

Village of Mukwonago

Financial Statements and
Supplementary Information

December 31, 2022

Village of Mukwonago

Table of Contents
December 31, 2022

	<u>Page</u>
Independent Auditors' Report	1
Required Supplementary Information	
Management Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Index to Notes to Financial Statements	28
Notes to Financial Statements	29

Village of Mukwonago

Table of Contents
December 31, 2022

	<u>Page</u>
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	60
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Fire and Ambulance Special Revenue Fund	61
Schedule of Proportionate Share of the Net Pension (Liability) Asset and Employer Contributions - Wisconsin Retirement System	62
Notes to Required Supplementary Information	63
Supplementary Information	
Detailed Schedule of Revenues - Budget to Actual - General Fund	64
Detailed Schedule of Expenditures - Budget to Actual - General Fund	66
Combining Balance Sheet - Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	69

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Village Board of
Village of Mukwonago

Opinions

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 (the Village), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of December 31, 2022 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.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the Village adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
June 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Mukwonago

Management's Discussion and Analysis
(Unaudited)
December 31, 2022

The Village of Mukwonago's (Village) management offers this overview and analysis of the Village's financial activities for the fiscal year ended December 31, 2022. 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 \$6,654,754 at the close of 2022, an increase of \$2,393,968 in net position over the prior year.
- The Business-Type Activity reported an ending net position of \$33,129,109 for 2022, an increase of \$742,339 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 exceeded its liabilities and deferred inflows of resources at the close of 2022 by \$39,783,863 and its net position increased by \$3,136,307 for the same period.
- The Governmental Funds reported ending fund balances of \$13,088,112 which is a decrease of \$2,088,308 from 2021.
- \$2,584,593 (unassigned fund balance) of the Governmental Funds fund balances is available to spend at the Village Board's discretion. This is 20% of the total fund balances for Governmental Funds. Of the total unassigned amount, \$2,584,593 is unassigned in the General Fund which is 44% of the General Fund's 2023 budgeted expenditures.
- In 2022, the Village issued \$4,320,000 in Taxable General Obligation Refunding Bonds to refinance a 2018 taxable note anticipation note.
- Through scheduled debt payments and payoffs, the Village paid down \$3,578,430 in General Obligation debt; \$759,837 in Revenue Bonds; and \$4,225,000 in Taxable Note Anticipation Notes (NANs) in 2022. The net effect of all 2022 debt activity including premium amortization is an overall debt decrease of \$4,550,055. The Village will pay down a total of \$4,470,000 in General Obligation debt and \$845,000 in Revenue Bonds in 2023.

Village of Mukwonago

Management's Discussion and Analysis
(Unaudited)
December 31, 2022

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.

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 17 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. 5 fund and Capital Projects fund which are all 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.

Village of Mukwonago

Management's Discussion and Analysis
(Unaudited)
December 31, 2022

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 29-59 of this report.

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 64-69 of this report.

Village of Mukwonago

Management's Discussion and Analysis
(Unaudited)
December 31, 2022

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 \$39,783,863 at the close of the most current fiscal year, as presented in the following table.

	Net Position			
	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Current and other assets	\$ 27,469,941	\$ 28,434,845	\$ 8,009,356	\$ 6,250,066
Capital assets	31,627,482	31,396,674	39,617,999	39,846,495
Total assets	59,097,423	59,831,519	47,627,355	46,096,561
Deferred outflows of resources	4,393,240	2,854,435	674,594	480,805
Current and other liabilities	2,456,470	3,088,299	398,394	378,482
Long-term liabilities	39,444,739	43,177,001	12,485,158	13,307,065
Total liabilities	41,901,209	46,265,300	12,883,552	13,685,547
Deferred inflows of resources	14,934,700	12,159,868	2,289,288	505,049
Net position:				
Net investment in capital assets	1,760,808	3,518,290	28,406,940	28,006,479
Restricted	6,607,559	4,748,270	1,111,951	1,714,110
Unrestricted (deficit)	(1,713,613)	(4,005,774)	3,610,218	2,666,181
Total net position	\$ 6,654,754	\$ 4,260,786	\$ 33,129,109	\$ 32,386,770

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
(Unaudited)
December 31, 2022

Governmental and Business-Type Activities

Governmental activities increased the Village's net position by \$2,393,968 and Business-Type activities increased the Village's net position by \$742,339. The net effect is an overall increase in the Village's total net position of \$3,136,307.

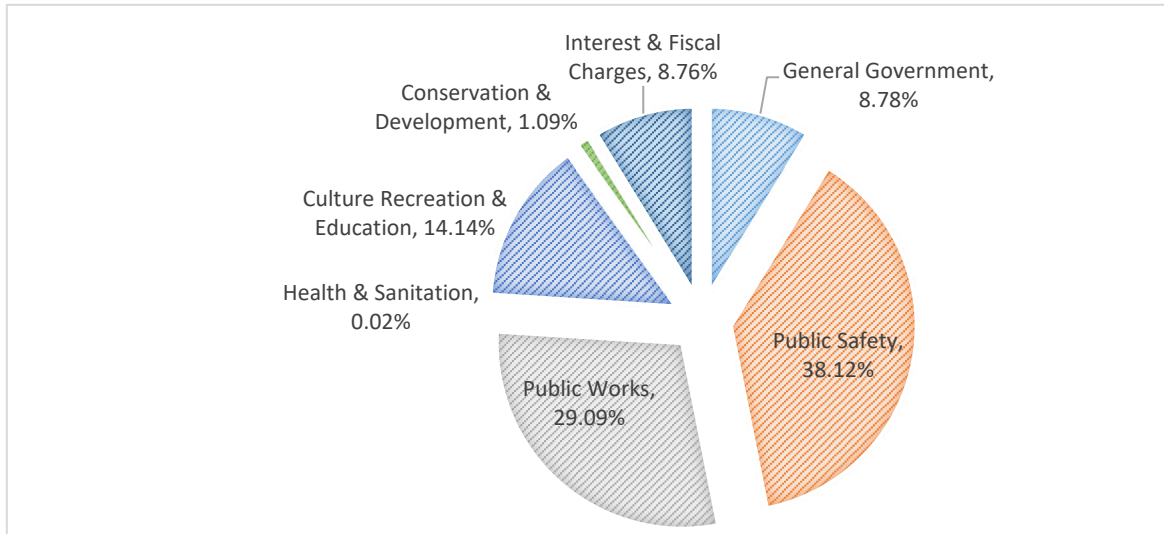
	Changes in Net Position			
	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Revenues:				
Program revenues:				
Charges for services	\$ 2,373,511	\$ 2,740,401	\$ 4,420,693	\$ 4,197,525
Operating grants and contributions	1,532,438	1,524,460	-	-
Capital grants and contributions	430,013	417,456	333,721	1,491,377
General revenues:				
Property and other taxes	8,206,056	8,119,139	-	-
Intergovernmental revenues not restricted to specific programs	448,645	474,308	-	-
Investment income	266,794	26,255	73,463	10,656
Other	180,649	88,699	-	-
Total revenues	<u>13,438,106</u>	<u>13,390,718</u>	<u>4,827,877</u>	<u>5,699,558</u>
Expenses:				
General government	1,004,573	898,605	-	-
Public safety	4,359,720	4,549,499	-	-
Public works	3,327,135	4,584,254	-	-
Health and sanitation	2,420	2,420	-	-
Culture, recreation and education	1,617,493	1,489,798	-	-
Conservation and development	124,737	519,410	-	-
Interest and fiscal charges	1,002,080	1,215,299	-	-
Water utility	-	-	1,661,800	1,623,571
Sewer utility	-	-	2,029,718	2,103,657
Total expenses	<u>11,438,158</u>	<u>13,259,285</u>	<u>3,691,518</u>	<u>3,727,228</u>
Transfers	<u>394,020</u>	<u>424,897</u>	<u>(394,020)</u>	<u>(424,897)</u>
Increase (decrease) in net position	2,393,968	556,330	742,339	1,547,433
Net position, January 1	<u>4,260,786</u>	<u>3,704,456</u>	<u>32,386,770</u>	<u>30,839,337</u>
Net position, December 31	<u>\$ 6,654,754</u>	<u>\$ 4,260,786</u>	<u>\$ 33,129,109</u>	<u>\$ 32,386,770</u>

Village of Mukwonago

Management's Discussion and Analysis
(Unaudited)
December 31, 2022

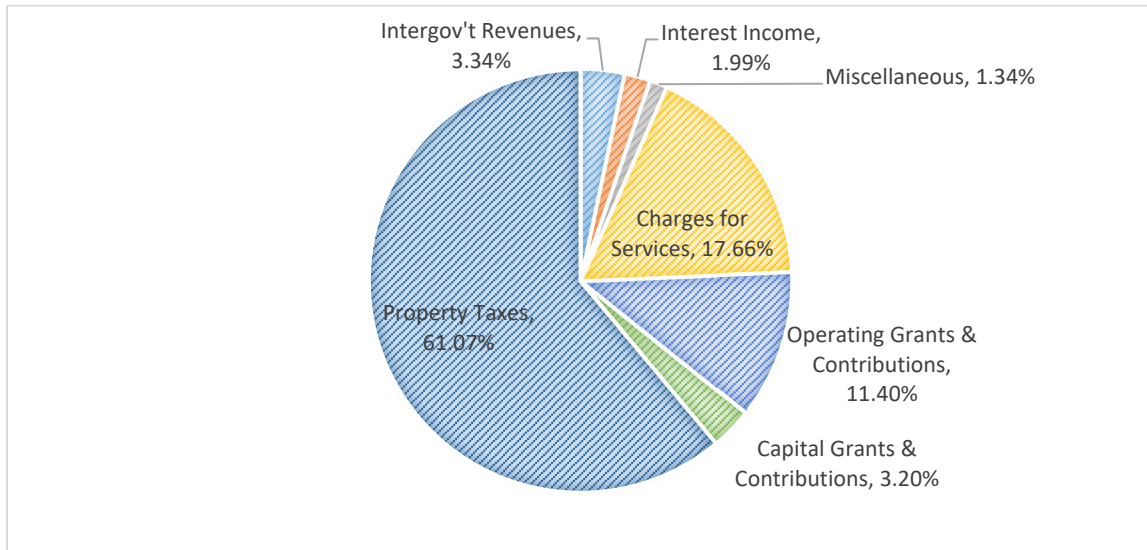
Expenses by Function - Governmental Activities

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 \$742,339. The operating income from business-type activities was \$1,057,130, with net non-operating expenses of \$254,492 and capital contributions and transfer activity of \$(60,299). Operating revenue for the current fiscal year was \$4,419,732 with the operating expense of \$3,362,602.

Village of Mukwonago

Management's Discussion and Analysis
(Unaudited)
December 31, 2022

Financial Analysis of the Governments 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 2022, the percentage shown is of the total 2022 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 - these exist for every operating fund at year end and represent the health insurance premium that is paid one month in advance
- 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 Department, Library and 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 (Unaudited) December 31, 2022

Fund Balances as Listed in the Balance Sheet for Governmental Funds

	2022	Percent of Total	2021	Increase (Decrease) From Prior Year	Percent Change From Prior Year Increase (Decrease)	Explanation of Change
Nonspendable Fund Balances:						
Various, prepaid	\$ 302,972		\$ 56,067	\$ 246,905	440.4 %	Prepaid project materials not yet installed pending resolution of a Village lawsuit
	<u>\$ 302,972</u>	2 %	<u>\$ 56,067</u>	<u>246,905</u>	<u>440.4 %</u>	
Restricted Fund Balance:						
Debt service	\$ 638,726		\$ 617,572	\$ 21,154	3.4 %	Special assessments paid
TID #3	799,098		909,486	(110,388)	(12.1) %	Use of fund balance towards debt payments
TID #4	207,883		89,459	118,424	132.4 %	Increment exceeded debt payment due
TID #5	2,389,909		3,112,884	(722,975)	(23.2) %	Use of fund balance for project expenses & debt payments
Stormwater	47,943		29,175	18,768	64.3 %	Prior Year pond maintenance funded by revenues and reserves
American Rescue Library	13,005		158	12,847	8131.0 %	Higher interest rates
	270,615		266,334	4,281	1.6 %	Higher interest rates
Impact fees	343,531		381,357	(37,826)	(9.9) %	Use of impact fee reserves for debt service
	<u>\$ 4,710,710</u>	36 %	<u>\$ 5,406,425</u>	<u>\$ (695,715)</u>	<u>(12.9) %</u>	
Committed Fund Balance:						
Fire Department	\$ 141,797		\$ 135,673	\$ 6,124	4.5 %	Higher grant / aid revenues
Recycling	127,557		128,066	(509)	(0.4) %	
Parkland site	240,230		218,126	22,104	10.1 %	Development activity
Capital projects	2,703,577		3,501,593	(798,016)	(22.8) %	Use of reserves to fund projects delayed from prior year
Community development	573,359		1,585,915	(1,012,556)	(63.8) %	Use of reserves to fund projects delayed from prior year
Revolving loan	140,482		138,234	2,248	1.6 %	Higher interest rates
Capital equipment	313,910		545,958	(232,048)	(42.5) %	Use of reserves to fund purchases
	<u>\$ 4,240,912</u>	32 %	<u>\$ 6,253,565</u>	<u>\$ (2,012,653)</u>	<u>(32.2) %</u>	
Assigned Fund Balance:						
GF, accrued sick leave	\$ 423,281		\$ 406,143	\$ 17,138	4.2 %	Budgeted transfer to reserve
GF, ambulance capital	168,131		304,602	(136,471)	(44.8) %	Prior year use of reserves to fund ambulance purchase
GF, Village designated use	657,513		548,363	109,150	19.9 %	Donations placed in reserves
	<u>\$ 1,248,925</u>	10 %	<u>\$ 1,259,108</u>	<u>\$ (10,183)</u>	<u>(0.8) %</u>	
Unassigned Fund Balance						
General Fund	\$ 2,584,593	20 %	\$ 2,201,255	\$ 383,338	17.4 %	Overall expenditures under budget
Total governmental funds:						
Fund balance	<u>\$ 13,088,112</u>	100 %	<u>\$ 15,176,420</u>	<u>\$ (2,088,308)</u>	<u>(13.8) %</u>	

Village of Mukwonago

Management's Discussion and Analysis
(Unaudited)
December 31, 2022

General Fund Budgetary Highlights

The total appropriations, including those for transfers out, were \$5,473,672. Actual expenditures and transfers out were \$5,071,523, resulting in a \$402,149 favorable variance. Total revenues and other financing sources were \$5,465,479 which is \$6,784 less than the final budget. Details can be found in the required supplemental information at the back of this report.

Fire and Ambulance budgetary highlights. The total appropriations, including those for transfers out, were \$1,570,753. Actual expenditures and transfers out were \$1,524,335, resulting in a \$46,418 favorable variance. Total revenues and other financing sources were \$1,530,783, \$174,443 less than the final budget. Details can be found in the required supplemental information at the back of this report.

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 2020.

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, 2022 amounts to \$71,243,169 (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.

	Capital Assets (Net of Accumulated Depreciation)			
	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Land	\$ 1,909,628	\$ 1,909,628	\$ 601,764	\$ 601,764
Construction in progress	2,297,007	1,222,227	691,300	91,384
Land improvements	2,059,059	2,171,923	-	-
Buildings and improvements	8,832,665	9,098,268	36,704,270	37,426,787
Machinery and equipment	2,927,801	2,854,699	1,497,300	1,611,445
Roads	9,332,306	10,121,829	-	-
Storm sewers	3,516,727	3,606,875	-	-
Library collection	341,640	344,128	-	-
Intangible assets	410,649	67,097	123,365	115,115
Total	\$ 31,627,482	\$ 31,396,674	\$ 39,617,999	\$ 39,846,495

Additional information on the Village's capital assets can be found in Note 3.

Village of Mukwonago

Management's Discussion and Analysis
(Unaudited)
December 31, 2022

Long-Term Obligations

At the end of the current fiscal year, the Village had total debt outstanding of \$51,929,898. Of this amount, \$37,300,000 comprises debt backed by the full faith and credit of the government, with related premiums balance of \$1,571,972. There is \$11,820,002 of revenue bonds outstanding with related premium balance of \$645,988. The remainder of the Village's obligations represents accumulated sick pay benefits.

	Long-Term Obligations			
	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
General obligation debt	\$ 37,300,000	\$ 36,558,430	\$ -	\$ -
Premiums	1,571,972	1,815,066	645,988	709,682
Compensated absences	572,767	578,505	19,168	17,544
Net pension liability	-	-	-	-
Revenue bonds	-	-	11,820,002	12,579,839
Bond anticipation notes	-	4,225,000	-	-
Total	<u>\$ 39,444,739</u>	<u>\$ 43,177,001</u>	<u>\$ 12,485,158</u>	<u>\$ 13,307,065</u>

The net effect of all debt activity during the current year was total debt decreased by \$4,554,168.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized valuation of taxable property within the Village's jurisdiction. The current debt limitation for the Village is \$62,167,360. Total general obligation debt outstanding at year end was \$37,300,000. Additional information on the Village of Mukwonago's long-term debt can be found in Note 3.

Economic Factors and Other Budget Notes

The Village makes every attempt to balance annual operating budgets without using reserve funds. Departments are charged with keeping expenditures in line with conservative revenue forecasts 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 refunding debt in 2022, Standard & Poor's (S&P) financial rating service evaluated the Village's financial information and assigned the following rating for the new debt obligation:

- AA/Stable for the new 2022 Taxable General Obligation Refunding Bond

At the same time, S&P affirmed its 'AA' long-term rating on the Village's general obligation debt outstanding and its 'AA-' long-term rating on the Village's note anticipation note that is subject to appropriation. The outlook on all ratings is stable.

Village of Mukwonago

Management's Discussion and Analysis
(Unaudited)
December 31, 2022

Factors that contributed to the ratings include:

- Very strong budgetary flexibility with available fund balances in fiscal 2021 of 73% of operating expenditures;
- Strong management with good financial policies and practices under S&P's Financial Management Assessment (FMA) methodology:
 - 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 which is updated annually with funding sources identified;
 - Use of at least three years' of historical data for revenue and expenditure assumptions;
 - Debt management policy that provides restrictions on issuing certain debt types; and
 - General Fund policy that allots 25% of the ensuing year's budgeted expenditures for cash flow.
- Growing economic base that continues to see diversification;
- Weak debt and contingent liability profile, including elevated debt service carrying charges partly offset by the Village's rapid principal amortization.

Residential properties represent 66.56% of the tax base, commercial properties are 26.20%, manufacturing properties are 5.51% and agriculture, undeveloped and personal property tax combined are the final 1.73%. As part of its strategic plan, the Village continues to actively seek business growth to better balance the residential tax revenues.

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, Mukwonago, WI 53149.

BASIC FINANCIAL STATEMENTS

Village of MukwonagoStatement of Net Position
December 31, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 14,745,346	\$ 2,884,404	\$ 17,629,750
Receivables:			
Taxes	9,600,810	6,912	9,607,722
Accounts, net of allowance	515,625	982,584	1,498,209
Lease	-	1,630,475	1,630,475
Special assessments	16,923	-	16,923
Due from other governmental units	16,236	-	16,236
Internal balances	49,776	(49,776)	-
Inventories and prepaid items	302,972	52,940	355,912
Restricted assets:			
Cash and investments	-	2,201,277	2,201,277
Net pension asset	2,222,253	300,540	2,522,793
Capital assets:			
Land	1,909,628	601,764	2,511,392
Construction in progress	2,297,007	691,300	2,988,307
Intangible assets	-	123,365	123,365
Other capital assets, net of depreciation	27,420,847	38,201,570	65,622,417
Total assets	<u>59,097,423</u>	<u>47,627,355</u>	<u>106,724,778</u>
Deferred Outflows of Resources			
Deferred charges on refunding	-	73,230	73,230
Pension related items	4,393,240	601,364	4,994,604
Total deferred outflows of resources	<u>4,393,240</u>	<u>674,594</u>	<u>5,067,834</u>
Total assets and deferred outflows of resources	<u>63,490,663</u>	<u>48,301,949</u>	<u>111,792,612</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable and accrued liabilities	1,031,885	373,394	1,405,279
Deposits	581,270	25,000	606,270
Unearned revenue	843,315	-	843,315
Noncurrent liabilities:			
Due within one year	4,565,423	848,194	5,413,617
Due in more than one year	34,879,316	11,636,964	46,516,280
Total liabilities	<u>41,901,209</u>	<u>12,883,552</u>	<u>54,784,761</u>
Deferred Inflows of Resources			
Pension related items	5,232,804	711,790	5,944,594
Lease related	-	1,577,498	1,577,498
Unearned revenue	9,701,896	-	9,701,896
Total deferred inflows of resources	<u>14,934,700</u>	<u>2,289,288</u>	<u>17,223,988</u>
Net Position			
Net investment in capital assets	1,760,808	28,406,940	25,542,332
Restricted for:			
Debt service	465,875	70,410	536,285
Tax incremental financing	3,238,702	-	3,238,702
Pension	2,222,253	300,540	2,522,793
American rescue plan act	13,005	-	13,005
Library	276,250	-	276,250
Stormwater	47,943	-	47,943
Impact fees	343,531	4,251	347,782
Equipment replacement	-	736,750	736,750
Unrestricted (deficit)	<u>(1,713,613)</u>	<u>3,610,218</u>	<u>6,522,021</u>
Total net position	<u>\$ 6,654,754</u>	<u>\$ 33,129,109</u>	<u>\$ 39,783,863</u>

See notes to financial statements

Village of Mukwonago

Statement of Activities

Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 1,004,573	\$ 145,167	\$ 147,642	\$ -	\$ (711,764)	\$ -	\$ (711,764)
Public safety	4,359,720	1,584,126	99,008	229,321	(2,447,265)	-	(2,447,265)
Public works	3,327,135	589,844	604,611	124,196	(2,008,484)	-	(2,008,484)
Health and sanitation	2,420	-	-	-	(2,420)	-	(2,420)
Culture, recreation and education	1,617,493	53,904	681,177	76,496	(805,916)	-	(805,916)
Conservation and development	124,737	470	-	-	(124,267)	-	(124,267)
Interest and fiscal charges	1,002,080	-	-	-	(1,002,080)	-	(1,002,080)
Total governmental activities	11,438,158	2,373,511	1,532,438	430,013	(7,102,196)	-	(7,102,196)
Business-Type Activities							
Water utility	1,661,800	2,362,166	-	214,839	-	915,205	915,205
Sewer utility	2,029,718	2,058,527	-	118,882	-	147,691	147,691
Total business-type activities	3,691,518	4,420,693	-	333,721	-	1,062,896	1,062,896
Total	\$ 15,129,676	\$ 6,794,204	\$ 1,532,438	\$ 763,734	(7,102,196)	1,062,896	(6,039,300)
General Revenues							
Taxes:							
Property taxes levied for general purposes					4,100,762	-	4,100,762
Property taxes levied for debt service					2,521,365	-	2,521,365
Property taxes levied for TIF					1,565,851	-	1,565,851
Other taxes					18,078	-	18,078
Intergovernmental revenues not restricted to specific programs					448,645	-	448,645
Investment income					266,794	73,463	340,257
Miscellaneous					180,649	-	180,649
Total general revenues					9,102,144	73,463	9,175,607
Transfers					394,020	(394,020)	-
Change in net position					2,393,968	742,339	3,136,307
Net Position, Beginning					4,260,786	32,386,770	36,647,556
Net Position, Ending					\$ 6,654,754	\$ 33,129,109	\$ 39,783,863

See notes to financial statements

Village of Mukwonago

Balance Sheet -
Governmental Funds
December 31, 2022

	General Fund	Special Revenue Fund Fire and Ambulance Fund	Debt Service Fund	Capital Projects Fund Tax Incremental District No. 5 Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 4,648,599	\$ 293,996	\$ 638,726	\$ 2,396,188	\$ 2,874,520	\$ 3,893,317	\$ 14,745,346
Receivables:							
Taxes	3,208,321	605,081	2,751,048	906,641	-	2,129,719	9,600,810
Accounts, net of allowance	94,373	175,464	-	-	-	245,788	515,625
Special assessments	-	-	16,923	-	-	-	16,923
Due from other governments	-	16,236	-	-	-	-	16,236
Due from other funds	26,965	-	-	-	-	-	26,965
Advance to other fund	-	-	-	49,776	-	-	49,776
Prepaid items	57,670	7,447	-	-	-	237,855	302,972
	<u>57,670</u>	<u>7,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,855</u>	<u>302,972</u>
Total assets	<u>\$ 8,035,928</u>	<u>\$ 1,098,224</u>	<u>\$ 3,406,697</u>	<u>\$ 3,352,605</u>	<u>\$ 2,874,520</u>	<u>\$ 6,506,679</u>	<u>\$ 25,274,653</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ 155,780	\$ 15,092	\$ -	\$ 6,279	\$ 170,943	\$ 189,522	\$ 537,616
Accrued liabilities	167,863	57,430	-	-	-	29,388	254,681
Deposits	581,270	-	-	-	-	-	581,270
Due to other funds	-	26,965	-	-	-	-	26,965
Due to other governments	7,147	24,320	-	-	-	-	31,467
Unearned revenue	-	-	-	-	-	843,315	843,315
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>843,315</u>	<u>843,315</u>
Total liabilities	<u>912,060</u>	<u>123,807</u>	<u>-</u>	<u>6,279</u>	<u>170,943</u>	<u>1,062,225</u>	<u>2,275,314</u>
Deferred Inflows of Resources							
Unavailable revenue	-	174,061	35,270	-	-	-	209,331
Unearned revenue	3,232,680	651,112	2,732,701	956,417	-	2,128,986	9,701,896
	<u>3,232,680</u>	<u>651,112</u>	<u>2,732,701</u>	<u>956,417</u>	<u>-</u>	<u>2,128,986</u>	<u>9,701,896</u>
Total deferred inflows of resources	<u>3,232,680</u>	<u>825,173</u>	<u>2,767,971</u>	<u>956,417</u>	<u>-</u>	<u>2,128,986</u>	<u>9,911,227</u>
Fund Balances							
Nonspendable	57,670	7,447	-	-	-	237,855	302,972
Restricted	-	-	638,726	2,389,909	-	1,682,075	4,710,710
Committed	-	141,797	-	-	2,703,577	1,395,538	4,240,912
Assigned	1,248,925	-	-	-	-	-	1,248,925
Unassigned	2,584,593	-	-	-	-	-	2,584,593
	<u>57,670</u>	<u>7,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,855</u>	<u>302,972</u>
Total fund balances	<u>3,891,188</u>	<u>149,244</u>	<u>638,726</u>	<u>2,389,909</u>	<u>2,703,577</u>	<u>3,315,468</u>	<u>13,088,112</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,035,928</u>	<u>\$ 1,098,224</u>	<u>\$ 3,406,697</u>	<u>\$ 3,352,605</u>	<u>\$ 2,874,520</u>	<u>\$ 6,506,679</u>	<u>\$ 25,274,653</u>

See notes to financial statements

Village of Mukwonago

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2022

Total Fund Balances, Governmental Funds \$ 13,088,112

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	2,297,007
Other capital assets	49,123,095
Less accumulated depreciation/amortization	(21,702,248)

The net pension asset does not relate to current financial resources and is not reported in the governmental funds. 2,222,253

Deferred outflows of resources related to pension do not related to current financial resources and are not reported in the governmental funds. 4,393,240

Deferred inflows of resources related to pension do not related to current financial resources and are not reported in the governmental funds. (5,232,804)

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. 209,331

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	(38,871,972)
Compensated absences	(572,767)
Accrued interest	(208,121)

Net Position of Governmental Activities \$ 6,654,754

Village of Mukwonago

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year Ended December 31, 2022

	General Fund	Special Revenue Fund Fire and Ambulance Fund	Debt Service Fund	Capital Projects Fund Tax Incremental District No. 5 Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 3,024,732	\$ 194,835	\$ 2,521,365	\$ 425,570	\$ -	\$ 2,039,879	\$ 8,206,381
Special assessments	-	-	48,154	6,419	-	19,622	74,195
Intergovernmental	827,643	82,041	-	-	135,866	621,968	1,667,518
Licenses and permits	507,175	-	-	-	-	159,090	666,265
Fines, forfeitures and penalties	157,512	-	-	-	-	-	157,512
Public charges for services	35,824	966,680	-	-	-	261,611	1,264,115
Intergovernmental charges for services	241,669	234,046	-	-	-	179,911	655,626
Investment income	88,334	2,323	23,871	38,886	44,517	71,154	269,085
Other revenues	178,061	15,332	-	50,000	-	115,318	358,711
Total revenues	<u>5,060,950</u>	<u>1,495,257</u>	<u>2,593,390</u>	<u>520,875</u>	<u>180,383</u>	<u>3,468,553</u>	<u>13,319,408</u>
Expenditures							
Current:							
General government	853,478	-	-	54,624	21,585	21,425	951,112
Public safety	2,722,410	1,501,507	-	-	-	-	4,223,917
Public works	932,548	-	-	72,354	-	644,986	1,649,888
Health and human services	2,420	-	-	-	-	-	2,420
Culture, recreation and education	215,838	-	-	-	-	1,089,566	1,305,404
Conservation and development	162,612	-	-	3,033	21,179	900	187,724
Capital outlay	42,217	22,828	-	377,924	935,635	1,516,269	2,894,873
Debt service:							
Principal	-	-	2,139,982	4,666,036	-	997,412	7,803,430
Interest and fees	-	-	582,254	497,258	-	186,237	1,265,749
Total expenditures	<u>4,931,523</u>	<u>1,524,335</u>	<u>2,722,236</u>	<u>5,671,229</u>	<u>978,399</u>	<u>4,456,795</u>	<u>20,284,517</u>
Excess (deficiency) of revenues over expenditures	<u>129,427</u>	<u>(29,078)</u>	<u>(128,846)</u>	<u>(5,150,354)</u>	<u>(798,016)</u>	<u>(988,242)</u>	<u>(6,965,109)</u>
Other Financing Sources (Uses)							
Transfers in	394,020	-	150,000	-	-	140,000	684,020
Transfers out	(140,000)	-	-	-	-	(150,000)	(290,000)
Debt issued	-	-	-	4,320,000	-	-	4,320,000
Proceeds from sale of land	-	-	-	107,379	-	-	107,379
Proceeds from sale of capital assets	3,725	35,526	-	-	-	16,151	55,402
Total other financing sources (uses)	<u>257,745</u>	<u>35,526</u>	<u>150,000</u>	<u>4,427,379</u>	<u>-</u>	<u>6,151</u>	<u>4,876,801</u>
Net change in fund balances	<u>387,172</u>	<u>6,448</u>	<u>21,154</u>	<u>(722,975)</u>	<u>(798,016)</u>	<u>(982,091)</u>	<u>(2,088,308)</u>
Fund Balances, Beginning	<u>3,504,016</u>	<u>142,796</u>	<u>617,572</u>	<u>3,112,884</u>	<u>3,501,593</u>	<u>4,297,559</u>	<u>15,176,420</u>
Fund Balances, Ending	<u>\$ 3,891,188</u>	<u>\$ 149,244</u>	<u>\$ 638,726</u>	<u>\$ 2,389,909</u>	<u>\$ 2,703,577</u>	<u>\$ 3,315,468</u>	<u>\$ 13,088,112</u>

See notes to financial statements

Village of Mukwonago

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2022

Net Change in Fund Balances, Total Governmental Funds \$ (2,088,308)

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	2,894,873
Some items reported as outlay were not capitalized	(928,456)
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	71,035
Depreciation is reported in the government-wide statements	(1,758,429)
Net book value of assets retired	(48,215)

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 and ambulance bills	(44,083)
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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	(4,320,000)
Principal repaid	7,803,430

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	5,738
Accrued interest on debt	20,575
Net pension asset	532,588
Deferred inflows/outflows of resources related to pension	10,126

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

Amortization of debt premiums	243,094
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Change in Net Position of Governmental Activities \$ 2,393,968

Village of Mukwonago

Statement of Net Position -
Proprietary Funds
December 31, 2022

	Business-Type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and investments	\$ 1,331,500	\$ 1,552,904	\$ 2,884,404
Receivables:			
Accounts	525,371	457,213	982,584
Taxes	4,121	2,791	6,912
Lease, current portion	80,313	-	80,313
Inventories	34,949	-	34,949
Prepaid items	2,902	15,089	17,991
Restricted asset:			
Cash and investments	38,467	61,808	100,275
Total current assets	<u>2,017,623</u>	<u>2,089,805</u>	<u>4,107,428</u>
Noncurrent Assets			
Lease receivable	1,550,162	-	1,550,162
Restricted assets:			
Cash and investments	528,927	1,572,075	2,101,002
Net pension asset	150,823	149,717	300,540
Capital assets:			
Land	585,867	15,897	601,764
Construction in progress	3,500	687,800	691,300
Intangible assets	-	123,365	123,365
Other capital assets, net of depreciation	<u>21,628,503</u>	<u>16,573,067</u>	<u>38,201,570</u>
Total noncurrent assets	<u>24,447,782</u>	<u>19,121,921</u>	<u>43,569,703</u>
Total assets	<u>26,465,405</u>	<u>21,211,726</u>	<u>47,677,131</u>
Deferred Outflows of Resources			
Deferred charges on refunding	11,822	61,408	73,230
Pension related items	<u>294,008</u>	<u>307,356</u>	<u>601,364</u>
Total deferred outflows of resources	<u>305,830</u>	<u>368,764</u>	<u>674,594</u>

See notes to financial statements

Village of Mukwonago

Statement of Net Position -
Proprietary Funds
December 31, 2022

	Business-Type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	\$ 220,362	\$ 94,943	\$ 315,305
Accrued liabilities	12,722	15,502	28,224
Deposits	25,000	-	25,000
Advance due to other funds	49,776	-	49,776
Current portion of compensated absences	1,597	1,597	3,194
Liabilities payable from restricted assets:			
Accrued interest payable	13,302	16,563	29,865
Current portion of revenue bonds	302,017	542,983	845,000
	<u>624,776</u>	<u>671,588</u>	<u>1,296,364</u>
Total current liabilities			
Noncurrent Liabilities			
Long-term debt:			
Bonds and notes payable	4,859,052	6,761,938	11,620,990
Compensated absences	7,987	7,987	15,974
	<u>4,867,039</u>	<u>6,769,925</u>	<u>11,636,964</u>
Total noncurrent liabilities			
Total liabilities	<u>5,491,815</u>	<u>7,441,513</u>	<u>12,933,328</u>
Deferred Inflows of Resources			
Lease related	1,577,498	-	1,577,498
Pension related items	344,330	367,460	711,790
	<u>1,921,828</u>	<u>367,460</u>	<u>2,289,288</u>
Total deferred inflows of resources			
Net Position			
Net investment in capital assets	17,416,198	10,990,742	28,406,940
Restricted for:			
Equipment replacement	-	736,750	736,750
Impact fees	3,053	1,198	4,251
Pensions	150,823	149,717	300,540
Debt service	25,165	45,245	70,410
Unrestricted	1,762,353	1,847,865	3,610,218
	<u>19,357,592</u>	<u>13,771,517</u>	<u>33,129,109</u>
Total net position			

See notes to financial statements

Village of Mukwonago

Statement of Revenues, Expenses and Changes in Fund Net Position -

Proprietary Funds

Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Operating Revenues	<u>\$ 2,361,961</u>	<u>\$ 2,057,771</u>	<u>\$ 4,419,732</u>
Operating Expenses			
Operation and maintenance	846,009	1,144,420	1,990,429
Depreciation	652,743	667,250	1,319,993
Taxes	24,039	28,141	52,180
	<u>1,522,791</u>	<u>1,839,811</u>	<u>3,362,602</u>
Total operating expenses			
Operating income	<u>839,170</u>	<u>217,960</u>	<u>1,057,130</u>
Nonoperating Revenues (Expenses)			
Investment income	25,307	48,156	73,463
Miscellaneous income (expense)	205	756	961
Interest and fiscal charges	(139,009)	(189,907)	(328,916)
	<u>(113,497)</u>	<u>(140,995)</u>	<u>(254,492)</u>
Total nonoperating revenues (expense)			
Income before capital contributions and transfers	<u>725,673</u>	<u>76,965</u>	<u>802,638</u>
Capital Contributions and Transfers			
Capital contributions	214,839	118,882	333,721
Transfers in	-	10,000	10,000
Transfers out	(395,526)	(8,494)	(404,020)
	<u>(180,687)</u>	<u>120,388</u>	<u>(60,299)</u>
Total capital contributions and transfers			
Change in net position	544,986	197,353	742,339
Net Position, Beginning	<u>18,812,606</u>	<u>13,574,164</u>	<u>32,386,770</u>
Net Position, Ending	<u>\$ 19,357,592</u>	<u>\$ 13,771,517</u>	<u>\$ 33,129,109</u>

See notes to financial statements

Village of MukwonagoStatement of Cash Flows -
Proprietary Funds
Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,351,518	\$ 2,006,846	\$ 4,358,364
Paid to suppliers for goods and services	(580,102)	(899,093)	(1,479,195)
Paid to employees for services	(263,729)	(354,313)	(618,042)
Net cash flows from operating activities	1,507,687	753,440	2,261,127
Cash Flows From Investing Activities			
Investment income	25,307	48,156	73,463
Net cash flows from investing activities	25,307	48,156	73,463
Cash Flows From Noncapital Financing Activities			
Paid to municipality for tax equivalent	(385,526)	(8,494)	(394,020)
Transfers in (out)	(10,000)	10,000	-
Net cash flows from noncapital financing activities	(395,526)	1,506	(394,020)
Cash Flows From Capital and Related Financing Activities			
Debt retired	(298,962)	(460,875)	(759,837)
Interest and fees paid	(177,233)	(234,081)	(411,314)
Advance from other funds	(50,000)	-	(50,000)
Acquisition and construction of capital assets	(101,407)	(764,251)	(865,658)
Impact fees received	96,194	35,553	131,747
Net cash flows from capital and related financing activities	(531,408)	(1,423,654)	(1,955,062)
Net change in cash and cash investments	606,060	(620,552)	(14,492)
Cash and Cash Investments, Beginning	1,292,834	3,807,339	5,100,173
Cash and Cash Investments, Ending	<u>\$ 1,898,894</u>	<u>\$ 3,186,787</u>	<u>\$ 5,085,681</u>

See notes to financial statements

Village of Mukwonago

Statement of Cash Flows -

Proprietary Funds

Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Reconciliation of Operating Income			
to Net Cash Flows From Operating Activities			
Operating income	\$ 839,170	\$ 217,960	\$ 1,057,130
Miscellaneous nonoperating activities	205	756	961
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	652,743	667,250	1,319,993
Depreciation charged to other funds	32,721	(32,721)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Accounts receivable	9,608	(18,960)	(9,352)
Lease receivable	(1,630,475)	-	(1,630,475)
Materials and supplies	(4,181)	-	(4,181)
Prepaid items	639	(10,506)	(9,867)
Deferred inflow of resources	1,577,498	-	1,577,498
Accounts payable	80,653	(49,384)	31,269
Accrued liabilities	812	812	1,624
Compensated absences	(1,864)	4,620	2,756
Pension related deferrals and liabilities	(46,842)	(26,387)	(73,229)
Customer deposits	(3,000)	-	(3,000)
	<u>\$ 1,507,687</u>	<u>\$ 753,440</u>	<u>\$ 2,261,127</u>
Net cash flows from operating activities			
Reconciliation of Cash and Cash			
Equivalents to the Statement of			
Net Position, Proprietary Funds			
Cash and investments, statement of net position	\$ 1,331,500	\$ 1,552,904	\$ 2,884,404
Restricted cash and investments, statement of net position	567,394	1,633,883	2,201,277
	<u>\$ 1,898,894</u>	<u>\$ 3,186,787</u>	<u>\$ 5,085,681</u>
Cash and cash equivalents			
Noncash Capital and Related Financing Activities			
Capital contributions	\$ 118,645	\$ 83,329	
Capital assets financed through accounts payable	\$ 75,775	\$ -	
Amortization of debt premium	\$ 30,437	\$ 33,257	
Amortization of loss on refunding	\$ (2,627)	\$ (13,647)	

See notes to financial statements

Village of Mukwonago

Statement of Fiduciary Net Position
December 31, 2022

	<u>Custodial Fund</u>
	<u>Tax Collection Fund</u>
Assets	
Cash and investments	\$ 7,014,847
Taxes receivable	<u>2,340,815</u>
Total assets	<u>9,355,662</u>
Liabilities	
Accounts payable	9,235
Due to other governments	<u>9,346,427</u>
Total liabilities	<u>9,355,662</u>
Net position	<u><u>\$ -</u></u>

See notes to financial statements

Village of Mukwonago

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2022

	<u>Custodial Fund</u>
	<u>Tax Collection Fund</u>
Additions	
Tax collections	<u>\$ 7,348,248</u>
Deductions	
Payments to overlying districts	<u>7,348,248</u>
Change in fiduciary net position	-
Net Position, Beginning	<u>-</u>
Net Position, Ending	<u><u>\$ -</u></u>

Village of Mukwonago

Index to Notes to Financial Statements
December 31, 2022

	<u>Page</u>
1. Summary of Significant Accounting Policies	29
Reporting Entity	29
Government-Wide and Fund Financial Statements	29
Measurement Focus, Basis of Accounting and Financial Statement Presentation	32
Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity	33
Deposits and Investments	33
Receivables	34
Inventories and Prepaid Items	35
Restricted Assets	35
Capital Assets	35
Deferred Outflows of Resources	36
Compensated Absences	36
Long-Term Obligations/Conduit Debt	37
Leases	37
Deferred Inflows of Resources	37
Basis for Existing Rates	37
Equity Classifications	38
Pension	39
2. Stewardship, Compliance and Accountability	39
Excess Expenditures Over Appropriations	39
Limitations on the Village's Tax Levy	39
3. Detailed Notes on All Funds	40
Deposits and Investments	40
Receivables	41
Restricted Assets	42
Capital Assets	43
Interfund Receivables/Payables, Advances and Transfers	46
Long-Term Obligations	48
Lease Disclosures	51
Net Position/Fund Balances	51
4. Other Information	53
Employees' Retirement System	53
Risk Management	58
Commitments and Contingencies	58
Effect of New Accounting Standards on Current Period Financial Statements	59
Defined Contribution Pension Plan	59

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the Village of Mukwonago, Wisconsin (Village), 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).

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.

Government-Wide and Fund Financial Statements

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the Village's leasing activities. This standard was implemented January 1, 2022.

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 program revenues.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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

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

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

Debt Service Fund

Debt Service Fund is 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.

Tax Incremental District (TID) No. 5 Capital Projects Fund

Tax Incremental District (TID) No. 5 Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures outlined in the TID project plan.

Capital Projects Fund

Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned for the acquisition of land and/or major capital projects.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

Enterprise Funds

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

Special Revenue Funds are 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
American Rescue Plan Act	

Capital Project Funds

Capital Projects Funds are 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 as budgeted or as outlined in the plan for TID No. 4

Capital Equipment	Tax Incremental District (TID) No. 3
Community Development	Tax Incremental District (TID) No. 4

In addition, the Village reports the following fund types:

Custodial Fund

Custodial Fund is used to account for and report assets controlled and the assets are for the benefit of individuals, private organizations and/or other governmental units.

Tax Collection Fund

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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 utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the 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, 2022, there were \$1,330,061 of anticipated future assessments. These are not reported as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

Village of Mukwonago

Notes to Financial Statements

December 31, 2022

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

The proprietary funds distinguish operating revenues and expenses from 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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

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.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- 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.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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. 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.

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, 2022, 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 3 for further information.

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 county government as well as the local school district, Phantom Lakes Management district and the 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 fiduciary net position.

Property tax calendar - 2022 tax roll:

Lien date and levy date	December 2022
Tax bills mailed	December 2022
Payment in full, or	January 31, 2023
First installment due	January 31, 2023
Second installment due	July 31, 2023
Personal property taxes in full	January 31, 2023
Tax sale, 2022 delinquent real estate taxes	October 2025

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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.

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, committed or assigned fund balance account, if the funds will ultimately be restricted, committed or assigned when the advance is repaid.

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.

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.

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment (including right-to-use lease assets), 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 cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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. 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.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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:

	<u>Years</u>
Buildings	50
Land improvements	20-50
Machinery and equipment	3-25
Utility system	3-77
Infrastructure	20-50
Intangible assets	8-10
Library collection	5-10

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.

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.

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. Eligible employees who have attained 15 years of full-time service are eligible for a prorated payout. Employees may accumulate a maximum of 120 days of sick leave. The accumulated sick leave benefit is only available to full time employees who started prior to January 1, 2014. Employees hired on or after that date do not get a payout.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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, 2022, are determined on the basis of current salary rates and include salary related payments.

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. In 2018, the Village issued an industrial revenue bond in the amount of \$3,836,755; the principal balances at December 31, 2022 was \$3,810,785.

Leases

The Village is a lessor because it leases capital assets to other entities. As a lessor, the Village reports a lease receivable and corresponding deferred inflow of resources in both the fund financial statements and the government-wide financial statements. The Village continues to report and depreciate the capital assets being leased as capital assets of the primary government.

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.

Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin on November 30, 2021.

Sewer Utility

Current sewer rates were approved by the Village Board on November 17, 2021. New sewer rates for 2023 sewer billings were approved by the Village Board on December 21, 2022.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

Equity Classifications

Government-Wide Financial 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	\$ 1,760,808	\$ 28,406,940	\$ (4,625,416)	\$ 25,542,332
Unrestricted (deficit)	(1,713,613)	3,610,218	4,625,416	6,522,021

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 Financial 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.
- 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.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

- 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, 2022, the Village's unassigned fund balance was \$2,584,593 which exceeded the required fund balance of \$1,455,802.

See Note 3 for further information.

Pension

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

2. Stewardship, Compliance and Accountability

Excess Expenditures Over Appropriations

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.

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 net new construction or 0%. 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
December 31, 2022

3. Detailed Notes on All Funds

Deposits and Investments

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

	<u>Carrying Value</u>	<u>Statement Balance</u>	<u>Associated Risks</u>
Deposits	\$ 7,011,826	\$ 6,989,182	Custodial credit
LGIP	19,833,648	19,833,648	Credit
Petty cash	400	-	N/A
	<u> </u>	<u> </u>	
Total deposits and investments	<u>\$ 26,845,874</u>	<u>\$ 26,822,830</u>	
Reconciliation to financial statements:			
Per statement of net position:			
Unrestricted cash and investment	\$ 17,629,750		
Restricted cash and investment	2,201,277		
Per statement of assets and liabilities:			
Custodial fund	<u>7,014,847</u>		
	<u> </u>		
Total deposits and investments	<u>\$ 26,845,874</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are 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, 2022, the banks had pledged various government securities in the amount of \$4,707,837 to secure the Village's deposits.

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.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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

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

Receivables

All of the receivables on the balance sheet are expected to be collected within one year except for \$16,923 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:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 9,581,730	\$ -
Educational reimbursement receivable	24,359	-
Grant drawdowns prior to meeting all eligibility requirements	843,315	
Ambulance receivable	-	174,061
ProHealth contribution to offset lost revenues	46,031	-
Water impact fees for TID No. 5 Project	49,776	-
Special assessments not yet due	-	16,923
Special assessments principal and interest on tax roll	-	18,347
	<hr/>	<hr/>
Total unearned/unavailable revenue for governmental funds	<u>\$ 10,545,211</u>	<u>\$ 209,331</u>
Unearned revenue included in liabilities	\$ 843,315	
Unearned revenue included in deferred inflows	<u>9,701,896</u>	
Total unearned revenue for governmental funds	<u>\$ 10,545,211</u>	

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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.

Net Pension Asset

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

Following is a list of restricted assets as of December 31, 2022:

	Restricted Assets
Water redemption, current	\$ 38,467
Water reserve	525,874
Water impact fee	3,053
Sewer redemption, current	61,808
Sewer reserve	834,127
Sewer impact fee	1,198
Equipment replacement	736,750
Net pension asset	<u>2,522,793</u>
Total	<u><u>\$ 4,724,070</u></u>

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

Capital Assets

Capital asset activity for the year ended December 31, 2022 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	1,222,226	1,074,781	-	2,297,007
Total capital assets not being depreciated	3,131,854	1,074,781	-	4,206,635
Capital assets being depreciated/amortized:				
Land improvements	2,854,160	-	-	2,854,160
Buildings	12,720,145	21,946	-	12,742,091
Machinery and equipment	5,683,501	486,514	232,823	5,937,192
Roads	21,785,752	-	-	21,785,752
Storm sewers	4,507,413	-	-	4,507,413
Library collection	742,419	80,709	95,454	727,674
Intangible assets	195,311	373,502	-	568,813
Total capital assets being depreciated/amortized	48,488,701	962,671	328,277	49,123,095
Total capital assets	51,620,555	2,037,452	328,277	53,329,730
Less accumulated depreciation/amortization for:				
Land improvements	(682,237)	(112,864)	-	(795,101)
Buildings	(3,621,877)	(287,549)	-	(3,909,426)
Machinery and equipment	(2,828,801)	(365,198)	184,608	(3,009,391)
Roads	(11,663,923)	(789,523)	-	(12,453,446)
Storm sewers	(900,538)	(90,148)	-	(990,686)
Library collections	(398,291)	(83,197)	95,454	(386,034)
Intangible assets	(128,214)	(29,950)	-	(158,164)
Total accumulated depreciation/amortization	(20,223,881)	(1,758,429)	280,062	(21,702,248)
Net capital assets being depreciated/amortized	28,264,820	(795,758)	48,215	27,420,847
Total governmental activities capital assets, net of accumulated depreciation/amortization	\$ 31,396,674	\$ 279,023	\$ 48,215	\$ 31,627,482

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities

General government	\$ 77,577
Public safety	298,638
Public works, which includes depreciation of infrastructure	1,036,734
Culture, recreation and education	<u>345,480</u>
Total governmental activities depreciation/ amortization expense	<u>\$ 1,758,429</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
Sewer				
Capital assets not being depreciated:				
Land	\$ 15,897	\$ -	\$ -	\$ 15,897
Intangible assets	115,115	8,250	-	123,365
Construction in progress	<u>91,384</u>	<u>596,416</u>	<u>-</u>	<u>687,800</u>
Total capital assets not being depreciated	<u>222,396</u>	<u>604,666</u>	<u>-</u>	<u>827,062</u>
Capital assets being depreciated:				
Buildings and improvements	26,760,017	233,489	22,482	26,971,024
Machinery and equipment	<u>2,059,294</u>	<u>19,475</u>	<u>13,798</u>	<u>2,064,971</u>
Total capital assets being depreciated	<u>28,819,311</u>	<u>252,964</u>	<u>36,280</u>	<u>29,035,995</u>
Total capital assets	<u>29,041,707</u>	<u>857,630</u>	<u>36,280</u>	<u>29,863,057</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,978,730)	(581,959)	22,482	(10,538,207)
Machinery and equipment	<u>(1,875,899)</u>	<u>(52,570)</u>	<u>3,748</u>	<u>(1,924,721)</u>
Total accumulated depreciation	<u>(11,854,629)</u>	<u>(634,529)</u>	<u>26,230</u>	<u>(12,462,928)</u>
Net capital assets being depreciated	<u>16,964,682</u>	<u>(381,565)</u>	<u>10,050</u>	<u>16,573,067</u>
Net sewer capital assets	<u>\$ 17,187,078</u>	<u>\$ 223,101</u>	<u>\$ 10,050</u>	<u>\$ 17,400,129</u>

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
Water				
Capital assets not being depreciated:				
Land	\$ 585,867	\$ -	\$ -	\$ 585,867
Construction in progress	-	3,500	-	3,500
Total capital assets not being depreciated	<u>585,867</u>	<u>3,500</u>	<u>-</u>	<u>589,367</u>
Capital assets being depreciated:				
Buildings and improvements	26,926,226	126,120	4,521	27,047,825
Machinery and equipment	3,333,878	114,297	3,791	3,444,384
Total capital assets being depreciated	<u>30,260,104</u>	<u>240,417</u>	<u>8,312</u>	<u>30,492,209</u>
Total capital assets	<u>30,845,971</u>	<u>243,917</u>	<u>8,312</u>	<u>31,081,576</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,280,726)	(500,167)	4,521	(6,776,372)
Machinery and equipment	(1,905,828)	(185,297)	3,791	(2,087,334)
Total accumulated depreciation	<u>(8,186,554)</u>	<u>(685,464)</u>	<u>8,312</u>	<u>(8,863,706)</u>
Net capital assets being depreciated	<u>22,073,550</u>	<u>(445,047)</u>	<u>-</u>	<u>21,628,503</u>
Net water capital assets	<u>\$ 22,659,417</u>	<u>\$ (441,547)</u>	<u>\$ -</u>	<u>\$ 22,217,870</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 39,846,495</u>	<u>\$ (218,446)</u>	<u>\$ 10,050</u>	<u>\$ 39,617,999</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities

Sewer	\$ 634,529
Water	<u>685,464</u>
Total business-type activities depreciation expense	<u>\$ 1,319,993</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
December 31, 2022

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
General Fund	Special Revenue Fund, Fire and Ambulance Fund	\$ 26,965
Less fund eliminations		(26,965)
Plus advances		49,776
Total internal balances, government-wide statement of net position		<u>\$ 49,776</u>
Receivable Fund	Payable Fund	Amount
Governmental activities	Business-type activities	\$ 49,776
Business-type activities	Governmental activities	-
Total government-wide financial statements		<u>\$ 49,776</u>

All amounts are due in more than 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.

Advances

The Capital Projects Fund - Tax Increment District No. 5 Fund advanced funds to the Water Utility Fund for the installation of a booster pump and water main oversizing, the cost of which will be recovered through current and future impact fees.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Due Within One Year
Capital Projects Fund, Tax Increment District No. 5	Water Utility	\$ 49,776	\$ -
Total fund financial statements		49,776	
Less fund eliminations		-	
Total interfund advances, government-wide statement of net position		<u>\$ 49,776</u>	

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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	\$ 8,494	Payment in lieu of taxes
General Fund	Water Utility	385,526	Payment in lieu of taxes
Debt Service Fund	Special Revenue Fund, Impact Fee Fund	150,000	To fund debt service
Capital Equipment Fund	General Fund	140,000	Use of reserves for new ambulance
Sewer Utility	Water Utility	<u>10,000</u>	To pay for rental cost of equipment
Total fund financial statements		694,020	
Less fund eliminations		<u>300,000</u>	
Total transfers, government-wide statement of activities		<u>\$ 394,020</u>	
<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	
Governmental activities	Business-type activities	\$ 394,020	
Business-type activities	Governmental activities	<u>-</u>	
Total government-wide financial statements		<u>\$ 394,020</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

December 31, 2022

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 36,558,430	\$ 4,320,000	\$ 3,578,430	\$ 37,300,000	\$ 4,470,000
Bond anticipation notes	4,225,000	-	4,225,000	-	-
Premiums	1,815,066	-	243,094	1,571,972	-
	<u>42,598,496</u>	<u>4,320,000</u>	<u>8,046,524</u>	<u>38,871,972</u>	<u>4,470,000</u>
Total bonds and notes payable					
Other liabilities:					
Compensated absences	578,505	-	5,738	572,767	95,423
	<u>578,505</u>	<u>-</u>	<u>5,738</u>	<u>572,767</u>	<u>95,423</u>
Total governmental activities long-term liabilities					
	<u>\$ 43,177,001</u>	<u>\$ 4,320,000</u>	<u>\$ 8,052,262</u>	<u>\$ 39,444,739</u>	<u>\$ 4,565,423</u>
Business-Type Activities					
Bonds and notes payable:					
Revenue bonds	\$ 12,579,839	\$ -	\$ 759,837	\$ 11,820,002	\$ 845,000
Premiums	709,682	-	63,694	645,988	-
	<u>13,289,521</u>	<u>-</u>	<u>823,531</u>	<u>12,465,990</u>	<u>845,000</u>
Total bonds and notes payable					
Other liabilities:					
Compensated absences	17,544	1,624	-	19,168	3,194
	<u>17,544</u>	<u>1,624</u>	<u>-</u>	<u>19,168</u>	<u>3,194</u>
Total business-type activities long-term liabilities					
	<u>\$ 13,307,065</u>	<u>\$ 1,624</u>	<u>\$ 823,531</u>	<u>\$ 12,485,158</u>	<u>\$ 848,194</u>

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, 2022, was \$62,167,360. Total general obligation debt outstanding at year-end was \$37,300,000.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

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.

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/22
GO Refunding Bonds (TID #3)	11/01/2012	10/01/2026	1.0-2.5%	\$ 3,620,000	\$ 1,150,000
GO Promissory Note	04/01/2015	04/01/2025	1.0-3.0	6,785,000	3,235,000
GO Promissory Note	07/06/2016	10/01/2026	2.00	3,100,000	1,450,000
GO Promissory Note	11/01/2017	10/01/2026	2.0-3.0	1,400,000	1,000,000
GO Promissory Note	06/01/2018	10/01/2026	3.0-3.25	2,145,000	1,400,000
GO Refunding Bonds	09/05/2018	12/01/2026	2.0-3.5	5,375,000	2,450,000
GO Taxable Refunding Bonds	02/20/2019	03/01/2026	3.0-4.0	2,375,000	1,325,000
GO Promissory Note	02/20/2019	03/01/2028	2.0-3.5	4,225,000	3,775,000
GO Taxable Note	06/17/2020	06/01/2030	1.25-2.2	1,240,000	1,115,000
GO Promissory Note	06/17/2020	06/01/2030	1.0-3.0	4,590,000	4,590,000
GO Refunding Note (TID #5)	05/19/2021	06/01/2037	2.0-4.0	7,165,000	6,790,000
GO Promissory Note	05/19/2021	04/01/2031	2.0-4.0	5,000,000	4,700,000
GO Refunding Note (TID #5)	11/01/2022	06/01/2038	4.4-5.1	4,320,000	4,320,000
Total government activities general obligation debt					<u>\$ 37,300,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities	
	Principal	Interest
2023	\$ 4,470,000	\$ 1,098,522
2024	4,450,000	956,646
2025	4,705,000	829,305
2026	4,185,000	699,301
2027	3,325,000	557,695
2028-2032	11,625,000	1,466,874
2033-2037	4,160,000	503,428
2038	380,000	9,690
Total	<u>\$ 37,300,000</u>	<u>\$ 6,121,461</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 2033. Annual principal and interest payments on the bonds are expected to require 53% of net revenues. The total principal and interest remaining to be paid on the bonds is \$14,245,150. Principal and interest paid for the current year and total customer revenues were \$1,171,150 and \$2,451,547 respectively.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

Revenue debt payable at December 31, 2022, consists of the following:

Business-Type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/22</u>
Sewer Utility					
Revenue Bonds	07/06/2016	12/01/2029	2.00-3.00%	\$ 3,596,423	\$ 2,572,649
Revenue Bonds	06/01/2018	12/01/2033	4.00%	1,095,000	975,000
Revenue Bonds	09/02/2021	12/01/2033	1.50-3.00%	3,530,577	3,317,667
				Total Sewer Utility	6,865,316
Water Utility					
Revenue Bonds	07/06/2016	12/01/2029	2.00-3.00%	1,848,577	1,322,353
Revenue Bonds	06/01/2018	12/01/2033	4.00%	2,555,000	2,275,000
Revenue Bonds	09/02/2021	12/01/2033	1.50-3.00%	1,444,423	1,357,333
				Total Water Utility	4,954,686
				Total business-type activities, revenue debt	\$ 11,820,002

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 845,000	\$ 358,300
2024	835,000	335,150
2025	915,000	311,200
2026	975,000	290,250
2027	1,075,000	268,250
2028-2032	5,925,000	818,500
2033	1,250,002	43,500
Total	\$ 11,820,002	\$ 2,425,150

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The liabilities are attributable to both governmental and business-type activities will be liquidated primarily by the general fund and utilities.

Current Refunding

On November 1, 2022, the Village issued \$4,320,000 in general obligation bonds with an average coupon rate of 4.915% to refund \$4,225,000 of outstanding bond anticipation notes with an average coupon rate of 3.875%. The proceeds of the debt were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$4,295,945 for 2022. The cash flow requirement of the 2022 G.O. refunding bonds is \$6,251,654 from 2022 through 2038. The current refunding resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$18,389.

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

Lease Disclosures

Lessor – Lease Receivables

Business Type Activities

<u>Lease Receivables Description</u>	<u>Date of Inception</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 12/31/2022</u>
Crown Castle	10/13/10	10/13/37	4.00%	\$ 267,521
US Cellular	02/01/22	02/01/42	3.50	376,207
T-Mobile	03/06/07	02/28/32	4.00	255,360
Verizon	04/01/22	03/31/27	4.50	273,559
AT&T	08/01/21	07/27/41	3.50	222,496
Sprint	05/17/21	05/16/36	4.00	224,604
Total				<u>\$ 1,619,747</u>

The balance shown in the Statement of Net Position for the Proprietary Funds includes accrued interest of \$10,728 related to a lease payment that was not received during 2022.

The Village recognized \$75,898 of principal and \$96,652 of interest revenue during the fiscal year.

Net Position/Fund Balances

Net position reported on the government-wide statement of net position on December 31, 2022 includes the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 1,909,628
Construction in progress	2,297,007
Other capital assets, net of accumulated depreciation	27,420,847
Less long-term debt outstanding, including premiums	(38,871,972)
Plus:	
Unspent capital related debt proceeds	1,149,436
Noncapital debt outstanding	<u>7,855,862</u>
Total net investment in capital assets	<u>1,760,808</u>

Restricted for:

Debt service	465,875
Pension	2,222,253
American rescue plan act	13,005
TID #3	767,347
TID #4	204,833
TID #5	2,266,522
Impact fees	343,531
Stormwater	47,943
Library	<u>276,250</u>

Total restricted 6,607,559

Unrestricted (deficit) (1,713,613)

Total governmental activities net position \$ 6,654,754

Village of Mukwonago

Notes to Financial Statements
December 31, 2022

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2022 include the following:

	Special Revenue Fund		Capital Project Funds			Nonmajor Governmental Funds	Total
	General Fund	Fire and Ambulance Fund	Debt Service Fund	Tax Incremental District No. 5 Fund	Capital Projects Fund		
Fund Balances							
Nonspendable:							
Prepaid items	\$ 57,670	\$ 7,447	\$ -	\$ -	\$ -	\$ 237,855	\$ 302,972
Restricted for:							
Debt services	-	-	638,726	906,641	-	1,006,981	2,552,348
Capital projects	-	-	-	1,483,268	-	-	1,483,268
Impact fees	-	-	-	-	-	343,531	343,531
Stormwater	-	-	-	-	-	47,943	47,943
Library	-	-	-	-	-	270,615	270,615
American Rescue Plan Act	-	-	-	-	-	13,005	13,005
Committed to:							
Fire & ambulance	-	141,797	-	-	-	-	141,797
Revolving loan	-	-	-	-	-	140,482	140,482
Capital equipment	-	-	-	-	-	313,910	313,910
Recycling	-	-	-	-	-	127,557	127,557
Capital projects	-	-	-	-	2,703,577	-	2,703,577
Parkland site	-	-	-	-	-	240,230	240,230
Development	-	-	-	-	-	573,359	573,359
Assigned to:							
Accrued sick pay	423,281	-	-	-	-	-	423,281
Ambulance	168,131	-	-	-	-	-	168,131
Other	657,513	-	-	-	-	-	657,513
Unassigned	2,584,593	-	-	-	-	-	2,584,593
Total fund balance	<u>\$ 3,891,188</u>	<u>\$ 149,244</u>	<u>\$ 638,726</u>	<u>\$ 2,389,909</u>	<u>\$ 2,703,577</u>	<u>\$ 3,315,468</u>	<u>\$ 13,088,112</u>

Village of Mukwonago

Notes to Financial Statements

December 31, 2022

Business-Type Activities

Net investment in capital assets:	
Land and intangibles	\$ 725,129
Construction in progress	691,300
Other capital assets, net of accumulated depreciation	38,201,570
Less long-term debt outstanding, including premiums	(12,465,990)
Less capital related accounts payable	(178,299)
Plus:	
Noncapital debt proceeds	1,360,000
Deferred charge on refunding	73,230
Total net investment in capital assets	<u>28,406,940</u>
Restricted for:	
Debt service	70,410
Equipment replacement	736,750
Impact fees	4,251
Pension	300,540
Total restricted	<u>1,111,951</u>
Unrestricted	<u>3,610,218</u>
Total business-type activities net position	<u>\$ 33,129,109</u>

4. Other Information

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, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR) and Wisconsin Retirement System Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Vesting

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

Village of Mukwonago

Notes to Financial Statements

December 31, 2022

Benefits Provided

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

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

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

The WRS also provides death and disability benefits for employees.

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>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2012	(7.0)%	(7)%
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21
2021	5.1	13

Village of Mukwonago

Notes to Financial Statements

December 31, 2022

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. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee category. 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 \$366,650 in contributions from the Village.

Contribution rates for the plan year reported as of December 31, 2022 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (executives & elected officials)	6.75 %	6.75 %
Protective with Social Security	6.75 %	11.75 %
Protective without Social Security	6.75 %	16.35 %

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

At December 31, 2022, the Village reported an asset of \$2,522,793 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. 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 asset was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the Village's proportion was 0.03129945%, which was an increase of 0.00054090% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the Village recognized pension expense (revenue) of \$(203,242).

At December 31, 2022, 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	\$ 4,075,445	\$ 293,883
Changes in assumption	470,666	-
Net differences between projected and actual earnings on pension plan investments	-	5,643,698
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,271	7,013
Employer contributions subsequent to the measurement date	441,222	-
Total	<u>\$ 4,994,604</u>	<u>\$ 5,944,594</u>

Village of Mukwonago

Notes to Financial Statements

December 31, 2022

\$441,222 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 asset in the year ended December 31, 2023. 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>Years Ending December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2023	\$ (117,945)
2024	(682,863)
2025	(300,858)
2026	(289,546)

Actuarial Assumptions

The total pension asset in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Asset	December 31, 2021
Experience Study:	January 1, 2018 – December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-Retirement Adjustments*:	1.7%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The Total Pension Asset for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

Village of Mukwonago

Notes to Financial Statements

December 31, 2022

Long-Term Expected Return on Plan Assets

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

Asset Allocation Targets and Expected Returns¹ As of December 31, 2021

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %²
Global Equities	52%	6.8%	4.2%
Fixed Income	25	4.3	1.8
Inflation Sensitive	19	2.7	0.2
Real Estate	7	5.6	3
Private Equity/Debt	12	9.7	7
Total Core Fund ³	115	6.6	4
Variable Fund Asset			
U.S. Equities	70	6.3	3.7
International Equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

¹Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

²New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

³The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used subject to an allowable range up to 20%

Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension asset, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 1.84%. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's *20-year Municipal GO AA Index* as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 investment 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
December 31, 2022

Sensitivity of the Village's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Village's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.8%, as well as what the Village's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	<u>1% Decrease to Discount Rate (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase to Discount Rate (7.8%)</u>
Village's proportionate share of the net pension asset (liability)	<u>\$ (1,790,100)</u>	<u>\$ 2,522,793</u>	<u>\$ 5,627,274</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/about-etf/reports-and-studies/financial-reports-and-statements>.

At December 31, 2022, the Village reported a payable to the pension plan of \$60,089, which represents contractually required contributions outstanding as of the end of the year.

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.

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

December 31, 2022

Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- *Statement No. 99, Omnibus 2022*
- *Statement No. 100, Accounting Changes and Error Corrections - an Amendment to GASB Statement No. 62*
- *Statement No. 101, Compensated Absences*

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

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 Mission Square Retirement 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, 2022, the total amount contributed was \$135,600. Of this amount, \$56,351 was contributed by the employer and \$79,249 was contributed by the employee. Total contributions for the years ending December 31, 2021 and 2020 were \$106,316 and \$101,999 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
Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,019,518	\$ 3,019,518	\$ 3,024,732	\$ 5,214
Intergovernmental	847,509	847,509	827,643	(19,866)
Licenses and permits	514,925	514,925	507,175	(7,750)
Fines, forfeitures and penalties	173,000	173,000	157,512	(15,488)
Public charges for services	34,000	34,000	35,824	1,824
Interdepartmental charges for services	200,701	200,701	241,669	40,968
Investment income	11,430	75,374	88,334	12,960
Other revenues	150,750	173,393	178,061	4,668
Total revenues	4,951,833	5,038,420	5,060,950	22,530
Expenditures				
Current:				
General government	978,811	978,811	853,478	125,333
Public safety	2,847,392	2,875,329	2,722,410	152,919
Public works	1,015,946	1,008,805	932,548	76,257
Health and sanitation	2,550	2,550	2,420	130
Culture, recreation and education	208,271	208,271	215,838	(7,567)
Conservation and development	217,506	217,506	162,612	54,894
Capital outlay	-	42,400	42,217	183
Total expenditures	5,270,476	5,333,672	4,931,523	402,149
Excess (deficiency) of revenues over (under) expenditures	(318,643)	(295,252)	129,427	424,679
Other Financing Sources (Uses)				
Transfers in	423,334	423,334	394,020	(29,314)
Transfers out	(140,000)	(140,000)	(140,000)	-
Proceeds from sale of capital assets	-	3,725	3,725	-
Total other financing sources (uses)	283,334	287,059	257,745	(29,314)
Net change in fund balance	\$ (35,309)	\$ (8,193)	387,172	\$ 395,365
Fund Balance, Beginning			3,504,016	
Fund Balance, Ending			\$ 3,891,188	

See notes to required supplementary information

Village of Mukwonago

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget to Actual - Fire and Ambulance Special Revenue Fund
Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 194,835	\$ 194,835	\$ 194,835	\$ -
Intergovernmental	47,000	81,444	82,041	597
Public charges for services	1,042,095	1,146,064	966,680	(179,384)
Intergovernmental charges for services	231,835	231,835	234,046	2,211
Investment income	270	270	2,323	2,053
Miscellaneous	-	15,252	15,332	80
Total revenues	<u>1,516,035</u>	<u>1,669,700</u>	<u>1,495,257</u>	<u>(174,443)</u>
Expenditures				
Current:				
Public safety	1,488,438	1,490,623	1,501,507	(10,884)
Capital outlay	<u>38,000</u>	<u>50,130</u>	<u>22,828</u>	<u>27,302</u>
Total expenditures	<u>1,526,438</u>	<u>1,540,753</u>	<u>1,524,335</u>	<u>16,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,403)</u>	<u>128,947</u>	<u>(29,078)</u>	<u>(158,025)</u>
Other Financing Sources (Uses)				
Transfers out	(30,000)	(30,000)	-	30,000
Proceeds from sale of capital assets	<u>-</u>	<u>35,526</u>	<u>35,526</u>	<u>-</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>5,526</u>	<u>35,526</u>	<u>30,000</u>
Net change in fund balance	<u>\$ (40,403)</u>	<u>\$ 134,473</u>	<u>6,448</u>	<u>\$ (128,025)</u>
Fund Balance, Beginning			<u>142,796</u>	
Fund Balance, Ending			<u>\$ 149,244</u>	

See notes to required supplementary information

Village of Mukwonago

Schedule of Proportionate Share of the Net Pension Liability (Asset) -
 Wisconsin Retirement System
 Year Ended December 31, 2022

WRS Fiscal Year End	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
12/31/2014	0.02673391000 %	\$ (656,658)	\$ 3,077,565	21.34 %	102.74 %
12/31/2015	0.02656806000	431,726	3,289,656	13.12	98.20
12/31/2016	0.02713326000	223,643	3,387,425	6.60	99.12
12/31/2017	0.02857825000	(848,522)	3,605,474	23.53	102.93
12/31/2018	0.02946065000	1,048,117	3,617,138	28.98	96.45
12/31/2019	0.03028683000	(976,585)	3,877,945	25.18	102.96
12/31/2020	0.03075855000	(1,920,298)	4,038,150	47.55	105.26
12/31/2021	0.03129945000	(2,522,793)	4,038,001	62.48	106.02

Schedule of Employer Contributions
 Wisconsin Retirement System
 Year Ended December 31, 2022

Village Fiscal Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 333,545	\$ 333,545	\$ -	\$ 3,289,656	10.14 %
12/31/2016	309,468	309,468	-	3,387,425	9.14
12/31/2017	347,820	347,820	-	3,605,475	9.65
12/31/2018	360,953	360,953	-	3,617,356	9.98
12/31/2019	369,628	369,628	-	3,877,945	9.53
12/31/2020	409,624	409,624	-	4,038,150	10.14
12/31/2021	412,701	412,701	-	4,038,001	10.22
12/31/2022	441,222	441,222	-	4,287,032	10.29

See notes to required supplementary information

Village of Mukwonago

Notes to Required Supplementary Information
Year Ended December 31, 2022

1. 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.

2. 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 WRS.

Changes in assumptions. Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

SUPPLEMENTARY INFORMATION

Village of Mukwonago

Detailed Schedule of Revenues - Budget to Actual -

General Fund

Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Taxes				
General property taxes	\$ 3,006,389	\$ 3,006,389	\$ 3,006,328	\$ (61)
Public accommodation (room) taxes	13,129	13,129	18,078	4,949
Interest and penalties on taxes	-	-	326	326
Total taxes	<u>3,019,518</u>	<u>3,019,518</u>	<u>3,024,732</u>	<u>5,214</u>
Intergovernmental Revenues				
State shared revenues	211,352	211,352	196,517	(14,835)
Exempt computer and personal property aid	53,832	53,832	52,707	(1,125)
State aid, law enforcement improvements	6,000	6,000	2,400	(3,600)
State aid, general transportation aids	574,940	574,940	573,348	(1,592)
Other state payments	1,385	1,385	2,671	1,286
Total intergovernmental revenues	<u>847,509</u>	<u>847,509</u>	<u>827,643</u>	<u>(19,866)</u>
Licenses and Permits				
Other regulatory permits and fees	700	700	476	(224)
Liquor and malt beverage	16,400	16,400	27,934	11,534
Operators' licenses	8,800	8,800	8,518	(282)
Cigarette licenses	1,500	1,500	1,600	100
Cable television franchise fees	72,000	72,000	80,786	8,786
Bicycle licenses	-	-	33	33
Dog and cat licenses	2,150	2,150	1,726	(424)
Nonbusiness licenses	2,766	2,766	2,725	(41)
Other permits	38,873	38,873	28,705	(10,168)
Building permits	195,014	195,014	173,220	(21,794)
Electrical permits	40,000	40,000	39,297	(703)
Plumbing permits	33,000	33,000	35,555	2,555
Occupancy permits	14,000	14,000	20,502	6,502
Zoning permits and fees	25,000	25,000	21,935	(3,065)
Plan review fees	30,000	30,000	20,835	(9,165)
Heating and air conditioning permits	34,722	34,722	43,328	8,606
Total licenses and permits	<u>514,925</u>	<u>514,925</u>	<u>507,175</u>	<u>(7,750)</u>

Village of Mukwonago

Detailed Schedule of Revenues - Budget to Actual -

General Fund

Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fines, Forfeitures and Penalties				
Court fines	\$ 158,000	\$ 158,000	\$ 147,780	\$ (10,220)
Parking violations	15,000	15,000	9,732	(5,268)
Total fines, forfeitures and penalties	173,000	173,000	157,512	(15,488)
Public Charges for Services				
Publication fees	603	603	675	72
Photocopies	4,161	4,161	4,520	359
Treasurer's fees	8,136	8,136	5,986	(2,150)
Law enforcement fees	3,600	3,600	3,398	(202)
Fire protection fees	15,000	15,000	19,295	4,295
Other public charges for services	2,500	2,500	1,950	(550)
Total public charges for services	34,000	34,000	35,824	1,824
Intergovernmental Charges for Services				
Local, law enforcement services	192,968	192,968	229,862	36,894
Local, other services	7,733	7,733	11,807	4,074
Total intergovernmental charges for services	200,701	200,701	241,669	40,968
Investment Income				
Investment income	11,430	75,374	88,334	12,960
Other Revenues				
Rent	20,750	20,750	23,976	3,226
Miscellaneous revenue	5,000	5,000	6,442	1,442
Donations	125,000	147,643	147,643	-
Total other revenues	150,750	173,393	178,061	4,668
Total revenues	\$ 4,951,833	\$ 5,038,420	\$ 5,060,950	\$ 22,530

Village of Mukwonago

Detailed Schedule of Expenditures - Budget to Actual -

General Fund

Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Current				
General government:				
Village board	\$ 67,713	\$ 67,713	\$ 50,240	\$ 17,473
Historical preservation commission	290	290	12	278
Municipal court	37,954	37,954	37,732	222
Village attorney	118,750	118,750	110,388	8,362
Village administrator	180,709	180,709	156,520	24,189
Village clerk/treasurer	249,528	249,528	230,001	19,527
Elections	26,900	26,900	20,652	6,248
Finance dept	69,428	69,428	51,751	17,677
Information technology	15,000	15,000	10,526	4,474
Independent audit	14,000	14,000	9,836	4,164
Assessment of property	20,550	20,550	22,436	(1,886)
Risk and property insurance	128,103	128,103	100,008	28,095
Village hall	48,836	48,836	53,120	(4,284)
Board of appeals	1,050	1,050	256	794
Total general government	978,811	978,811	853,478	125,333
Public safety:				
Police department	2,543,661	2,564,457	2,449,533	114,924
Building inspection	282,221	282,221	240,988	41,233
Emergency government	2,000	2,000	834	1,166
Fire station	11,075	11,075	12,947	(1,872)
Dam	8,435	15,576	18,108	(2,532)
Total public safety	2,847,392	2,875,329	2,722,410	152,919
Public works:				
Engineering	75,000	71,080	59,783	11,297
Public works administration	356,588	353,367	334,800	18,567
Machinery operation and maintenance	113,045	113,045	128,140	(15,095)
Garage and sheds	65,256	65,256	65,829	(573)
Curb and gutter	25,631	25,631	23,865	1,766
Garbage collection	3,664	3,664	5,697	(2,033)
Street signs	16,297	16,297	15,308	989
Bridges, culverts and rivers	2,550	2,550	-	2,550
Street cleaning	16,672	16,672	17,327	(655)
Snow and ice control	122,249	122,249	93,346	28,903
Alleys and local purpose roads	22,024	22,024	15,589	6,435
Street lighting	180,500	180,500	165,487	15,013
Storm sewer maintenance	16,470	16,470	7,377	9,093
Total public works	1,015,946	1,008,805	932,548	76,257

Village of Mukwonago

Detailed Schedule of Expenditures - Budget to Actual -

General Fund

Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Health and human services:				
Public health services	\$ 2,550	\$ 2,550	\$ 2,420	\$ 130
Culture, recreation and education:				
Museum	12,600	12,600	11,780	820
Parks	187,471	187,471	191,788	(4,317)
Celebration and entertainment	8,200	8,200	12,270	(4,070)
Total culture, recreation and education	208,271	208,271	215,838	(7,567)
Conservation and development:				
Forestry	24,296	24,296	31,572	(7,276)
Weed control	210	210	228	(18)
Planning commission	123,701	123,701	74,124	49,577
Economic development	57,799	57,799	48,158	9,641
Environmental protection	11,500	11,500	8,530	2,970
Total conservation and development	217,506	217,506	162,612	54,894
Capital outlay:	-	-	-	-
Capital expenditures	-	42,400	42,217	183
Total expenditures	\$ 5,270,476	\$ 5,333,672	\$ 4,931,523	\$ 402,149

Village of Mukwonago

Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue Funds						Capital Projects Funds				Total Nonmajor Governmental Funds	
	Library Fund	Recycling Fund	Revolving Loan Fund	Park Land Site Fund	American Rescue Plan Act Fund	Stormwater Fund	Impact Fee Fund	Capital Equipment Fund	Community Development Fund	Tax Incremental District No. 3 Fund		Tax Incremental District No. 4 Fund
Assets												
Cash and investments	\$ 325,937	\$ 117,930	\$ 140,482	\$ 240,230	\$ 856,320	\$ 39,689	\$ 343,531	\$ 150,806	\$ 671,134	\$ 799,317	\$ 207,941	\$ 3,893,317
Receivables:												
Taxes	518,315	338,781	-	-	-	-	-	-	-	905,802	366,821	2,129,719
Accounts	-	57,595	-	-	-	8,283	-	179,910	-	-	-	245,788
Prepaid items	5,635	-	-	-	-	-	-	3,448	228,772	-	-	237,855
Total assets	<u>\$ 849,887</u>	<u>\$ 514,306</u>	<u>\$ 140,482</u>	<u>\$ 240,230</u>	<u>\$ 856,320</u>	<u>\$ 47,972</u>	<u>\$ 343,531</u>	<u>\$ 334,164</u>	<u>\$ 899,906</u>	<u>\$ 1,705,119</u>	<u>\$ 574,762</u>	<u>\$ 6,506,679</u>
Liabilities, Deferred Inflows of Resources and Fund Balances												
Liabilities												
Accounts payable	\$ 25,934	\$ 48,701	\$ -	\$ -	\$ -	\$ 29	\$ -	\$ 16,806	\$ 97,775	\$ 219	\$ 58	\$ 189,522
Accrued liabilities	29,388	-	-	-	-	-	-	-	-	-	-	29,388
Unearned revenue	-	-	-	-	843,315	-	-	-	-	-	-	843,315
Total liabilities	<u>55,322</u>	<u>48,701</u>	<u>-</u>	<u>-</u>	<u>843,315</u>	<u>29</u>	<u>-</u>	<u>16,806</u>	<u>97,775</u>	<u>219</u>	<u>58</u>	<u>1,062,225</u>
Deferred Inflows of Resources												
Unearned revenue	518,315	338,048	-	-	-	-	-	-	-	905,802	366,821	2,128,986
Total deferred inflows of resources	<u>518,315</u>	<u>338,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>905,802</u>	<u>366,821</u>	<u>2,128,986</u>
Fund Balances												
Nonspendable	5,635	-	-	-	-	-	-	3,448	228,772	-	-	237,855
Restricted	270,615	-	-	-	13,005	47,943	343,531	-	-	799,098	207,883	1,682,075
Committed	-	127,557	140,482	240,230	-	-	-	313,910	573,359	-	-	1,395,538
Total fund balances	<u>276,250</u>	<u>127,557</u>	<u>140,482</u>	<u>240,230</u>	<u>13,005</u>	<u>47,943</u>	<u>343,531</u>	<u>317,358</u>	<u>802,131</u>	<u>799,098</u>	<u>207,883</u>	<u>3,315,468</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 849,887</u>	<u>\$ 514,306</u>	<u>\$ 140,482</u>	<u>\$ 240,230</u>	<u>\$ 856,320</u>	<u>\$ 47,972</u>	<u>\$ 343,531</u>	<u>\$ 334,164</u>	<u>\$ 899,906</u>	<u>\$ 1,705,119</u>	<u>\$ 574,762</u>	<u>\$ 6,506,679</u>

Village of Mukwonago

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue Funds						Capital Projects Funds				Total Nonmajor Governmental Funds	
	Library Fund	Recycling Fund	Revolving Loan Fund	Park Land Site Fund	American Rescue Plan Act Fund	Stormwater Fund	Impact Fee Fund	Capital Equipment Fund	Community Development Fund	Tax Incremental District No. 3 Fund		Tax Incremental District No. 4 Fund
Revenues												
Taxes	\$ 474,105	\$ 331,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,146	\$ -	\$ 863,477	\$ 276,803	\$ 2,039,879
Special assessments	-	-	-	-	-	-	-	-	-	19,622	-	19,622
Intergovernmental	569,498	22,220	-	-	-	-	-	-	-	30,250	-	621,968
Licenses and permits	-	-	-	18,464	-	33,183	107,443	-	-	-	-	159,090
Public charges for services	25,612	235,999	-	-	-	-	-	-	-	-	-	261,611
Intergovernmental charges for services	-	-	-	-	-	-	-	179,911	-	-	-	179,911
Investment income	5,257	3,513	2,248	3,676	12,847	516	4,731	3,801	18,377	13,343	2,845	71,154
Other revenues	115,318	-	-	-	-	-	-	-	-	-	-	115,318
Total revenues	1,189,790	593,080	2,248	22,140	12,847	33,699	112,174	277,858	18,377	926,692	279,648	3,468,553
Expenditures												
Current:												
General government	-	-	-	-	-	-	-	2,097	4,673	9,116	5,539	21,425
Public works	-	593,589	-	36	-	14,931	-	-	36,430	-	-	644,986
Culture, recreation and education	1,089,566	-	-	-	-	-	-	-	-	-	-	1,089,566
Conservation and development	-	-	-	-	-	-	-	-	900	-	-	900
Capital outlay	95,599	-	-	-	-	-	-	660,512	760,158	-	-	1,516,269
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	867,087	130,325	997,412
Interest and fees	-	-	-	-	-	-	-	-	-	160,877	25,360	186,237
Total expenditures	1,185,165	593,589	-	36	-	14,931	-	662,609	802,161	1,037,080	161,224	4,456,795
Excess (deficiency) of revenues over expenditures	4,625	(509)	2,248	22,104	12,847	18,768	112,174	(384,751)	(783,784)	(110,388)	118,424	(988,242)
Other Financing Sources (Uses)												
Transfers in	-	-	-	-	-	-	-	140,000	-	-	-	140,000
Transfers out	-	-	-	-	-	-	(150,000)	-	-	-	-	(150,000)
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	16,151	-	-	-	16,151
Total other financing sources (uses)	-	-	-	-	-	-	(150,000)	156,151	-	-	-	6,151
Net changes in fund balances	4,625	(509)	2,248	22,104	12,847	18,768	(37,826)	(228,600)	(783,784)	(110,388)	118,424	(982,091)
Fund Balances, Beginning	271,625	128,066	138,234	218,126	158	29,175	381,357	545,958	1,585,915	909,486	89,459	4,297,559
Fund Balances, Ending	\$ 276,250	\$ 127,557	\$ 140,482	\$ 240,230	\$ 13,005	\$ 47,943	\$ 343,531	\$ 317,358	\$ 802,131	\$ 799,098	\$ 207,883	\$ 3,315,468