<u>\$ 773,269</u>	<u>\$ 97,415</u>	<u>12.6%</u>	
Unassigned Fund Balances						
General Fund	\$1,138,672		\$ 1,085,828	\$ 52,844	4.9%	Revenues exceeded expenditures in 2016 resulting in reclassification to restricted fund balance
Stormwater	-		(16,407)	16,407	-100.0%	
	<u>\$1,138,672</u>	13%	<u>\$ 1,069,421</u>	<u>\$ 69,251</u>	<u>6.5%</u>	
Total Governmental Funds Fund Balance	<u>\$9,042,001</u>	100%	<u>\$ 7,826,785</u>	<u>\$ 1,215,216</u>	15.5%	

General Fund budgetary highlights. The total appropriations, including those for transfers out, were \$4,422,633. Actual expenditures and transfers out were \$4,345,205, resulting in a \$77,428 favorable variance. Total revenues and other financing sources were \$4,458,193, \$66,116 more than the final budget. Details can be found in the required supplemental information at the back of this report.

Village of Mukwonago
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

Proprietary funds. The Village of Mukwonago's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

User charge rates for the Water Utility and Sewer Utility funds were implemented in November 2010 and January 2013, respectively. The Village intends to conduct water and sewer rate studies in 2016 to determine whether an increase in rates is necessary in the future.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Village of Mukwonago's investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to \$58,933,558 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, roads, storm sewers, library collection, and software.

VILLAGE OF MUKWONAGO'S CAPITAL ASSETS
(net of accumulated depreciation)
December 31, 2016 and 2015

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Land	\$ 1,909,628	\$ 1,909,628	\$ 572,364	\$ 572,364
Construction in progress	60,896	84,346	-	181,971
Land improvements	868,968	910,398	-	-
Buildings and improvements	8,689,303	8,872,521	30,166,978	29,483,730
Machinery and equipment	2,471,748	2,524,179	924,592	793,855
Roads	10,346,685	10,954,540	-	-
Storm sewers	2,454,909	2,510,634	-	-
Library collection	409,583	418,826	-	-
Software	57,904	73,186	-	-
Total	<u>\$ 27,269,624</u>	<u>\$ 28,258,258</u>	<u>\$ 31,663,934</u>	<u>\$ 31,031,920</u>

Additional information on the Village's capital assets can be found in Note III.D.

Long-term obligations. At the end of the current fiscal year, the Village had total debt outstanding of \$42,068,514. Of this amount, \$27,540,612 comprises debt backed by the full faith and credit of the government, with related premiums balance of \$516,413. There is \$10,122,461 of revenue bonds outstanding and \$2,280,000 in Bond Anticipation Notes that are financed by user fees, with related premiums balance of \$453,973. The remainder of the Village's obligations represents accumulated sick pay benefits, net pension liabilities and amounts due to other governments.

Village of Mukwonago
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION (cont.)

VILLAGE OF MUKWONAGO'S LONG TERM OBLIGATIONS

December 31, 2016 and 2015

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
General obligation debt	\$ 27,294,791	\$ 27,136,983	\$ 245,821	\$ 2,185,250
Premiums	516,413	476,383	453,973	98,872
Compensated absences	552,359	564,791	55,970	51,987
Net Pension Liability (asset)	378,028	(579,373)	53,698	(77,285)
Due to other governments	115,000	115,000	-	-
Revenue bonds	-	-	10,122,461	8,427,815
Bond Anticipation Notes	-	-	2,280,000	-
Total	\$ 28,856,591	\$ 27,713,784	\$ 13,211,923	\$ 10,686,639

The net effect of all debt activity during the current year was total debt increased by \$3,011,433.

State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total equalized valuation of taxable property within the Village's jurisdiction. The current debt limitation for the Village is \$40,108,165. Total general obligation debt outstanding at year end was \$27,540,612.

Additional information on the Village of Mukwonago's long-term debt can be found in Note III.F.

ECONOMIC FACTORS AND OTHER BUDGET NOTES

The Village uses a biennial budget process to balance operating budgets without using reserve funds. Departments are charged with keeping expenditures in line with the conservative revenues forecasted for the two year period and have been largely successful in staying within budget. Some departments were able to realize savings to use towards planned capital purchases, reducing the need to find other funding sources. In addition, the Village utilizes a five year capital plan to ensure equipment replacement and capital improvement projects remain on track for future funding consideration.

In the process of issuing debt in 2016, Standard & Poor's financial rating service evaluated the Village's financial information and assigned the following ratings for both the new debt as well as affirming the ratings for existing obligations:

- AA/Stable for the \$3.1 million General Obligation Promissory Note
- AA-/Stable for the \$5.445 million Water & Sewer Revenue Bonds
- A+/Stable for the \$2.28 million Water & Sewer Revenue Bond Anticipation Notes

Factors that contributed to the ratings include:

- Very strong budgetary flexibility with available fund balances in fiscal 2015 of 44% of operating revenues.
- Very strong liquidity, with total government available cash at 76% of total governmental fund expenditures and 2.8x governmental debt service.
- Strong budgetary performance with a \$204,735 surplus in the General Fund for 2015 and \$112,988 surplus in 2016.
- Financial practices and policies including:
 - Adopted policies related to fund balance and debt
 - Monthly reporting of budget-to-actual results and treasury balances to the Village board
 - A multi-year capital plan
- Equalized value in the Village increased by 3.6% in fiscal 2015 to \$745 million indicating a strong local economy

Village of Mukwonago
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

ECONOMIC FACTORS AND OTHER BUDGET NOTES (cont.)

Residential properties represent 68% of the tax base, commercial properties are 26%, manufacturing properties are 4% and agriculture, undeveloped and personal property tax combined are the final 2%. As part of its strategic plan, the Village is actively seeking business growth to better balance the residential tax revenues.

The Village is actively pursuing economic development initiatives and is in negotiations with a developer on the Village-owned property purchased on STH83 and is working to market and develop the former Lynch Property on Main St. The Village is considering the potential for a new industrial park near I-43 that could lead to significant commercial development. Lastly, Premier Woods is a multi-phased residential development currently being constructed.

2016 saw major updates to the Village's comprehensive plan in terms of land use policy to shape future development while keeping Mukwonago's small town feel which is important to its residents.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Mukwonago's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to: Diana Doherty, Finance Director, Village of Mukwonago, 440 River Crest Court, P.O. Box 206, Mukwonago, WI 53149.

BASIC FINANCIAL STATEMENTS

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VILLAGE OF MUKWONAGO

STATEMENT OF NET POSITION
As of December 31, 2016

	Governmental Activities	Business - type Activities	Totals
ASSETS			
Cash and Investments	\$ 8,481,704	\$ 3,633,166	\$ 12,114,870
Receivables:			
Taxes	6,936,435	18,999	6,955,434
Accounts, net of allowance	347,570	819,371	1,166,941
Special assessments	536,405	13,289	549,694
Due from other governmental units	9,911	-	9,911
Internal balances	23,518	(23,518)	-
Inventories and prepaid items	107,473	24,163	131,636
Land held for resale	1,700,063	-	1,700,063
Restricted Assets:			
Cash and Investments	-	2,505,660	2,505,660
Capital Assets:			
Land	1,909,628	572,364	2,481,992
Construction in progress	60,896	-	60,896
Other capital assets, net of depreciation	25,299,100	31,091,570	56,390,670
Total Assets	45,412,703	38,655,064	84,067,767
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	345,306	345,306
Deferred outflows related to pensions	2,170,046	300,359	2,470,405
Total Deferred Outflows of Resources	2,170,046	645,665	2,815,711
LIABILITIES			
Accounts payable and accrued liabilities	1,757,312	166,887	1,924,199
Deposits	-	27,000	27,000
Noncurrent Liabilities:			
Due within one year	2,770,457	906,687	3,677,144
Due in more than one year	26,086,134	12,305,236	38,391,370
Total Liabilities	30,613,903	13,405,810	44,019,713
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	795,554	113,006	908,560
Unearned revenue	6,736,980	-	6,736,980
Total Deferred Inflows of Resources	7,532,534	113,006	7,645,540
NET POSITION			
Net investment in capital assets	4,516,147	20,095,310	23,817,177
Restricted for			
Debt service	762,793	50,944	813,737
Library	154,891	-	154,891
Revolving loan	89,293	-	89,293
Stormwater	2,739	-	2,739
Impact fees	208,579	542,407	750,986
Equipment replacement	-	694,674	694,674
Unrestricted	3,701,870	4,398,578	8,894,728
TOTAL NET POSITION	\$ 9,436,312	\$ 25,781,913	\$ 35,218,225

See accompanying notes to the financial statements.

VILLAGE OF MUKWONAGO

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General government	\$ 873,502	\$ 166,155	\$ 132,883	\$ -
Public safety	4,257,968	1,447,376	62,889	32,584
Public works	3,386,055	429,785	485,549	-
Health and sanitation	2,728	-	-	-
Culture, recreation and education	1,309,019	54,554	525,717	150,736
Conservation and development	409,280	870	-	-
Interest and fiscal charges	1,010,024	-	-	-
Total Governmental Activities	11,248,576	2,098,740	1,207,038	183,320
Business-type Activities				
Water Utility	1,279,077	1,919,974	-	103,223
Sewer Utility	1,716,464	1,683,469	-	65,142
Total Business-type Activities	2,995,541	3,603,443	-	168,365
Total	\$ 14,244,117	\$ 5,702,183	\$ 1,207,038	\$ 351,685

General revenues

Taxes

Property taxes levied for general purposes

Property taxes levied for debt service

Property taxes levied for TIF

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total general revenues

Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

Net (Expenses) Revenues and
Changes in Net Position

<u>Governmental Activities</u>	<u>Business - type Activities</u>	<u>Totals</u>
\$ (574,464)	\$ -	\$ (574,464)
(2,715,119)	-	(2,715,119)
(2,470,721)	-	(2,470,721)
(2,728)	-	(2,728)
(578,012)	-	(578,012)
(408,410)	-	(408,410)
(1,010,024)	-	(1,010,024)
<u>(7,759,478)</u>	<u>-</u>	<u>(7,759,478)</u>
-	744,120	744,120
-	32,147	32,147
-	776,267	776,267
<u>(7,759,478)</u>	<u>776,267</u>	<u>(6,983,211)</u>
3,389,708	-	3,389,708
2,099,929	-	2,099,929
738,025	-	738,025
8,356	-	8,356
361,854	-	361,854
99,937	21,288	121,225
6,923	-	6,923
<u>6,704,732</u>	<u>21,288</u>	<u>6,726,020</u>
<u>367,799</u>	<u>(367,799)</u>	<u>-</u>
(686,947)	429,756	(257,191)
<u>10,123,259</u>	<u>25,352,157</u>	<u>35,475,416</u>
<u>\$ 9,436,312</u>	<u>\$ 25,781,913</u>	<u>\$ 35,218,225</u>

See accompanying notes to the financial statements.

VILLAGE OF MUKWONAGO

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	General Fund	Fire and Ambulance Fund
ASSETS		
Cash and Investments	\$ 2,113,798	\$ 231,733
Receivables:		
Taxes	2,511,098	210,000
Accounts, net of allowance	153,496	146,192
Special assessments	-	-
Due from other governments	-	9,911
Due from other funds	44,111	3,494
Advance to other fund	10,000	-
Prepaid items	95,384	6,192
Land held for resale	-	-
TOTAL ASSETS	\$ 4,927,887	\$ 607,522
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 164,664	\$ 36,130
Accrued liabilities	91,567	33,605
Due to other funds	3,647	114,534
Due to other governments	42,976	33,727
Advances from other fund	-	-
Total Liabilities	<u>302,854</u>	<u>217,996</u>
Deferred Inflows of Resources		
Unavailable revenue	-	143,677
Unearned revenue	2,510,293	210,000
Total Deferred Inflows of Resources	<u>2,510,293</u>	<u>353,677</u>
Fund Balances		
Nonspendable	105,384	6,192
Restricted	-	-
Committed	-	29,657
Assigned	870,684	-
Unassigned	1,138,672	-
Total Fund Balances	<u>2,114,740</u>	<u>35,849</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,927,887	\$ 607,522

See accompanying notes to the financial statements.

Debt Service Fund	Tax Incremental District No. 3 Fund	Community Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 415,506	\$ 976,209	\$ 1,165,274	\$ 3,579,184	\$ 8,481,704
2,325,636	1,059,399	-	830,302	6,936,435
-	-	-	47,882	347,570
536,405	-	-	-	536,405
-	-	-	-	9,911
-	-	-	94,916	142,521
-	-	-	-	10,000
-	228	-	5,669	107,473
-	-	1,700,063	-	1,700,063
<u>\$ 3,277,547</u>	<u>\$ 2,035,836</u>	<u>\$ 2,865,337</u>	<u>\$ 4,557,953</u>	<u>\$ 18,272,082</u>
\$ -	\$ 4,401	\$ 17,204	\$ 916,924	\$ 1,139,323
-	965	-	28,345	154,482
822	-	-	-	119,003
-	-	-	115,000	191,703
-	-	-	10,000	10,000
<u>822</u>	<u>5,366</u>	<u>17,204</u>	<u>1,070,269</u>	<u>1,614,511</u>
734,913	-	-	-	878,590
2,127,127	1,059,399	-	830,161	6,736,980
<u>2,862,040</u>	<u>1,059,399</u>	<u>-</u>	<u>830,161</u>	<u>7,615,570</u>
-	228	-	5,669	117,473
414,685	970,843	-	450,192	1,835,720
-	-	2,848,133	2,201,662	5,079,452
-	-	-	-	870,684
-	-	-	-	1,138,672
<u>414,685</u>	<u>971,071</u>	<u>2,848,133</u>	<u>2,657,523</u>	<u>9,042,001</u>
<u>\$ 3,277,547</u>	<u>\$ 2,035,836</u>	<u>\$ 2,865,337</u>	<u>\$ 4,557,953</u>	<u>\$ 18,272,082</u>

See accompanying notes to the financial statements.

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VILLAGE OF MUKWONAGO

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2016

Total Fund Balances - Governmental Funds	\$ 9,042,001
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Amounts reported for governmental activities in the statement of net position are different because different because:

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

Land	1,909,628
Construction in progress	60,896
Other capital assets	39,355,611
Less: Accumulated depreciation/amortization	(14,056,511)

Deferred outflows of resources related to pensions do not related to current financial resources and are not reported in the governmental funds.	2,170,046
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Deferred inflows of resources related to pensions do not related to current financial resources and are not reported in the governmental funds.	(795,554)
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Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements	878,590
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Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds and notes payable	(27,811,204)
Compensated absences	(552,359)
Net pension liability	(378,028)
Accrued interest	(386,804)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 9,436,312</u>
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VILLAGE OF MUKWONAGO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General Fund	Fire and Ambulance Fund
REVENUES		
Taxes	\$ 2,353,551	\$ 210,000
Special assessments	-	-
Intergovernmental	826,059	15,165
Licenses and permits	392,342	-
Fines, forfeitures and penalties	164,347	-
Public charges for services	29,845	927,020
Intergovernmental charges for services	129,302	210,000
Investment income	12,302	458
Other revenues	157,101	3,644
Total Revenues	4,064,849	1,366,287
EXPENDITURES		
Current		
General government	727,666	-
Public safety	2,405,364	1,323,245
Public works	794,595	-
Health and human services	2,728	-
Culture, recreation and education	163,793	-
Conservation and development	225,484	-
Capital Outlay	25,575	15,103
Debt Service		
Principal	-	-
Interest and fees	-	-
Total Expenditures	4,345,205	1,338,348
Excess (deficiency) of revenues over expenditures	(280,356)	27,939
OTHER FINANCING SOURCES (USES)		
Transfers in	367,799	-
Transfers out	-	(30,273)
Debt Issued	-	-
Premium on debt issued	-	-
Insurance recoveries	-	-
Proceeds from sale of capital assets	25,545	-
Total Other Financing Sources (Uses)	393,344	(30,273)
SPECIAL ITEM		
Debt assumed from utilities	-	-
Net Change in Fund Balances	112,988	(2,334)
FUND BALANCES - Beginning of Year	2,001,752	38,183
FUND BALANCES - END OF YEAR	\$ 2,114,740	\$ 35,849

See accompanying notes to the financial statements.

Debt Service Fund	Tax Incremental District No. 3 Fund	Community Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,099,929	\$ 738,025	\$ -	\$ 842,661	\$ 6,244,166
242,044	-	-	-	242,044
-	4,795	-	501,040	1,347,059
-	-	-	183,320	575,662
-	-	-	-	164,347
-	-	-	225,736	1,182,601
-	-	-	-	339,302
58,435	3,284	4,742	15,540	94,761
-	86,400	-	48,315	295,460
<u>2,400,408</u>	<u>832,504</u>	<u>4,742</u>	<u>1,816,612</u>	<u>10,485,402</u>
-	56,311	1,782	-	785,759
-	-	-	-	3,728,609
-	17,946	20,855	482,699	1,316,095
-	-	-	-	2,728
-	-	-	840,177	1,003,970
-	141,040	38,873	-	405,397
-	4,000	-	1,925,632	1,970,310
3,835,400	804,935	-	-	4,640,335
582,498	255,767	5,695	68,043	912,003
<u>4,417,898</u>	<u>1,279,999</u>	<u>67,205</u>	<u>3,316,551</u>	<u>14,765,206</u>
<u>(2,017,490)</u>	<u>(447,495)</u>	<u>(62,463)</u>	<u>(1,499,939)</u>	<u>(4,279,804)</u>
110,000	-	-	38,273	516,072
-	-	-	(118,000)	(148,273)
263,927	-	219,046	2,617,027	3,100,000
7,707	-	6,396	76,416	90,519
-	-	-	199,840	199,840
-	-	-	13,175	38,720
<u>381,634</u>	<u>-</u>	<u>225,442</u>	<u>2,826,731</u>	<u>3,796,878</u>
<u>1,698,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,698,142</u>
62,286	(447,495)	162,979	1,326,792	1,215,216
<u>352,399</u>	<u>1,418,566</u>	<u>2,685,154</u>	<u>1,330,731</u>	<u>7,826,785</u>
<u>\$ 414,685</u>	<u>\$ 971,071</u>	<u>\$ 2,848,133</u>	<u>\$ 2,657,523</u>	<u>\$ 9,042,001</u>

See accompanying notes to the financial statements.

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VILLAGE OF MUKWONAGO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$ 1,215,216
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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 is reported as an expenditure in the fund financial statements, but is capitalized in the government-wide statements	1,970,310
Some items reported as outlay were not capitalized	(1,403,472)
Contributed capital assets	29,736
Depreciation is reported in the government-wide statements	(1,415,943)
Net book value of assets retired	(169,265)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

Special assessments	(243,892)
Developer receivable	(86,400)

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

Debt issued	(3,100,000)
Debt assumed from utilities	(1,698,142)
Principal refunded	1,960,000
Principal repaid	2,680,335

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	12,431
Accrued interest on debt	(148,510)
Net pension liability	(957,401)
Deferred inflows/outflows of resources related to pensions	708,080

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

Premium on new debt	(90,519)
Amortization of debt premiums	50,489

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (686,947)
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See accompanying notes to the financial statements.

VILLAGE OF MUKWONAGO

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2016

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 1,146,335	\$ 2,486,831	\$ 3,633,166
Receivables:			
Accounts	431,245	388,126	819,371
Taxes	13,594	5,405	18,999
Due from other funds	591	383	974
Inventories	19,391	-	19,391
Prepaid items	2,020	2,752	4,772
Restricted Assets:			
Cash and investments	37,029	43,226	80,255
Total Current Assets	1,650,205	2,926,723	4,576,928
Noncurrent Assets			
Restricted Assets:			
Cash and investments	626,015	1,799,390	2,425,405
Other Assets:			
Special assessments receivable	2,702	10,587	13,289
Capital Assets:			
Land	556,467	15,897	572,364
Other capital assets, net of depreciation	17,550,343	13,541,227	31,091,570
Total Noncurrent Assets	18,735,527	15,367,101	34,102,628
Total Assets	20,385,732	18,293,824	38,679,556
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	27,584	317,722	345,306
Deferred outflows related to pensions	141,945	158,414	300,359
Total Deferred Outflows of Resources	169,529	476,136	645,665

See accompanying notes to the financial statements.

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 96,671	\$ 19,088	\$ 115,759
Accrued liabilities	7,626	6,665	14,291
Accrued interest payable	4,821	2,705	7,526
Deposits	27,000	-	27,000
Due to other funds	16,273	8,219	24,492
Current portion of long-term debt	208,309	63,000	271,309
Current portion of compensated absences	8,639	686	9,325
Liabilities Payable From Restricted Assets:			
Accrued interest payable	11,700	17,611	29,311
Current portion of revenue bonds	<u>312,288</u>	<u>313,765</u>	<u>626,053</u>
Total Current Liabilities	<u>693,327</u>	<u>431,739</u>	<u>1,125,066</u>
Noncurrent Liabilities			
Long-Term Debt:			
Net pension liability	24,549	29,149	53,698
Bonds and notes payable	4,914,800	7,290,093	12,204,893
Compensated absences	<u>43,214</u>	<u>3,431</u>	<u>46,645</u>
Total Noncurrent Liabilities	<u>4,982,563</u>	<u>7,322,673</u>	<u>12,305,236</u>
Total Liabilities	<u>5,675,890</u>	<u>7,754,412</u>	<u>13,430,302</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows related to pensions	<u>51,663</u>	<u>61,343</u>	<u>113,006</u>
NET POSITION			
Net investment in capital assets	13,137,231	6,958,079	20,095,310
Restricted for			
Equipment replacement	-	694,674	694,674
Impact fees	187,781	354,626	542,407
Debt service	25,329	25,615	50,944
Unrestricted	<u>1,477,367</u>	<u>2,921,211</u>	<u>4,398,578</u>
TOTAL NET POSITION	<u>\$ 14,827,708</u>	<u>\$ 10,954,205</u>	<u>\$ 25,781,913</u>

See accompanying notes to the financial statements.

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VILLAGE OF MUKWONAGO

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

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Totals
OPERATING REVENUES	\$ 1,918,614	\$ 1,668,734	\$ 3,587,348
OPERATING EXPENSES			
Operation and maintenance	603,884	665,222	1,269,106
Depreciation	420,997	670,767	1,091,764
Taxes	18,401	13,495	31,896
Total Operating Expenses	1,043,282	1,349,484	2,392,766
Operating Income	875,332	319,250	1,194,582
NONOPERATING REVENUES (EXPENSES)			
Investment income	7,930	13,358	21,288
Miscellaneous income	1,360	14,735	16,095
Interest and fiscal charges	(235,795)	(366,980)	(602,775)
Total Nonoperating Revenues (Expense)	(226,505)	(338,887)	(565,392)
Income (Loss) Before Capital Contributions and Transfers	648,827	(19,637)	629,190
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	103,223	65,142	168,365
Transfers in	-	10,000	10,000
Transfers out	(369,606)	(8,193)	(377,799)
Total Capital Contributions and Transfers	(266,383)	66,949	(199,434)
Change in Net Position	382,444	47,312	429,756
NET POSITION - Beginning of Year	14,445,264	10,906,893	25,352,157
NET POSITION - END OF YEAR	\$ 14,827,708	\$ 10,954,205	\$ 25,781,913

See accompanying notes to the financial statements.

VILLAGE OF MUKWONAGO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,965,351	\$ 1,648,265	\$ 3,613,616
Paid to suppliers for goods and services	(362,153)	(477,795)	(839,948)
Paid to employees for services	(215,223)	(174,587)	(389,810)
Net Cash Flows From Operating Activities	<u>1,387,975</u>	<u>995,883</u>	<u>2,383,858</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>10,080</u>	<u>13,651</u>	<u>23,731</u>
Net Cash Flows From Investing Activities	<u>10,080</u>	<u>13,651</u>	<u>23,731</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Paid to municipality for tax equivalent	(359,606)	(8,193)	(367,799)
Transfers in (out)	(10,000)	10,000	-
Net Cash Flows From Noncapital Financing Activities	<u>(369,606)</u>	<u>1,807</u>	<u>(367,799)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(1,154,526)	(1,410,260)	(2,564,786)
Payments to escrow during refunding	(68,137)	(132,562)	(200,699)
Interest and fees paid	(165,150)	(232,647)	(397,797)
Debt issued	2,068,750	2,408,982	4,477,732
Premium on debt issued	113,141	220,116	333,257
Special assessments received	28,602	6,969	35,571
Acquisition and construction of capital assets	(1,586,839)	(105,034)	(1,691,873)
Connection fees received	103,223	65,142	168,365
Net Cash Flows From Capital and Related Financing Activities	<u>(660,936)</u>	<u>820,706</u>	<u>159,770</u>
Net Change in Cash and Cash Investments	367,513	1,832,047	2,199,560
CASH AND CASH INVESTMENTS - Beginning of Year	<u>1,441,866</u>	<u>2,497,400</u>	<u>3,939,266</u>
CASH AND CASH INVESTMENTS - END OF YEAR	<u>\$ 1,809,379</u>	<u>\$ 4,329,447</u>	<u>\$ 6,138,826</u>

See accompanying notes to the financial statements.

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME			
TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 875,332	\$ 319,250	\$ 1,194,582
Miscellaneous nonoperating activities	1,360	14,735	16,095
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities			
Depreciation	420,997	670,767	1,091,764
Depreciation charged to other funds	28,488	(28,488)	-
Changes in assets and liabilities:			
Accounts receivable	(2,906)	(6,333)	(9,239)
Materials and supplies	(454)	-	(454)
Prepaid items	(288)	(510)	(798)
Due from municipality	3,355	(383)	2,972
Accounts payable	13,910	(1,786)	12,124
Due to municipality	13,916	5,958	19,874
Accrued liabilities	2,026	1,956	3,982
Other current liabilities	613	852	1,465
Pension related deferrals and liabilities	15,186	19,865	35,051
Customer deposits	16,440	-	16,440
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,387,975</u>	<u>\$ 995,883</u>	<u>\$ 2,383,858</u>
RECONCILIATION OF CASH AND CASH			
EQUIVALENTS TO THE STATEMENT OF			
NET POSITION - PROPRIETARY FUNDS			
Cash and investments - statement of net position	\$ 1,146,335	\$ 2,486,831	\$ 3,633,166
Restricted cash and investments - statement of net position	663,044	1,842,616	2,505,660
CASH AND CASH EQUIVALENTS	<u>\$ 1,809,379</u>	<u>\$ 4,329,447</u>	<u>\$ 6,138,826</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Amortization of debt premium	\$ 18,641	\$ 26,942	
Amortization of loss on refunding	\$ 1,314	\$ 42,302	
Debt issue costs	\$ (88,094)	\$ (123,625)	
Refunded bond proceeds	\$ 1,102,227	\$ 2,145,041	
Payment to refunding bond escrow	\$ (1,053,240)	\$ (2,049,735)	
Premium on debt issued	\$ 39,107	\$ 28,319	
Construction related accounts payable	\$ 47,889	\$ -	

See accompanying notes to the financial statements.

VILLAGE OF MUKWONAGO
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2016

	Agency Fund
	Tax Escrow Fund
ASSETS	
Cash and investments	\$ 8,152,817
Taxes receivable	427,376
Total Assets	\$ 8,580,193
LIABILITIES	
Accounts payable	\$ 9,459
Due to other governments	8,570,734
Total Liabilities	\$ 8,580,193

See accompanying notes to the financial statements.

VILLAGE OF MUKWONAGO
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Mukwonago ("Village"), Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all funds of the village. The reporting entity for the village consists of the primary government and its component units. Component units are legally separate organizations for which the 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 village has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued statement No. 72 - Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

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 nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements

Financial statements of the village 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

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

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the village believes is particularly important to financial statement users may be reported as a major fund.

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

The village reports the following major governmental funds:

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

Fire and Ambulance Special Revenue Fund – accounts for resources legally restricted or committed to supporting expenditures for fire and ambulance services.

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

Community Development Capital Project Fund – used to account for and report financial resources that are restricted, committed, or assigned for the acquisition of land and/or major capital projects related to community development.

Tax Incremental District (TID) No. 3 Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements (cont.)

The village reports the following major enterprise funds:

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

The village reports the following nonmajor governmental funds:

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

Library	Recycling
Revolving Loan	Park Land Site
Impact Fee	Stormwater

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

Capital Equipment	Capital Projects
Library Building	

In addition, the village reports the following fund types:

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

Tax Escrow Fund

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

Government-Wide Financial Statements

The government-wide statement of net 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 with the liability is incurred or economic asset is 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 Interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the village's water and sewer and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

Property taxes are recorded in the year levied as receivables and deferred 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 village is entitled the resources and the amounts are available. Amounts owed to the village which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are 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, 2016, there were \$494,723 of anticipated future assessments. This is not reported as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements (cont.)

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

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds 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 of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

1. Deposits and Investments (cont.)

- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds is regulated by Chapter 881 of the Wisconsin Statutes. This section gives broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

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

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

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

1. Deposits and Investments (cont.)

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information

2. Receivables

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

Property tax calendar – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	April 30, 2017
Third installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October 2019

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 substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as "due to and from other funds." Long-term Interfund loans (non-current 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 governmental-wide financial statements as internal balances.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

2. Receivables (cont.)

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement or related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

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 \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical costs, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at the estimated fair value at the date of donation.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

5. Capital Assets (cont.)

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

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

Buildings	50	Years
Land Improvements	20-50	Years
Machinery and Equipment	3-25	Years
Utility System	3-77	Years
Infrastructure	20-50	Years
Intangible Assets	8-10	Years
Library Collection	5-10	Years

Fund Financial Statements

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

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

6. Land Held for Resale

In 2014, the Village purchased property owned by the Lynch dealership on Main Street in the village. The purchase allowed the dealership to buy land and construct a larger facility within the TID. The village intends to resell the original property for a mixed-use development at cost. The village's total investment in the property is recorded as an asset in the Community Development Fund at the lower of cost or estimated realizable value. As of December 31, 2016, the land is reported at \$1,050,030.

In 2015, the Village purchased 6 acres of property on STH 83 across from Kwik-Trip in Mukwonago with the intention of selling it to a commercial developer at cost. The Village's investment in the property is \$650,033 and is recorded as an asset in the Community Development Fund at the lower of cost or estimated net realizable value. As of December 31, 2016 the land is reported at \$650,033.

7. 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.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

8. Compensated Absences

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

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2016, are determined on the basis of current salary rates and include salary related payments.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

9. Long-Term Obligations/Conduit Debt

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

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

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

The village has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRBs are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year end, the aggregate principal amount for the 2004 series outstanding was \$10,577,406; their original issue amounts totaled \$17,175,000.

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 the future time.

11. Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin on December 31, 2010.

Sewer Utility

Current sewer rates were approved by the Village Board on December 17, 2013.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

12. 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 debt proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definitions 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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Adjustment</u>	<u>Total</u>
Net Investment in capital assets	\$ 4,516,147	\$ 20,095,310	\$ (794,280)	\$ 23,817,177
Unrestricted	3,701,870	4,398,578	794,280	8,894,728

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- 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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

12. Equity Classifications (cont.)

Fund Statements (cont.)

- 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 formal action (resolution) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which is subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.
- d. **Assigned** – Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned through the following: 1) The village has adopted a financial policy authorizing the Village Administrator to assign amounts for specific purposes; 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 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.

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

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

The Village has a formal minimum fund balance policy to maintain a minimum fund balance of 25% of the subsequent year's General Fund budgeted expenditures. As of December 31, 2016, the Village's unassigned fund balance was \$1,138,672, which exceeded the required fund balance of \$1,104,588.

See Note III. G. for further information.

13. Pension

For purposes of measuring the net pension asset (liability), 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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Debt Service Fund	\$ 2,781,860	\$ 4,417,898	\$ 1,636,038

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

B. LIMITATIONS ON THE VILLAGE TAX LEVY

Wisconsin law limits the village's future tax levies. Generally the village is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the village's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The village 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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Cash equivalents and investments as shown on the village's Statement of Net Position are subject to the following risks:

	Carrying Value	Statement Balance	Associated Risks
Deposits	\$ 8,893,474	\$ 8,995,087	Custodial credit risk
LGIP	9,633,152	9,633,152	Credit risk
Repurchase agreements - US agencies	4,246,321	4,246,321	Interest rate; custodial credit risk
Petty Cash	400	-	N/A
Total Deposits and Investments	\$ 22,773,347	\$ 22,874,560	

Reconciliation to financial statements

Per statement of net position	
Unrestricted cash and investment	\$ 12,114,870
Restricted cash and investment	2,505,660
Per statement of assets and liabilities - agency fund	8,152,817
Total Deposits and Investments	\$ 22,773,347

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 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 the custodial risk.

The village maintains collateral agreements with its banks. At December 31, 2016, the banks had pledged various government securities in the amount of \$6,699,281 to secure the village's deposits.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

The village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

> **Market Value**

Investment Type	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Repurchase agreements - US agencies	<u>\$ 4,246,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,246,321</u>

Custodial Credit Risk

Deposits

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

The village 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 village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The village does not have any investments exposed to custodial risk.

Credit Risk

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

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

LGIP

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

As of December 31, 2016, the village's investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1-3	4-7
Repurchase agreements - US agencies	\$ 4,246,321	\$ 4,246,321	\$ -	\$ -

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for \$536,405 of special assessments.

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 of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 6,736,980	\$ -
Ambulance receivable	-	143,677
Special assessments not yet due	-	536,405
Special assessments principal and interest on tax roll	-	198,508
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 6,736,980	\$ 878,590

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

B. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Redemption	Used to segregate resources accumulated for debt service payments over the next twelve months
Reserve	Used to report resources set aside to make up potential future deficiencies in redemption account.

Equipment Replacement Account

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

Impact Fee Account

The village has received impact fees which must be spent in accordance with the local ordinance and state statutes. Unspent funds after seven years from the date of receipt must be refunded to the current property owner.

Following is a list of restricted assets as of December 31, 2016:

	Restricted Assets
Water redemption account - current	\$ 37,029
Water reserve account	438,234
Water impact fee account	187,781
Sewer redemption account - current	43,226
Sewer reserve account	750,090
Sewer impact fee account	354,626
Equipment replacement account	694,674
Total	<u>\$ 2,505,660</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,909,628	\$ -	\$ -	\$ 1,909,628
Construction in progress	84,346	35,332	58,782	60,896
Total Capital Assets Not Being Depreciated	<u>1,993,974</u>	<u>35,332</u>	<u>58,782</u>	<u>1,970,524</u>
Capital assets being depreciated/amortized				
Land improvements	1,152,054	-	-	1,152,054
Buildings	11,084,409	39,255	13,478	11,110,186
Machinery and equipment	4,967,512	426,210	511,282	4,882,440
Roads	18,235,977	61,013	-	18,296,990
Storm sewers	2,984,260	4,000	-	2,988,260
Library collection	814,496	89,546	92,855	811,187
Intangible assets	114,494	-	-	114,494
Total Capital Assets Being Depreciated/Amortized	<u>39,353,202</u>	<u>620,024</u>	<u>617,615</u>	<u>39,355,611</u>
Total Capital Assets	<u>41,347,176</u>	<u>655,356</u>	<u>676,397</u>	<u>41,326,135</u>
Less: Accumulated depreciation/amortization for				
Land improvements	(241,656)	(41,430)	-	(283,086)
Buildings	(2,211,888)	(222,473)	13,478	(2,420,883)
Machinery and equipment	(2,443,333)	(309,376)	342,017	(2,410,692)
Roads	(7,281,437)	(668,868)	-	(7,950,305)
Storm sewers	(473,626)	(59,725)	-	(533,351)
Library collection	(395,670)	(98,789)	92,855	(401,604)
Intangible assets	(41,308)	(15,282)	-	(56,590)
Total Accumulated Depreciation/Amortization	<u>(13,088,918)</u>	<u>(1,415,943)</u>	<u>448,350</u>	<u>(14,056,511)</u>
Net Capital Assets Being Depreciated/Amortized	<u>26,264,284</u>	<u>(795,919)</u>	<u>169,265</u>	<u>25,299,100</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/Amortization	<u>\$ 28,258,258</u>	<u>\$ (760,587)</u>	<u>\$ 228,047</u>	<u>\$ 27,269,624</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities	
General government	\$ 45,180
Public Safety	278,635
Public works, which includes depreciation of infrastructure	806,011
Culture, recreation and education	<u>286,117</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 1,415,943</u>

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Sewer				
Capital assets not being depreciated				
Land	\$ 15,897	\$ -	\$ -	15,897
Construction in progress	<u>181,971</u>	<u>23,025</u>	<u>204,996</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>197,868</u>	<u>23,025</u>	<u>204,996</u>	<u>15,897</u>
Capital Assets Being depreciated				
Buildings and improvements	21,367,448	204,996	114,331	21,458,113
Machinery and equipment	<u>1,827,953</u>	<u>48,800</u>	<u>22,285</u>	<u>1,854,468</u>
Total Capital Assets Being Depreciated	<u>23,195,401</u>	<u>253,796</u>	<u>136,616</u>	<u>23,312,581</u>
Total Capital Assets	<u>23,393,269</u>	<u>276,821</u>	<u>341,612</u>	<u>23,328,478</u>
Less: Accumulated Depreciation for				
Buildings and improvements	(7,808,391)	(457,825)	114,331	(8,151,885)
Machinery and equipment	<u>(1,457,300)</u>	<u>(184,454)</u>	<u>22,285</u>	<u>(1,619,469)</u>
Total Accumulated Depreciation	<u>(9,265,691)</u>	<u>(642,279)</u>	<u>136,616</u>	<u>(9,771,354)</u>
Net Capital Assets Being Depreciated	<u>13,929,710</u>	<u>(388,483)</u>	<u>-</u>	<u>13,541,227</u>
Net Sewer Capital Assets	<u>\$ 14,127,578</u>	<u>\$ (365,458)</u>	<u>\$ 204,996</u>	<u>\$ 13,557,124</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Water				
Capital assets not being depreciated				
Land and land rights	\$ 556,467	\$ -	\$ -	\$ 556,467
Construction in progress	-	1,540,062	1,540,062	-
Total Capital Assets Not Being				
Depreciated	<u>556,467</u>	<u>1,540,062</u>	<u>1,540,062</u>	<u>556,467</u>
Capital assets being depreciated				
Buildings and improvements	19,878,300	1,561,365	209,402	21,230,263
Machinery and equipment	2,053,471	90,590	12,684	2,131,377
Total Capital Assets being				
Depreciated	<u>21,931,771</u>	<u>1,651,955</u>	<u>222,086</u>	<u>23,361,640</u>
Total Capital Assets	<u>22,488,238</u>	<u>3,192,017</u>	<u>1,762,148</u>	<u>23,918,107</u>
Less: accumulated depreciation for				
Buildings and improvements	(3,953,627)	(625,288)	209,402	(4,369,513)
Machinery and equipment	(1,630,269)	175,801	12,684	(1,441,784)
Total Accumulated Depreciation	<u>(5,583,896)</u>	<u>(449,487)</u>	<u>222,086</u>	<u>(5,811,297)</u>
Net Capital Assets Being				
Depreciated	<u>16,347,875</u>	<u>1,202,468</u>	<u>-</u>	<u>17,550,343</u>
Net Water Capital Assets	<u>\$ 16,904,342</u>	<u>\$ 2,742,530</u>	<u>\$ 1,540,062</u>	<u>\$ 18,106,810</u>
Business-Type Activities				
Capital Assets, Net of				
Accumulated Depreciation	<u>\$ 31,031,920</u>	<u>\$ 2,377,072</u>	<u>\$ 1,745,058</u>	<u>\$ 31,663,934</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Sewer	\$ 670,767
Water	<u>420,997</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 1,091,764</u>

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

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
Water Utility	General Fund	\$ 153
General Fund	Water Utility	8,777
General Fund	Sewer Utility	1,171
General Fund	Fire and Ambulance Fund	34,163
Fire and Ambulance Fund	General Fund	3,494
Recycling	Fire and Ambulance Fund	27
Recycling	Sewer Utility	351
Capital Projects	Water Utility	7,497
Capital Projects	Sewer Utility	6,697
Capital Equipment	Fire and Ambulance Fund	80,344
Water Utility	Debt Service Fund	383
Sewer Utility	Debt Service Fund	439
		<hr/>
Total Fund Financial Statements		143,496
Less: Fund Eliminations		<u>(119,978)</u>
		<hr/>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 23,518</u>
		<hr/>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 24,493
Business-type Activities	Governmental Activities	<u>(975)</u>
		<hr/>
Total Government-Wide Financial Statements		<u>\$ 23,518</u>

All amounts are due within one year.

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

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

Advances

The general fund is advancing funds to the Stormwater fund. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources during previous years. No repayment schedule has been established.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Due Within One Year</u>
General Fund	Stormwater Fund	\$ 10,000	\$ 10,000
Total Fund Financial Statements		10,000	
Less: Fund Eliminations		<u>(10,000)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Position		<u>\$ -</u>	

The principal purpose of this advance is to fund the operating activities for the Stormwater fund until sufficient revenues are generated.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Sewer Utility	\$ 8,193	Payment in lieu of taxes
Capital Equipment Fund	Fire and Ambulance Fund	30,273	To fund ambulance equipment
Library	Library Building	8,000	Transfer for building purposes
General Fund	Water Utility	359,606	Payment in lieu of taxes
Sewer Utility	Water Utility	10,000	To pay for rental cost of equipment
Debt Service Fund	Impact Fee Fund	<u>110,000</u>	To fund debt service
Total - Fund Financial Statements		\$ 526,072	
Less: Fund eliminations		<u>(158,273)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 367,799</u>	
<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	
Governmental Activities	Business-type Activities	\$ 367,799	
Business-type Activities	Governmental Activities	-	
Total Government-Wide Financial Statements		<u>\$ 367,799</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.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance	Amounts Due Within One Year
Governmental Activities						
Bonds & Notes Payable						
General obligation debt	\$ 27,136,983	\$ 3,100,000	\$ 4,840,334	\$ 1,698,142	\$ 27,294,791	\$ 2,678,434
Premiums	476,383	90,519	50,489	-	516,413	-
Total Bonds & Notes Payable	27,613,366	3,190,519	4,690,823	1,698,142	27,811,204	2,678,434
Other Liabilities						
Compensated absences	564,791	21,106	33,538	-	552,359	92,023
Net pension liability (asset)	(579,373)	957,401	-	-	378,028	-
Due to other governments	115,000	-	-	-	115,000	-
Total Other Liabilities	100,418	978,507	33,538	-	1,045,387	92,023
Total Governmental Activities Long-Term Liabilities	\$ 27,713,784	\$ 4,169,026	\$ 4,724,361	\$ 1,698,142	\$ 28,856,591	\$ 2,770,457
Business-Type Activities						
Bonds & Notes Payable						
General obligation debt	\$ 2,185,250	\$ -	\$ 241,287	\$ (1,698,142)	\$ 245,821	\$ 121,309
Revenue bonds	8,427,815	5,445,000	3,750,354	-	10,122,461	626,053
Bond anticipation notes	-	2,280,000	-	-	2,280,000	150,000
Premiums	98,872	400,683	45,582	-	453,973	-
Total Bonds & Notes Payable	10,711,937	8,125,683	4,037,223	(1,698,142)	13,102,255	897,362
Other Liabilities						
Compensated absences	51,987	3,983	-	-	55,970	9,325
Net pension liability (asset)	(77,285)	130,983	-	-	53,698	-
Total Other Liabilities	(25,298)	134,966	-	-	109,668	9,325
Total Business Type Activities Long-Term Liabilities	\$ 10,686,639	\$ 8,260,649	\$ 4,037,223	\$ (1,698,142)	\$ 13,211,923	\$ 906,687

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed 5% of the equalized value of taxable property with the village's jurisdiction. The debt limit as of December 31, 2016, was \$40,108,165. Total general obligation debt outstanding at year end was \$27,540,612.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2016
Refunding Bonds	3/8/2010	12/21/2021	3.0-3.5%	3,240,000	\$ 3,240,000
Promissory Notes	3/1/2009	9/1/2019	2.75-3.875%	2,580,000	650,000
Promissory Notes	12/1/2010	12/1/2019	2.0-3.6%	4,550,000	3,575,000
Refunding Promissory Notes (TID #3)	11/1/2011	10/1/2021	1.0-3.0%	3,675,000	2,674,191
GO Refunding Bonds (TID #3)	11/1/2012	10/1/2016	1.0-2.5%	3,620,000	2,700,000
GO Refunding Bonds	11/20/2013	12/1/2022	1.0-2.65%	3,000,000	2,225,000
GO Note	11/30/2014	2/15/2022	0.00%	27,468	20,600
GO Taxable Note	9/17/2014	3/1/2019	1.87%	2,475,000	2,475,000
GO Taxable Note	5/4/2015	5/4/2019	3.00%	675,000	675,000
GO Promissory Note	4/1/2015	4/1/2025	1.0-3.0%	6,785,000	5,960,000
GO Promissory Note	7/6/2016	10/1/2026	2.00%	3,100,000	3,100,000
Total Government Activities - General Obligation Debt					<u>\$ 27,294,791</u>

Business-Type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2016
Water System Bonds	11/1/1999	5/1/2018	2.64%	\$1,886,442	\$ 245,821

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 2,678,434	\$ 729,595	\$ 121,309	\$ 4,888
2018	2,653,434	653,550	124,512	1,644
2019	6,853,434	558,394	-	-
2020	3,828,434	402,363	-	-
2021	3,742,625	284,388	-	-
2022 - 2026	7,538,430	455,438	-	-
Totals	<u>\$ 27,294,791</u>	<u>\$ 3,083,728</u>	<u>\$ 245,821</u>	<u>\$ 6,532</u>

Revenue Debt

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

The village has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in various years. Proceeds from the bonds provided financing for the variety of water and sewer projects. The bonds are payable solely from water and sewer revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require 42% of net revenues. The total principal and interest remaining to be paid on the bonds is \$12,634,204. Principal and interest paid for the current year and total customer revenues were \$967,999 and \$2,323,729 respectively.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2016, consists of the following:

Business-type Activities Revenue Debt

Sewer Utility	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2016
Revenue Bonds	4/1/2007	12/1/2024	4.00-4.50%	\$ 3,527,875	\$ 162,575
Revenue Bonds	1/1/2008	12/1/2026	4.00-4.75%	2,281,280	1,639,670
Revenue Bonds	12/1/2010	12/1/2021	2.00-4.625%	1,376,948	1,014,323
Revenue Bonds	7/6/2016	12/1/2029	2.00-3.00%	3,596,423	3,596,423
				Total Sewer Utility	6,412,991
Water Utility					
Revenue Bonds	4/29/2002	5/1/2022	2.75%	\$ 627,355	\$ 167,461
Revenue Bonds	4/1/2007	12/1/2024	4.00-4.50%	1,897,125	87,425
Revenue Bonds	1/1/2008	12/1/2026	4.00-4.75%	918,720	660,330
Revenue Bonds	12/1/2010	12/1/2021	2.00-4.625%	1,543,052	945,677
Revenue Bonds	7/6/2016	12/1/2029	2.00-3.00%	1,848,577	1,848,577
				Total Water Utility	3,709,470
Total Business-type Activities – Revenue Debt					\$ 10,122,461

The village issued revenue bonds on July 6, 2016. The use of debt proceeds consisted of 3 components:

1. An advance refunding of revenue bonds originally issued April 1, 2007;
2. Funding for new water and sewer capital projects; and
3. Funding to pay in full the utilities' portion of existing general obligation debt

With regard to the general obligation debt, the village assumed 100% of the remaining debt payments due on two issues that were originally booked with an allocation to the utilities. The proceeds from the revenue bond were used to pay off a third GO debt which was issued February 1, 2007 and callable in 2016.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 626,053	\$ 336,697
2018	686,768	313,846
2019	702,504	293,674
2020	708,261	271,908
2021	719,038	250,020
2022 - 2026	3,954,837	882,098
2027 - 2029	2,725,000	163,500
Totals	\$ 10,122,461	\$ 2,511,743

Bond Anticipation Notes

Business-type Activities

<u>Bond Anticipation Notes</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/2016</u>
Sewer Revenue Note	12/21/2016	12/1/2021	3.75-4.00%	\$ 957,600	\$ 957,600
Water Revenue Note	12/21/2016	12/1/2021	3.75-4.00%	1,322,400	1,322,400
Total Business-type Activities					\$ 2,280,000

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 150,000	\$ 82,238
2018	150,000	81,076
2019	150,000	75,076
2020	180,000	69,076
2021	1,650,000	61,872
Totals	\$ 2,280,000	\$ 369,338

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

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

Advance Refunding

On July 6, 2016, the village issued \$5,445,000 in revenue bonds with an average coupon rate of 2.5% to advance refund \$3,125,000 of outstanding with an average coupon rate of 4.25%. The net proceeds along with existing funds of the village were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded. As a result, the refunded bonds are considered defeased and the liability for those has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was \$10,326,688 from 2017 through 2026. The cash flow requirements on the refunding bonds are \$9,693,987 from 2017 through 2029. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$727,149.

Current Refunding

On July 6, 2016, the village issued \$3,100,000 in general obligation notes with an average coupon rate of 2% to refund \$264,000 of the \$1,960,000 of outstanding notes with an average coupon rate of 4.00%. That portion of proceeds along with existing funds of the village were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$271,474 from 2017 through 2018. The cash flow requirements on the refunding notes are \$270,527 from 2016 through 2017. The current refunding is an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$947.

Defeasance of Debt

In 2016, the Water and Sewer Utilities defeased a revenue bond by placing the proceeds of the new bond in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Village's financial statements. At December 31, 2016, \$3,125,000 of bonds outstanding are considered defeased. The bonds are callable on December 1, 2017.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

G. NET POSITION/FUND BALANCES

Net position reported on the government-wide statement of net position at December 31, 2016, includes the following:

Governmental Activities

Net Investment in capital assets	
Land	\$ 1,909,628
Construction in progress	60,896
Other capital assets, net of accumulated depreciation	25,299,100
Less: Long-term debt outstanding, including premiums	(27,811,204)
Plus: Unspent capital related debt proceeds	4,263,447
Plus: Non-capital debt outstanding	<u>794,280</u>
Total Net Investment in Capital Assets	<u>4,516,147</u>
Restricted for	
Debt service	762,793
Impact fees	208,579
Revolving loans	89,293
Stormwater	2,739
Library	<u>154,891</u>
Total Restricted	<u>1,218,295</u>
Unrestricted	<u>3,701,870</u>
Total Governmental Activities Net Position	<u>\$ 9,436,312</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

G. NET POSITION/FUND BALANCES (cont.)

GOVERNMENTAL FUNDS

Governmental fund balances reported on the fund financial statements at December 31, 2016, include the following:

	General Fund	Fire and Ambulance Fund	Debt Service Fund	Tax Incremental District No. 3 Fund	Community Development Fund	Nonmajor Funds	Totals
Fund Balances							
Nonspendable:							
Prepaid Items	\$ 95,384	\$ 6,192	\$ -	\$ 228	\$ -	\$ 5,669	\$ 107,473
Advances to Other funds	10,000	-	-	-	-	-	10,000
Restricted for:							
Debt Service	-	-	414,685	970,843	-	-	1,385,528
Impact Fees	-	-	-	-	-	208,579	208,579
Revolving Loans	-	-	-	-	-	89,293	89,293
Stormwater	-	-	-	-	-	2,603	2,603
Library	-	-	-	-	-	149,717	149,717
Committed to:							
Fire and ambulance	-	29,657	-	-	-	-	29,657
Projects	-	-	-	-	-	1,718,116	1,718,116
Capital Equipment	-	-	-	-	-	169,740	169,740
Recycling	-	-	-	-	-	76,515	76,515
Library Building	-	-	-	-	-	13,393	13,393
Parkland Site	-	-	-	-	-	223,898	223,898
Community Development	-	-	-	-	2,848,133	-	2,848,133
Assigned to:							
Funding accrued	-	-	-	-	-	-	-
sick pay	175,784	-	-	-	-	-	175,784
Ambulance Capital	219,529	-	-	-	-	-	219,529
Other expenditures	475,371	-	-	-	-	-	475,371
Unassigned	<u>1,138,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,138,672</u>
Total Fund Balances	<u>\$ 2,114,740</u>	<u>\$ 35,849</u>	<u>\$ 414,685</u>	<u>\$ 971,071</u>	<u>\$ 2,848,133</u>	<u>\$ 2,657,523</u>	<u>\$ 9,042,001</u>

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

G. NET POSITION/FUND BALANCES (cont.)

BUSINESS-TYPE ACTIVITIES

Net Investment in capital assets	
Land	\$ 572,364
Capital assets, net of accumulated depreciation	31,091,570
Less: Long-term debt outstanding, including premiums	(13,102,255)
Plus: Noncapital debt proceeds	1,188,325
Plus: Deferred charge on refunding	345,306
Total Investment in Capital Assets	<u>20,095,310</u>
Restricted for	
Debt service	50,944
Equipment replacement	694,674
Impact Fees	542,407
Total Restricted	<u>1,288,025</u>
Unrestricted	<u>4,398,578</u>
Total Business-type Activities Net Position	<u>\$ 25,781,913</u>

H. SPECIAL ITEM

As part of a debt restructuring, the village assumed 100% of the remaining debt payments due on two debt issues that were originally booked with an allocation to the utilities. Using funds received from the issuance of revenues bonds, the utilities transferred \$1,698,142 to the village debt service fund in satisfaction of the village assuming the debt. These funds were then used to finance the payment of the outstanding 2007 refunding bonds which were called on October 1, 2016.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – 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 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR) 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 State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable services, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earning. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

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

The WRS also provides death and disability benefits for employees.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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>
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 rates for General category employees 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 \$262,472 in contributions from the village.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.6%	6.6%
Executives and Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the village reported a liability of \$431,726 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The village's proportion of the net pension liability was based on the village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the village's proportion was 0.026568060%, which was a decrease of 0.000165840% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the village recognized pension expense of \$591,421.

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2016, the village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 73,036	\$ 908,560
Changes in assumptions	302,054	-
Net differences between projected and actual earnings on pension plan investments	1,767,609	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,238	-
Employer contributions subsequent to the measurement date	<u>309,468</u>	<u>-</u>
Total	<u>\$ 2,470,405</u>	<u>\$ 908,560</u>

\$309,468 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 in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of of Resources</u>
2017	\$ 561,199	\$ 219,873
2018	561,199	219,873
2019	561,199	219,873
2020	467,368	219,873
2021	9,972	29,068

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009-2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
US Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

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

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Village's proportionate share of the net pension liability/(asset)	<u>\$ 3,028,133</u>	<u>\$ 431,726</u>	<u>\$ (1,596,115)</u>

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/publications/cafr.htm>.

At December 31, 2016, the village reported a payable to the pension plan of \$63,850 which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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

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

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

VILLAGE OF MUKWONAGO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

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

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

- Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68
- Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- Statement No. 75, Accounting and Financial Report for Postemployment Benefits Other Than Pension
- Statement No. 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14
- Statement No. 81, Irrevocable Split-Interest Agreements
- Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73

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

E. DEFINED CONTRIBUTION PENSION PLAN

The village provides pension benefits for all of its eligible employees through a defined contribution plan known as the Village of Mukwonago Pension Trust through ICMA-RC who administers the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate in the plan upon becoming eligible for the Wisconsin Retirement System (WRS). This plan is to give eligible full-time employees an additional two and one-half percentage towards retirements, above what the Village contributes to WRS. In addition, Village employees have an option to contribute to this plan from each payroll period. For the year ended December 31, 2016, the total amount contributed was \$70,459. Of this amount, \$39,431 was contributed by the employer and \$31,028 was contributed by the employee. Total contributions for the years ending December 31, 2015 and 2014 were \$80,131 and \$81,909 respectively. The employer's contribution each year was equal to the required amount.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF MUKWONAGO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 2,367,784	\$ 2,357,784	\$ 2,353,551	\$ (4,233)
Intergovernmental	825,577	825,577	826,059	482
Licenses and permits	350,860	360,860	392,342	41,482
Fines, forfeitures and penalties	148,000	148,000	164,347	16,347
Public charges for services	23,235	23,235	29,845	6,610
Interdepartmental charges for services	140,869	140,869	129,302	(11,567)
Investment income	5,215	5,890	12,302	6,412
Other revenues	143,300	151,200	157,101	5,901
Total Revenues	3,994,840	4,003,415	4,064,849	61,434
EXPENDITURES				
Current				
General government	737,047	732,029	727,666	4,363
Public safety	2,387,969	2,406,780	2,405,364	1,416
Public works	752,554	749,588	794,595	(45,007)
Health and sanitation	2,800	2,800	2,728	72
Culture, recreation and education	186,968	186,968	163,793	23,175
Conservation and development	177,008	165,105	225,484	(60,379)
Capital Outlay	31,411	46,811	25,575	21,236
Total Expenditures	4,255,757	4,290,081	4,345,205	(55,124)
Excess (deficiency) of revenues over (under) expenditures	(260,917)	(286,666)	(280,356)	6,310
OTHER FINANCING SOURCES (USES)				
Transfers in	360,700	363,112	387,799	4,687
Transfers out	(125,215)	(132,552)	-	132,552
Proceeds from sale of capital assets	-	25,550	25,545	(5)
Total Other Financing Sources (Uses)	235,485	256,110	393,344	137,234
Net Change in Fund Balance	\$ (25,432)	\$ (30,556)	112,988	\$ 143,544
FUND BALANCE - Beginning of Year			2,001,752	
FUND BALANCE - END OF YEAR			\$ 2,114,740	

VILLAGE OF MUKWONAGO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET TO ACTUAL - FIRE AND AMBULANCE SPECIAL REVENUE FUND
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 210,000	\$ 210,000	\$ 210,000	\$ -
Intergovernmental	5,900	14,470	15,165	695
Public charges for services	1,023,973	1,023,973	927,020	(96,953)
Intergovernmental charges for services	210,000	210,000	210,000	-
Investment income	200	200	458	258
Miscellaneous	-	3,640	3,644	4
Total Revenues	<u>1,450,073</u>	<u>1,462,283</u>	<u>1,366,287</u>	<u>(95,996)</u>
EXPENDITURES				
Current				
Public safety	1,345,541	1,368,031	1,323,245	44,786
Capital Outlay	-	15,103	15,103	-
Total Expenditures	<u>1,345,541</u>	<u>1,383,134</u>	<u>1,338,348</u>	<u>44,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>104,532</u>	<u>79,149</u>	<u>27,939</u>	<u>(51,210)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	1,000	-	(1,000)
Transfers out	-	(32,685)	(30,273)	2,412
Total Other Financing Sources (Uses)	<u>-</u>	<u>(31,685)</u>	<u>(30,273)</u>	<u>1,412</u>
Net Change in Fund Balance	<u>\$ 104,532</u>	<u>\$ 47,464</u>	<u>(2,334)</u>	<u>\$ (49,798)</u>
FUND BALANCE - Beginning of Year			<u>38,183</u>	
FUND BALANCE - END OF YEAR			<u>\$ 35,849</u>	

VILLAGE OF MUKWONAGO

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016**

Fiscal Year Ending Date	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/15	0.026733910%	\$ (656,658)	\$ 3,077,565	21.34%	102.74%
12/31/16	0.026568060%	431,726	3,289,656	13.12%	98.20%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016**

Fiscal Year Ending Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 333,545	\$ 333,545	\$ -	\$ 3,289,656	10.14%
12/31/16	309,468	309,468	-	3,387,425	9.14%

VILLAGE OF MUKWONAGO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2016

BUDGETARY INFORMATION

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

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

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the function level of expenditure for the general fund and total expenditures for the fire and ambulance special revenue fund.

WISCONSIN RETIREMENT SYSTEM PENSION

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

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

Change of assumptions. There were no changes in the assumptions.

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SUPPLEMENTARY INFORMATION

VILLAGE OF MUKWONAGO

DETAILED SCHEDULE OF REVENUES - BUDGET TO ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
TAXES				
General property taxes	\$ 2,341,784	\$ 2,341,784	\$ 2,337,047	\$ (4,737)
Public accomodation (room) taxes	6,000	6,000	8,356	2,356
Interest and penalties on taxes	10,000	10,000	8,148	(1,852)
Total Taxes	<u>2,357,784</u>	<u>2,357,784</u>	<u>2,353,551</u>	<u>(4,233)</u>
INTERGOVERNMENTAL REVENUES				
State shared revenues	341,686	341,686	337,397	(4,289)
Exempt computer aid	8,400	8,400	11,303	2,903
State aid - law enforcement improvements	10,000	10,000	8,912	(1,088)
State aid - general transportation aids	437,291	437,291	437,077	(214)
Other state payments	28,200	28,200	31,370	3,170
Total Intergovernmental Revenues	<u>825,577</u>	<u>825,577</u>	<u>826,059</u>	<u>482</u>
LICENSES AND PERMITS				
Other regulatory permits and fees	520	520	560	40
Liquor and malt beverage	14,010	14,010	25,265	11,255
Operators' licenses	6,195	6,195	8,178	1,983
Cigarette licenses	1,200	1,200	1,300	100
Cable television franchise fees	94,000	94,000	94,158	158
Bicycle licenses	10	10	12	2
Dog and cat licenses	3,030	3,030	2,798	(232)
Nonbusiness licenses	3,155	3,155	3,500	345
Other permits	27,975	27,975	28,285	310
Building permits	84,000	84,000	91,897	7,897
Electrical permits	26,000	26,000	29,477	3,477
Plumbing permits	27,500	27,500	33,517	6,017
Occupancy permits	10,600	10,600	11,506	906
Zoning permits and fees	10,000	10,000	11,885	1,885
Plan review fees	20,000	20,000	25,116	5,116
Heating and air conditioning permits	22,665	22,665	24,888	2,223
Total Licenses and Permits	<u>350,860</u>	<u>350,860</u>	<u>392,342</u>	<u>41,482</u>

VILLAGE OF MUKWONAGO

DETAILED SCHEDULE OF REVENUES - BUDGET TO ACTUAL - GENERAL FUND For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
FINES, FORFEITURES AND PENALTIES				
Court fines	\$ 134,000	\$ 134,000	\$ 142,142	\$ 8,142
Parking Violations	14,000	14,000	22,205	8,205
Total Fines, Forfeitures and Penalties	<u>148,000</u>	<u>148,000</u>	<u>164,347</u>	<u>16,347</u>
PUBLIC CHARGES FOR SERVICES				
Publication fees	480	480	519	39
Photocopies	3,000	3,000	3,819	819
Treasurer's fees	6,500	6,500	8,801	2,301
Law enforcement fees	9,500	9,500	6,733	(2,767)
Fire protection fees	2,855	2,855	6,297	3,442
Other public charges for services	900	900	3,676	2,776
Total Public Charges for Services	<u>23,235</u>	<u>23,235</u>	<u>29,845</u>	<u>6,610</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Local - law enforcement services	123,369	123,369	110,854	(12,515)
Local - ambulance services	8,000	8,000	8,661	661
Local - other services	9,500	9,500	9,787	287
Total Intergovernmental Charges for Services	<u>140,869</u>	<u>140,869</u>	<u>129,302</u>	<u>(11,567)</u>
INVESTMENT INCOME				
Investment Income	<u>5,215</u>	<u>5,890</u>	<u>12,302</u>	<u>6,412</u>
OTHER REVENUES				
Rent	17,000	17,000	19,983	2,983
Miscellaneous revenue	1,300	1,300	4,235	2,935
Donations	125,000	132,900	132,883	(17)
Total Other Revenues	<u>143,300</u>	<u>151,200</u>	<u>157,101</u>	<u>5,901</u>
TOTAL REVENUES	<u>\$ 3,994,840</u>	<u>\$ 4,003,415</u>	<u>\$ 4,064,849</u>	<u>\$ 61,434</u>

VILLAGE OF MUKWONAGO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
CURRENT				
GENERAL GOVERNMENT				
Village board	\$ 61,454	\$ 61,454	\$ 61,893	\$ (439)
Historical preservation comission	400	400	65	335
Municipal court	34,920	34,920	39,140	(4,220)
Village attorney	73,000	73,000	74,856	(1,856)
Village administrator	187,737	183,701	173,145	10,556
Village clerk/treasurer	165,578	164,596	159,863	4,733
Elections	20,058	20,058	19,644	414
Independent audit	12,000	12,000	7,596	4,404
Assessment of property	19,150	19,150	16,548	2,602
Risk and property insurance	127,298	127,298	120,115	7,183
Village hall	34,802	34,802	53,937	(19,135)
Board of appeals	650	650	864	(214)
Total General Government	<u>737,047</u>	<u>732,029</u>	<u>727,666</u>	<u>4,363</u>
PUBLIC SAFETY				
Police department	2,166,487	2,155,605	2,166,826	(11,221)
Building inspection	180,012	229,705	221,572	8,133
Emergency government	1,550	1,550	1,490	60
Fire Station	6,400	6,400	5,653	747
Dam	13,520	13,520	9,823	3,697
Total Public Safety	<u>2,367,969</u>	<u>2,406,780</u>	<u>2,405,364</u>	<u>1,416</u>
PUBLIC WORKS				
Engineering	50,000	50,000	91,192	(41,192)
Public Works Administration	210,452	238,536	252,960	(14,424)
Machinery operation and maintenance	97,890	88,299	80,590	7,709
Garage and sheds	45,855	50,929	62,088	(11,159)
Curb and gutter	1,338	683	483	200
Garbage Collection	4,190	2,915	2,915	-
Street signs	11,865	12,596	13,133	(537)
Bridges, culverts, and rivers	5,851	2,530	30	2,500
Street cleaning	9,880	7,052	7,023	29
Snow and ice control	125,423	113,193	110,800	2,393
Alleys and local purpose roads	36,730	31,394	29,215	2,179
Street lighting	138,200	138,200	133,650	4,550
Storm sewer maintenance	14,880	13,261	10,516	2,745
Total Public Works	<u>752,554</u>	<u>749,588</u>	<u>794,595</u>	<u>(45,007)</u>

VILLAGE OF MUKWONAGO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
CURRENT (continued)				
HEALTH AND HUMAN SERVICES				
Public health services	\$ 2,800	\$ 2,800	\$ 2,728	\$ 72
CULTURE, RECREATION AND EDUCATION				
Museum	10,550	10,550	7,075	3,475
Parks	166,888	166,888	147,342	19,546
Celebration and entertainment	9,530	9,530	9,376	154
Total Culture, Recreation and Education	186,968	186,968	163,793	23,175
CONSERVATION AND DEVELOPMENT				
Forestry	20,839	20,839	21,922	(1,083)
Weed control	935	935	527	408
Planning commission	108,358	86,455	111,932	(25,477)
Economic development	46,876	56,876	59,669	(2,793)
Environmental protection	-	-	31,434	(31,434)
Total Conservation and Development	177,008	165,105	225,484	(60,379)
CAPITAL OUTLAY				
Capital expenditures	31,411	46,811	25,575	21,236
TOTAL EXPENDITURES	\$ 4,255,757	\$ 4,290,081	\$ 4,345,205	\$ (55,124)

VILLAGE OF MUKWONAGO

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
As of December 31, 2016**

	Special Revenue Funds			
	Library Fund	Recycling Fund	Revolving Loan Fund	Park Land Site Fund
ASSETS				
Cash and investments	\$ 182,659	\$ 78,795	\$ 204,293	\$ 223,898
Receivables:				
Taxes	429,549	300,253	-	-
Accounts	-	39,567	-	-
Due from other funds	-	378	-	-
Prepaid Items	5,174	359	-	-
Total Assets	<u>\$ 617,382</u>	<u>\$ 419,352</u>	<u>\$ 204,293</u>	<u>\$ 223,898</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 5,808	\$ 41,415	\$ -	\$ -
Accrued liabilities	27,134	951	-	-
Due to other governments	-	-	115,000	-
Advance from other fund	-	-	-	-
Total Liabilities	<u>32,942</u>	<u>42,366</u>	<u>115,000</u>	<u>-</u>
Deferred Inflows of Resources				
Unearned revenue	<u>429,549</u>	<u>300,112</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	5,174	359	-	-
Restricted	149,717	-	89,293	-
Committed	-	76,515	-	223,898
Total Fund Balances	<u>154,891</u>	<u>76,874</u>	<u>89,293</u>	<u>223,898</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 617,382</u>	<u>\$ 419,352</u>	<u>\$ 204,293</u>	<u>\$ 223,898</u>

Capital Projects Funds					
Stormwater Fund	Impact Fee Fund	Capital Projects Fund	Library Building Fund	Capital Equipment Fund	Total Nonmajor Funds
\$ 4,556	\$ 208,579	\$ 2,523,313	\$ 13,393	\$ 139,698	\$ 3,579,184
-	-	-	-	100,500	830,302
8,315	-	-	-	-	47,882
-	-	14,194	-	80,344	94,916
136	-	-	-	-	5,669
<u>\$ 13,007</u>	<u>\$ 208,579</u>	<u>\$ 2,537,507</u>	<u>\$ 13,393</u>	<u>\$ 320,542</u>	<u>\$ 4,557,953</u>
\$ 8	\$ -	\$ 819,391	\$ -	\$ 50,302	\$ 916,924
260	-	-	-	-	28,345
-	-	-	-	-	115,000
10,000	-	-	-	-	10,000
<u>10,268</u>	<u>-</u>	<u>819,391</u>	<u>-</u>	<u>50,302</u>	<u>1,070,269</u>
-	-	-	-	100,500	830,161
136	-	-	-	-	5,669
2,603	208,579	-	-	-	450,192
-	-	1,718,116	13,393	169,740	2,201,662
<u>2,739</u>	<u>208,579</u>	<u>1,718,116</u>	<u>13,393</u>	<u>169,740</u>	<u>2,657,523</u>
<u>\$ 13,007</u>	<u>\$ 208,579</u>	<u>\$ 2,537,507</u>	<u>\$ 13,393</u>	<u>\$ 320,542</u>	<u>\$ 4,557,953</u>

VILLAGE OF MUKWONAGO

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 For the Year Ended December 31, 2016

	Special Revenue Funds			
	Library Fund	Recycling Fund	Revolving Loan Fund	Park Land Site Fund
REVENUES				
Taxes	\$ 429,549	\$ 300,112	\$ -	\$ -
Intergovernmental	479,992	21,048	-	-
Licenses and permits	-	-	-	49,476
Public charges for services	35,134	157,491	-	-
Investment income	1,122	2,015	2,022	776
Other revenues	39,570	-	-	8,745
Total revenues	<u>985,367</u>	<u>480,666</u>	<u>2,022</u>	<u>58,997</u>
EXPENDITURES				
Current				
Public works	-	467,524	-	815
Culture, recreation and education	840,177	-	-	-
Capital Outlay	89,546	-	-	-
Debt Service				
Interest and fees	-	-	-	-
Total expenditures	<u>929,723</u>	<u>467,524</u>	<u>-</u>	<u>815</u>
Excess (deficiency) of revenues over expenditures	<u>55,644</u>	<u>13,142</u>	<u>2,022</u>	<u>58,182</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,000	-	-	-
Transfers out	-	-	-	-
Debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Insurance recoveries	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	63,644	13,142	2,022	58,182
FUND BALANCES (Deficit) - Beginning of Year	<u>91,247</u>	<u>63,732</u>	<u>87,271</u>	<u>165,716</u>
FUND BALANCES - END OF YEAR	<u>\$ 154,891</u>	<u>\$ 76,874</u>	<u>\$ 89,293</u>	<u>\$ 223,898</u>

Capital Projects Funds					
Stormwater Fund	Impact Fee Fund	Capital Projects Fund	Library Building Fund	Capital Equipment Fund	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ 113,000	\$ 842,661
-	-	-	-	-	501,040
-	133,844	-	-	-	183,320
33,111	-	-	-	-	225,736
58	872	7,418	190	1,067	15,540
-	-	-	-	-	48,315
<u>33,169</u>	<u>134,716</u>	<u>7,418</u>	<u>190</u>	<u>114,067</u>	<u>1,816,612</u>
14,136	224	-	-	-	482,699
-	-	-	-	-	840,177
-	-	1,263,308	-	572,778	1,925,632
-	-	-	-	-	-
-	-	62,432	-	5,611	68,043
<u>14,136</u>	<u>224</u>	<u>1,325,740</u>	<u>-</u>	<u>578,389</u>	<u>3,316,551</u>
<u>19,033</u>	<u>134,492</u>	<u>(1,318,322)</u>	<u>190</u>	<u>(464,322)</u>	<u>(1,499,939)</u>
-	-	-	-	30,273	38,273
-	(110,000)	-	(8,000)	-	(118,000)
-	-	2,401,216	-	215,811	2,617,027
-	-	70,114	-	6,302	76,416
-	-	-	-	199,840	199,840
-	-	-	-	13,175	13,175
-	(110,000)	2,471,330	(8,000)	465,401	2,826,731
19,033	24,492	1,153,008	(7,810)	1,079	1,326,792
(16,294)	184,087	565,108	21,203	168,661	1,330,731
<u>\$ 2,739</u>	<u>\$ 208,579</u>	<u>\$ 1,718,116</u>	<u>\$ 13,393</u>	<u>\$ 169,740</u>	<u>\$ 2,657,523</u>