

**VILLAGE OF ELM GROVE**  
Waukesha County, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2008

# VILLAGE OF ELM GROVE

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## **INDEPENDENT AUDITORS' REPORT**



## INDEPENDENT AUDITORS' REPORT

Village Board  
Village of Elm Grove  
Waukesha County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Elm Grove, Wisconsin, as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Elm Grove, Wisconsin, as of December 31, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 10 and the respective budgetary comparisons on pages 38 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and schedules as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Virchow, Krause &amp; Company, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin  
March 17, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Village of Elm Grove  
Management's Discussion and Analysis  
(Unaudited)  
Year end December 31, 2008**

As management of the Village of Elm Grove, we offer readers of the Village of Elm Grove's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2008. A comparison with prior year data is also presented.

**Financial Highlights-**

- The assets of the Village of Elm Grove exceeded its liabilities as of December 31, 2008 by \$16.3 million.
- As of December 31, 2008 the Village's governmental funds reported combined ending fund balance of \$5,579,181. \$2,884,518 of this balance was unreserved and available for spending at the government's discretion.
- The general fund includes \$858,195 designated for working capital. The general fund at year end also has unreserved and undesignated fund balance of \$915,130 which is equal to 17% of total general fund expenditures.
- Favorable results of operations increased the general fund balance by \$11,882 in 2008.
- Total fund balance increased by \$275,616 and net assets by \$500,765 from the prior year.

**Overview of the Financial Statements**

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

**Government-wide financial statements.**

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

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., sick pay benefits and other long-term liabilities.)

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Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Village include general government, public safety, health and sanitation, highway and transportation, library and park and recreation. The Village does not operate any business-type activities.

**Fund financial statements.**

A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 two categories: governmental 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 the Village's near-term financing requirements.

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

The Village currently has 11 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, Sewer Fund, Tax Increment District #2, the Debt Service Fund, and the capital project fund which are considered to be major funds.

Beginning in 1998 the Village began exploring options to determine an optimal stormwater plan and acquired a number of properties for detention facilities. Cost for plan design and engineering as well as land acquisition were recorded in the stormwater special revenue fund. During the fall of 2005 the Village Board approved the final plan and the project began. A tax incremental financing district was also created. In order to better document this project, two capital funds were created in 2006. One fund was supported by the tax incremental district and recorded project costs associated with the approved TIF plan. All project costs associated with the tax increment district were expended during 2006. The second fund, Stormwater Project Fund, records the remainder of project costs and is supported by the Village's stormwater utility fee and grants. All activity on the project was recorded in this fund during 2007. Also a special

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revenue fund was created to record ongoing revenue and expense of the tax incremental district and non-stormwater project costs. This account is shown as a major fund in the 2008 statements. The Village chose to advance funds to the tax increment district in its early years to pay the debt associated with the project rather than increase the general obligation borrowing. Funds available in the debt service and sewer funds were advanced and will be repaid with interest. Funds advanced by the sewer fund were repaid during 2008 and during 2009 the district will begin to pay its annual debt costs.

Data from the other six funds are combined into a single, aggregate presentation under the heading "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the form of "combining statements" elsewhere in this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's operations.

**Government-wide Financial Analysis**

The Village's total net assets, net of related debt, exceeded liabilities by \$16,349,897 at the close of 2008. The largest segment of net assets is the Village's investment in capital assets. The Village reports land, land improvements, building, equipment and infrastructure.

**Village of Elm Grove's Net Assets**

	<b>Governmental Activities</b>	
	<u>2008</u>	<u>2007</u>
Current & other assets	\$ 14,511,238	\$14,021,577
Capital assets	<u>26,254,990</u>	<u>26,820,700</u>
Total assets	<u>40,766,228</u>	<u>40,842,277</u>
Long term liabilities		
outstanding	14,589,204	15,270,422
Other liabilities	<u>9,827,127</u>	<u>9,722,723</u>
Total liabilities	<u>24,416,331</u>	<u>24,993,145</u>
Net assets:		
Invested in capital assets		
net of related debt	15,119,990	15,484,359
Restricted	1,931,546	1,559,711
Unrestricted	<u>(701,639)</u>	<u>(1,194,938)</u>
Total net assets	<u>\$ 16,349,897</u>	<u>\$15,849,132</u>

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Total net assets increased by \$500,000 in 2008. The increase is due to the reduction in long-term debt and favorable operating results. Total net investment in capital assets (net of related debt) for the Governmental Activities increased from \$12.5 million in 2004 to \$15.5 million in 2007. This is the result of the investment in stormwater infrastructure during the 2005 -2007. The Village substantially completed its project during 2007. Landscaping and recreational facilities were completed in 2008. The Village funded this project with debt issued in December 2003 and 2005, grants received from the State of Wisconsin, Federal Emergency Management Association, and a future project participation payment from the Milwaukee Metropolitan Sewage District. It has been the number one goal of the Village to alleviate stormwater flooding problems. The Village worked with an engineering firm, the State of Wisconsin, FEMA, the Milwaukee Metropolitan Sewage District, residents and business owners to define project parameters which would best solve this common problem in developed areas, most notably the downtown business district. During 2005 the Village board approved the final project plan and construction began in 2006. This project will help alleviate flooding the Village's downtown area during heavy rain periods. In conjunction with solving a stormwater problem the village was able to re-configure and expand the community park and recreation facilities. Additional park land was purchased and detention ponds created to hold water during heavy rains but also be utilized as athletic fields. An extensive pathway system through the park and linking the downtown area and new parkland was developed and has been heavily used by residents. Winter activities such as a sledding hill and skating rink were added expanding the park to facilitate year round use.

The deficit in unrestricted net assets under governmental activities decreased by approximately \$493,300 to \$701,600. This decrease was principally due to the Village's continued investment in capital assets the most significant relating to its stormwater system and favorable results of operations.

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**Village of Elm Grove's Change in Net Assets**

		<b>Governmental Activities</b>	
		<u>2008</u>	<u>2007</u>
<b>Revenues:</b>			
<u>Program revenues</u>			
Charges for services	\$	2,170,231	\$ 2,061,178
Operating grants & contributions		883,450	609,091
Capital grants and contributions		33,065	1,087,545
 <u>General revenues</u>			
Taxes		6,539,349	6,327,198
Intergovernmental Revenue not restricted to specific programs		262,856	283,558
Investment income		263,737	532,936
Other		221,726	162,573
Total revenues		<u>10,374,414</u>	<u>11,064,079</u>
 <b>Expenses:</b>			
General government		1,374,559	1,307,141
Public Safety		3,053,278	2,903,225
Highway and transportation		1,035,706	1,012,489
Health & sanitation		3,039,426	2,368,436
Library		401,397	376,649
Parks & recreation		347,371	394,332
Interest & fiscal charges		621,912	689,719
Total expenses		<u>9,873,649</u>	<u>9,051,991</u>
Increase in net assets		500,765	2,012,088
Net assets December 31, 2007		<u>15,849,132</u>	<u>13,837,044</u>
Net assets December 31, 2008		<u>\$ 16,349,897</u>	<u>\$ 15,849,132</u>

**Governmental Activities**

Governmental activities increased the Village's net assets by \$500,000. Taxes accounted for 63% of the Village's total revenue in 2008 as compared to 57.2 % in 2007. Key elements of this increase of net assets are as follows:

Charges for services increased \$109,000 in 2008 after an increase of \$31,000 in 2007. The Village continues to evaluate fees charged for a number of programs and services and to set fees at a level that will recoup the cost of the service, mainly building permit fees, recreation programs, zoning and development fees, and rubbish collection.

Operating grants increased \$274,000 in 2008 as the Village was able to take advantage of grant funds available from state and federal sources to fund public safety and expenses incurred after June 2008 storms. The Village has seen a decrease in shared

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revenue from the State of Wisconsin due to a reduction in aid available through this program but the village's investment in the stormwater project allows it to maximize transportation aids available from the State of Wisconsin. The Village continues to participate in the state's expenditure restraint program to maximize available state aids.

Capital grants decreased as compared to 2007. During 2007 the Village received \$1,000,000 from the Milwaukee Metropolitan Sewage District for the stormwater project.

Investment income for 2008 is down from 2007. The Village like all businesses has seen a decrease in its investment earnings as the interest rates decline in the current economic environment. While interest earnings are down the Village's conservative investment policy has allowed the principal value of its investment funds to remain stable. The Village invests the majority of its available funds in the local government investment pool offered through the State of Wisconsin. Funds averaged 2.46% for the year ended December 31, 2008 as compared to an average earning rate of 5.02% in 2007. The Village's 2009 budget was prepared reflecting a reduction in investment earnings for the upcoming year.

The village continues to control expenses in light of increasing general costs and rising health insurance costs. The staffing level remained constant and the Village continues to manage increasing health insurance premiums with a high-deductible health plan and a Health Reimbursement Account Plan.

### **Financial Analysis of the Governmental Funds**

#### **Governmental Funds**

As of December 31, 2008, the Village of Elm Grove's governmental funds reported combined ending fund balances of \$5.6 million, a increase of \$276,000 compared to the prior year. The main factor for this increase was the additional funds levied in the debt service fund. The Village currently has \$3.925 million in debt outstanding for sewer capital charges incurred during the 1980's and 1990's. This debt is callable beginning in 2010. Current debt outstanding is funded by special revenue funds, user fees and the TID. The Village was able to levy funds in the debt service fund to begin prepaying this debt in 2010. The Village's General Fund has an undesignated balance of \$915,000. These funds are available for future uses at the Village's discretion. The general fund balance also includes \$858,000 designated for working capital needs in 2009. This represents 15% of the 2009 general fund operating budget. There is also \$2.7 million in reserved fund balance in the governmental funds. The reserve fund balance principally represents funds that will be used for debt service requirements. Designated fund balance has been identified and segregated by management for specific uses, such as \$1.8 million for future capital projects.

