

CITY OF MIDDLETON
Middleton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2001

CITY OF MIDDLETON

TABLE OF CONTENTS December 31, 2001

Independent Auditors' Report	1
General Purpose Financial Statements	
Combined Balance Sheet – All Fund Types and Account Groups	2 – 3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget – General, Debt Service, Certain Special Revenue Funds, and Certain Capital Projects Funds	5
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – All Proprietary Fund Types	6
Combined Statement of Cash Flows – All Proprietary Fund Types	7
Notes to Financial Statements	8 – 34
Supplemental Information	
General Fund – Detailed Schedule of Revenues	35 – 36
General Fund – Detailed Schedule of Expenditures	37 – 39
Special Revenue Funds – Combining Balance Sheet	40
Special Revenue Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	41
Capital Projects Funds – Combining Balance Sheet	42
Capital Projects Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	43
Enterprise Funds – Combining Balance Sheet	44
Enterprise Funds – Combining Statement of Revenues, Expenses and Changes in Retained Earnings	45
Enterprise Funds – Combining Statement of Cash Flows	46
Agency Funds – Combining Balance Sheet	47



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Middleton
Middleton, Wisconsin

We have audited the general purpose financial statements of the City of Middleton, Wisconsin as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Middleton, Wisconsin at December 31, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Middleton adopted the provisions of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, as of January 1, 2001. This results in a change to the accounting for capital contributions. See Note 19.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Middleton, Wisconsin. The supplemental information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Virchow, Krause & Company, LLP

Madison, Wisconsin
March 15, 2002

CITY OF MIDDLETON

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2001

(With Comparative Totals for December 31, 2000)

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash and investments	\$ 2,340,956	\$ 1,696,373	\$ 321,869	\$ 4,438,151
Receivables				
Taxes	7,674,014	-	-	3,023,962
Delinquent personal property taxes	17,943	-	-	-
Accounts	338,871	81,641	-	579,096
Loans	-	81,390	-	41,043
Special assessments	12,820	-	-	673,205
Interest	51,067	-	-	-
Due from other funds	991,154	-	-	519,946
Due from other governmental units	26,266	-	-	-
Prepaid items	-	-	-	-
Advances to other funds	1,423,663	-	311,407	-
Inventories	-	2,972	-	-
Restricted Assets				
Cash and investments	-	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Deferred charges	-	-	-	-
Other property	-	-	-	-
Other assets	-	300	-	-
Other Debits				
Amount available in debt service and capital projects funds for retirement of long-term obligations	-	-	-	-
Amount to be provided for retirement of long-term obligations	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 12,876,754	\$ 1,862,676	\$ 633,276	\$ 9,275,403

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals	
		General Fixed Assets	General Long-Term Obligations	(Memorandum Only)	
Enterprise	Agency			2001	2000
\$ 3,462,560	\$ 12,120,991	\$ -	\$ -	\$ 24,380,900	\$21,483,034
-	8,525,482	-	-	19,223,458	19,080,488
-	-	-	-	17,943	12,041
562,401	-	-	-	1,562,009	923,623
-	-	-	-	122,433	153,423
2,394,208	-	-	-	3,080,233	3,635,319
57,822	-	-	-	108,889	149,253
192,228	-	-	-	1,703,328	1,206,101
-	77,009	-	-	103,275	57,270
-	5,118	-	-	5,118	10,578
-	-	-	-	1,735,070	1,354,930
33,538	-	-	-	36,510	36,510
24,600	-	-	-	24,600	24,600
28,801,876	-	39,743,288	-	68,545,164	63,289,466
(5,247,936)	-	-	-	(5,247,936)	(4,840,021)
35,934	-	-	-	35,934	41,639
622,421	-	-	-	622,421	-
15,629	-	-	-	15,929	11,200
-	-	-	633,276	633,276	649,037
-	-	-	51,507,275	51,507,275	45,521,067
<u>\$ 30,955,281</u>	<u>\$ 20,728,600</u>	<u>\$ 39,743,288</u>	<u>\$ 52,140,551</u>	<u>\$ 168,215,829</u>	<u>\$ 152,799,558</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2001

(With Comparative Totals for December 31, 2000)

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities				
Accounts payable	\$ 405,739	\$ 190,419	\$ -	\$ 1,013,154
Accrued liabilities	231,386	-	-	-
Due to other governmental units	26,846	-	-	-
Due to other funds	140,474	166,476	-	810,039
Deferred revenues	7,780,480	-	-	3,023,962
Deferred special assessments	12,820	-	-	673,205
Deferred investment income	50,543	-	-	-
Deferred interest income	513,196	-	-	-
Advances from other funds	-	311,407	-	1,423,663
General obligation bonds and notes payable	-	-	-	-
Customer advances for construction	-	-	-	-
Accrued compensated absences	-	-	-	-
Unfunded pension liability	-	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	9,161,484	668,302	-	6,944,023
Equity and Other Credits				
Investment in general fixed assets	-	-	-	-
Capital paid in by city	-	-	-	-
Contributions in aid of construction	-	-	-	-
Retained earnings				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Fund Balances				
Reserved for loans receivable	-	81,390	-	41,043
Reserved for advances	910,467	-	-	-
Reserved for noncurrent interfunds	810,039	-	-	-
Reserved for delinquent personal property taxes	17,943	-	-	-
Reserved for debt service	-	-	633,276	-
Reserved for encumbrances	-	-	-	782,942
Reserved for prepaid items and inventories	-	2,972	-	-
Unreserved				
Designated	122,000	-	-	-
Undesignated	1,854,821	1,110,012	-	1,507,395
Total Equity and Other Credits	3,715,270	1,194,374	633,276	2,331,380
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 12,876,754	\$ 1,862,676	\$ 633,276	\$ 9,275,403

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Obligations	2001	2000
Enterprise	Agency				
\$ 332,250	\$ 67,488	\$ -	\$ -	\$ 2,009,050	\$ 1,961,216
325,499	-	-	-	556,885	527,010
-	20,646,473	-	-	20,673,319	20,064,601
571,700	14,639	-	-	1,703,328	1,206,101
13,000	-	-	-	10,817,442	9,227,699
-	-	-	-	686,025	999,362
-	-	-	-	50,543	78,958
-	-	-	-	513,196	444,463
-	-	-	-	1,735,070	1,354,930
3,730,000	-	-	50,001,311	53,731,311	48,014,671
2,400	-	-	-	2,400	2,400
67,203	-	-	1,108,325	1,175,528	1,125,200
-	-	-	398,850	398,850	397,633
-	-	-	632,065	632,065	686,849
<u>5,042,052</u>	<u>20,728,600</u>	<u>-</u>	<u>52,140,551</u>	<u>94,685,012</u>	<u>86,091,093</u>
-	-	39,743,288	-	39,743,288	35,318,503
3,921,526	-	-	-	3,921,526	3,738,921
15,187,256	-	-	-	15,187,256	15,187,256
24,600	-	-	-	24,600	24,600
6,779,847	-	-	-	6,779,847	5,691,567
-	-	-	-	122,433	153,423
-	-	-	-	910,467	910,467
-	-	-	-	810,039	847,281
-	-	-	-	17,943	12,041
-	-	-	-	633,276	649,037
-	-	-	-	782,942	974,428
-	-	-	-	2,972	3,272
-	-	-	-	122,000	60,000
-	-	-	-	4,472,228	3,137,669
<u>25,913,229</u>	<u>-</u>	<u>39,743,288</u>	<u>-</u>	<u>73,530,817</u>	<u>66,708,465</u>
<u>\$ 30,955,281</u>	<u>\$ 20,728,600</u>	<u>\$ 39,743,288</u>	<u>\$ 52,140,551</u>	<u>\$ 168,215,829</u>	<u>\$ 152,799,558</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended December 31, 2001
(With Comparative Totals for the Year Ended December 31, 2000)

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	2001	2000
REVENUES						
Taxes	\$ 7,226,696	\$ 253,407	\$ -	\$ 2,128,882	\$ 9,608,985	\$ 8,641,087
Intergovernmental	1,899,176	120,674	-	362,610	2,382,460	2,596,506
Licenses and permits	485,286	-	-	-	485,286	423,389
Fines, forfeitures and penalties	193,620	-	-	-	193,620	185,162
Public charges for services	533,179	1,490,785	-	-	2,023,964	2,220,077
Intergovernmental charges for services	173,245	-	-	-	173,245	169,880
Special assessments	71,924	-	-	375,042	446,966	418,545
Investment income	571,593	21,283	57,305	138,545	788,726	1,056,946
Miscellaneous revenues	206,796	52,324	-	639,709	898,829	302,716
Total Revenues	11,361,515	1,938,473	57,305	3,644,788	17,002,081	16,014,308
EXPENDITURES						
Current						
General government	1,078,041	-	-	-	1,078,041	1,031,620
Public safety	3,746,244	49,817	-	-	3,796,061	3,453,018
Public works	1,945,610	-	-	-	1,945,610	1,790,482
Leisure activities	1,928,833	1,862,808	-	-	3,791,641	3,119,512
Conservation and development	235,243	123,022	-	-	358,265	581,138
Capital Outlay	-	-	-	8,383,445	8,383,445	13,992,017
Debt Service						
Principal retirement	-	-	4,018,360	-	4,018,360	4,215,809
Interest and fiscal charges	-	-	2,342,804	68,733	2,411,537	2,027,949
Total Expenditures	8,933,971	2,035,647	6,361,164	8,452,178	25,782,960	30,211,545

CITY OF MIDDLETON

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended December 31, 2001
(With Comparative Totals for the Year Ended December 31, 2000)

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	2001	2000
	Excess (deficiency) of revenues over expenditures	\$ 2,427,544	\$ (97,174)	\$ (6,303,859)	\$ (4,807,390)	\$ (8,780,879)
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt	-	-	-	10,000,000	10,000,000	6,800,000
Debt discount and issuance costs	-	-	-	(92,439)	(92,439)	(66,436)
Operating transfers in	-	-	6,353,838	-	6,353,838	6,180,631
Operating transfers out	(2,552,910)	(583,175)	-	(3,217,753)	(6,353,838)	(6,180,631)
Total Other Financing Sources (Uses)	(2,552,910)	(583,175)	6,353,838	6,689,808	9,907,561	6,733,564
Excess (deficiency) of revenues and other sources over expenditures and other uses	(125,366)	(680,349)	49,979	1,882,418	1,126,682	(7,463,673)
FUND BALANCES - Beginning of Year	3,774,896	1,874,723	583,297	514,702	6,747,618	14,211,291
Equity transfers	65,740	-	-	(65,740)	-	-
FUND BALANCES - END OF YEAR	<u>\$ 3,715,270</u>	<u>\$ 1,194,374</u>	<u>\$ 633,276</u>	<u>\$ 2,331,380</u>	<u>\$ 7,874,300</u>	<u>\$ 6,747,618</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ACTUAL AND BUDGET - GENERAL, DEBT SERVICE, CERTAIN SPECIAL REVENUE, AND CERTAIN CAPITAL PROJECTS FUNDS For the Year Ended December 31, 2001

	General Fund		
	Actual	Budget	Variance - Favorable (Unfavorable)
REVENUES			
Taxes	\$ 7,226,696	\$ 7,162,877	\$ 63,819
Intergovernmental	1,899,176	1,893,936	5,240
Licenses and permits	485,286	496,900	(11,614)
Fines, forfeitures and penalties	193,620	194,000	(380)
Public charges for services	533,179	691,385	(158,206)
Intergovernmental charges for services	173,245	164,720	8,525
Special assessments	71,924	13,063	58,861
Investment income	571,593	482,000	89,593
Miscellaneous revenues	206,796	231,000	(24,204)
Total Revenues	11,361,515	11,329,881	31,634
EXPENDITURES			
Current			
General government	1,078,041	1,021,221	(56,820)
Public safety	3,746,244	3,749,502	3,258
Public works	1,945,610	1,952,874	7,264
Leisure activities	1,928,833	1,954,640	25,807
Conservation and development	235,243	212,558	(22,685)
Capital Outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	8,933,971	8,890,795	(43,176)
Excess (deficiency) of revenues over expenditures	2,427,544	2,439,086	(11,542)
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term debt	-	-	-
Debt discounts and Issuance costs	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(2,552,910)	(2,499,086)	(53,824)
Total Other Financing Sources (Uses)	(2,552,910)	(2,499,086)	(53,824)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(125,366)	(60,000)	(65,366)
FUND BALANCES - Beginning of Year	3,774,896	3,774,896	-
Equity transfers	65,740	-	65,740
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 3,715,270	\$ 3,714,896	\$ 374

Certain Special Revenue Funds			Debt Service Fund			Certain Capital Projects Funds		
Actual	Budget	Variance - Favorable (Unfavorable)	Actual	Budget	Variance - Favorable (Unfavorable)	Actual	Budget	Variance - Favorable (Unfavorable)
\$ 253,407	\$ 265,500	\$ (12,093)	\$ -	\$ -	\$ -	\$ 2,128,882	\$ 2,128,882	\$ -
112,849	75,000	37,849	-	-	-	362,610	-	362,610
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,266,186	1,547,964	(281,778)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
21,283	-	21,283	57,305	-	57,305	138,545	250,000	(111,455)
4,293	38,000	(33,707)	-	-	-	639,709	621,118	18,591
<u>1,658,018</u>	<u>1,926,464</u>	<u>(268,446)</u>	<u>57,305</u>	<u>-</u>	<u>57,305</u>	<u>3,269,746</u>	<u>3,000,000</u>	<u>269,746</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,741,040	1,851,121	110,081	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,383,445	9,313,670	930,225
-	-	-	-	-	-	-	-	-
-	-	-	4,018,360	4,018,360	-	-	-	-
-	-	-	2,342,804	2,142,670	(200,134)	68,733	2,714,195	2,645,462
<u>1,741,040</u>	<u>1,851,121</u>	<u>110,081</u>	<u>6,361,164</u>	<u>6,161,030</u>	<u>(200,134)</u>	<u>8,452,178</u>	<u>12,027,865</u>	<u>3,575,687</u>
(83,022)	75,343	(158,365)	(6,303,859)	(6,161,030)	(142,829)	(5,182,432)	(9,027,865)	3,845,433
-	-	-	-	-	-	10,000,000	5,675,000	4,325,000
-	-	-	-	-	-	(92,439)	-	(92,439)
-	-	-	6,353,838	6,161,030	192,808	-	-	-
(583,175)	-	(583,175)	-	-	-	(2,879,953)	-	(2,879,953)
<u>(583,175)</u>	<u>-</u>	<u>(583,175)</u>	<u>6,353,838</u>	<u>6,161,030</u>	<u>192,808</u>	<u>7,027,608</u>	<u>5,675,000</u>	<u>1,352,608</u>
(666,197)	75,343	(741,540)	49,979	-	49,979	1,845,176	(3,352,865)	5,198,041
700,383	700,383	-	583,297	583,297	-	1,296,243	1,296,243	-
-	-	-	-	-	-	-	-	-
<u>\$ 34,186</u>	<u>\$ 775,726</u>	<u>\$ (741,540)</u>	<u>\$ 633,276</u>	<u>\$ 583,297</u>	<u>\$ 49,979</u>	<u>\$ 3,141,419</u>	<u>\$ (2,056,622)</u>	<u>\$ 5,198,041</u>

CITY OF MIDDLETON

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 For the Year Ended December 31, 2001
 (With Comparative Totals for the Year Ended December 31, 2000)

	Proprietary Fund Type Enterprise	(Memorandum Only)
	2001	2000
OPERATING REVENUES		
Charges for services	\$ 2,901,440	\$ 2,819,999
OPERATING EXPENSES		
Operation and maintenance	1,559,601	1,459,047
Depreciation	521,814	497,609
Taxes	281,850	283,392
Total Operating Expenses	2,363,265	2,240,048
Operating Income	538,175	579,951
NONOPERATING REVENUES (EXPENSES)		
Investment income	202,899	185,819
Interest expense	(184,336)	(212,538)
Amortization of debt issuance costs	(5,705)	-
Total Nonoperating Revenues (Expenses)	12,858	(26,719)
Income before contributions	551,033	553,232
CAPITAL CONTRIBUTIONS	537,247	-
NET CHANGE IN RETAINED EARNINGS	1,088,280	553,232
RETAINED EARNINGS - Beginning of Year	5,716,167	5,162,935
RETAINED EARNINGS - END OF YEAR	\$ 6,804,447	\$ 5,716,167

See accompanying notes to financial statements.

CITY OF MIDDLETON

COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2001
(With Comparative Totals for the Year Ended December 31, 2000)

	Proprietary Fund Type Enterprise	(Memorandum Only)
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,566,362	\$ 2,528,548
Cash received from city for services	353,323	327,556
Cash paid to suppliers for goods and services	(1,263,695)	(1,191,875)
Cash paid to employees for services	(287,288)	(263,658)
Cash paid for tax equivalent	(265,417)	(251,397)
Net Cash Flows From Operating Activities	1,103,285	1,149,174
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid	(265,000)	(260,000)
Interest paid	(188,436)	(210,133)
Acquisition and construction of fixed assets	(689,519)	(739,995)
Cost of removal of capital assets	(20,500)	-
Contributions in aid of construction received/(returned)	-	(8,439)
Special assessments received	256,610	1,032,178
Net Cash Flows From Capital and Related Financing Activities	(906,845)	(186,389)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	215,372	105,319
Marketable securities purchased	(87,913)	(1,098,217)
Cash Flows From Investing Activities	127,459	(992,898)
Net Increase (Decrease) in Cash and Cash Equivalents	323,899	(30,113)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,168,218	1,198,331
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,492,117	\$ 1,168,218

	Proprietary Fund Type	(Memorandum Only)
	Enterprise	Enterprise
	2001	2000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 538,175	\$ 579,951
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities		
Rental income	-	34,154
Depreciation expense	521,814	497,609
Depreciation charged to sewer utility	31,652	24,809
Changes in Assets and Liabilities		
Accounts receivable	12,185	(7,153)
Other accounts receivable	(1,349)	(403)
Due from other funds	(37,243)	(15,302)
Inventories	-	(904)
Accounts payable	5,004	8,088
Accrued taxes	(318)	8,036
Accrued compensated absences	5,534	(590)
Due to other funds	12,411	20,665
Deferred revenues	13,000	-
Other current liabilities	2,420	214
	<u> </u>	<u> </u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,103,285</u>	<u>\$ 1,149,174</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2001, capital additions of \$377,889 were contributed to the water and sewer utilities by developers and customers.

During 2001, capital additions of \$171,471 were contributed to the water and sewer utilities by the city.

CITY OF MIDDLETON

INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE	<u>Page</u>
1. Summary of Significant Accounting Policies	10
A. Reporting Entity	10
B. Description of Fund and Account Group Structure	10
C. Totals (Memorandum Only)	13
D. Comparative Data	13
E. Basis of Accounting	13
F. Measurement Focus	15
G. Cash and Cash Equivalents	15
H. Inventories	15
I. Long-Term Obligations/Conduit Debt	15
J. General Fixed Assets	16
K. Fixed Assets – Proprietary Funds	16
L. Advances to Other Funds	17
M. Encumbrances	17
N. Budgets	18
O. Compensated Absences	19
P. Allowance for Uncollectible Accounts	20
Q. Contributions in Aid of Construction – Proprietary Funds	20
R. Claims and Judgments	20
S. Fund Balance Terminology	20
T. Economic Development Loans Receivable	20
U. Other Assets	21
V. Interfund Transactions	21
W. Basis for Existing Rates	21
2. Cash and Investments	22
3. Long-Term Obligations	23
4. Employees' Retirement System	26
5. Interfund Receivables/Payables and Interfund Transfers	27
6. Advances To/From Other Funds	28
7. Fixed Assets	28
8. Segments of Enterprise Activities	28
9. Designated Fund Balance	29

CITY OF MIDDLETON

INDEX TO NOTES TO FINANCIAL STATEMENTS (cont.) December 31, 2001

NOTE	<u>Page</u>
10. Tax Incremental Financing District No. 3	29
11. Commitments and Contingencies	30
12. Lease Disclosures	30
13. Joint Ventures	31
14. Other Postemployment Benefits	32
15. Capital Paid in By City	32
16. Risk Management	32
17. Deficit Fund Balance	32
18. Effect of New Accounting Standards on Current – Period Financial Statement	33
19. Adoption of New Accounting Standard	33
20. Subsequent Event	34
21. Restricted Assets	34
22. Excess Expenditures Over Appropriations	34
23. Middleton Area Development Corporation	34

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Middleton (city), Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

This report includes all of the funds and account groups of the City of Middleton. The reporting entity for the city consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. See Note 13 regarding joint ventures.

Included with the reporting entity:

Community Development Authority of the City of Middleton

The general purpose financial statements include the Community Development Authority of the City of Middleton ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA and also create a potential financial benefit to or burden on the city. As a component unit, the CDA's transactions have been blended with Tax Incremental Financing District No. 3. Separately issued financial statements of the CDA are not prepared.

Excluded from the reporting entity:

The Middleton Area Development Corporation is a separate legal organization that is not reported in these financial statements. See also Note 23.

B. DESCRIPTION OF FUND AND ACCOUNT GROUP STRUCTURE

The accounts of the city are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the city.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DESCRIPTION OF FUND AND ACCOUNT GROUP STRUCTURE (cont.)

Governmental Funds

General Fund

The general fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

The following special revenue funds are included in these statements:

Pleasant View Golf Course	Library Gift
Subdividers' Deposits	EMS Equipment Replacement
Land and Park Donations	Library Endowment
Drug Evidence	Economic Development
Cable TV	Economic Development Grant
Youth Commission Donations	Alcohol Awareness
EMS	Drug Forfeitures
Railroad Depot	Railroad
Depot Restoration	Hotel Room Tax
Lost and Damaged Book	

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The following capital projects funds are included in these statements:

Tax Incremental Financing (TIF) District No. 1
Tax Incremental Financing (TIF) District No. 3
Southwest Quadrant
Other Capital Projects

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DESCRIPTION OF FUND AND ACCOUNT GROUP STRUCTURE (cont.)

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following enterprise funds are included in these statements:

Water Utility
Sewer Utility

Fiduciary Funds

Agency Funds

Agency funds are used to account for assets held by the city as an agent for individuals, private organizations, other governmental units, and/or other funds.

The following agency funds are included in these statements:

Fire District
Tax Collection Fund

Account Groups

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the city other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the city other than those obligations accounted for in the proprietary funds.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. TOTALS (MEMORANDUM ONLY)

The columns captioned Totals (Memorandum Only) in the general purpose financial statements are an aggregation of the columnar statements by fund type and account group. The totals column is not comparable to a consolidation and does not present financial position, results of operations and cash flows in conformity with generally accepted accounting principles because the same basis of accounting is not used by all funds and interfund transactions and balances and account group balancing accounts have not been eliminated.

D. COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the city's financial position, operations and cash flows. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in all statements since their inclusion would make the statements unduly complex and difficult to read.

E. BASIS OF ACCOUNTING

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., 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. 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 revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as deferred revenues and due to other taxing units on the accompanying balance sheet. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2001 tax roll:

Lien date and levy date	December, 2001
Tax bills mailed	December, 2001
Payment in full, or	January 31, 2002
First installment due	January 31, 2002
Second installment due	July 31, 2002
Personal property taxes in full	January 31, 2002
Tax sale – 2001 delinquent real estate taxes	October, 2004

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. BASIS OF ACCOUNTING (cont.)

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled to the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

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 deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, 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.

The city reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Proprietary funds are accounted for on the accrual basis. Revenues such as user fees are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred. Unbilled receivables are not recorded as they are not considered material.

The proprietary funds have elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. MEASUREMENT FOCUS

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the general long-term obligations account group. The related expenditures are recognized when the liabilities are liquidated.

The measurement focus of proprietary funds is the flow of economic resources. Under this concept, revenues and expenses are matched using the accrual basis of accounting. All fixed assets are capitalized at historical cost and depreciated over their useful lives.

G. CASH AND CASH EQUIVALENTS

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

Reconciliation of cash and cash equivalents:

	<u>Enterprise Funds</u>
Cash and investments – combined balance sheet	\$ 3,462,560
Restricted cash and investments – combined balance sheet	24,600
Less: Non-cash equivalents	<u>(1,995,043)</u>
Cash and Cash Equivalents – Combined Statement of Cash Flows	<u>\$ 1,492,117</u>

H. INVENTORIES

Proprietary fund inventories are generally used for construction and for operation and maintenance work, they are not for resale. They are charged to construction and operation and maintenance expense at average cost when used. Governmental fund inventory items are charged to expenditures accounts when purchased. Governmental fund year end inventory was not significant.

I. LONG-TERM OBLIGATIONS/CONDUIT DEBT

Short-term and proprietary fund long-term liabilities are recorded as fund liabilities. All other long-term liabilities are recorded in the general long-term obligations account group.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Other Financing Sources" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

I. LONG-TERM OBLIGATIONS/CONDUIT DEBT (cont.)

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is \$744,847, made up of one series.

J. GENERAL FIXED ASSETS

General fixed assets acquired for governmental purposes are recorded as expenditures in the governmental funds. Purchased fixed assets are capitalized at cost or estimated cost including capitalized interest during construction in the general fixed assets account group. Contributed fixed assets are recorded at fair market value at the time received. Interest incurred during construction is not capitalized.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized. Such assets normally are immovable and of value only to the city. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

Generally accepted accounting principles do not require depreciation to be recorded on general fixed assets. Therefore, depreciation on general fixed assets is not reported in the financial statements.

K. FIXED ASSETS – PROPRIETARY FUNDS

Additions to and replacements of utility fixed assets are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. Utility fixed assets are recorded at cost or fair market value at the time of contribution to the utility. The cost of renewals and betterments relating to retirement units is added to fixed asset accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from fixed asset accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Interest is capitalized on enterprise fund property acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest cost is amortized on the same basis as the related asset is depreciated. No interest costs were capitalized during 2001.

Utility fixed assets in service are depreciated using the straight-line method over the following useful lives:

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

K. FIXED ASSETS – PROPRIETARY FUNDS (cont.)

	12-31-01	Years
Water Fixed Assets		
Source of supply plant	\$ 383,523	33
Pumping plant	1,653,873	20 – 40
Water treatment plant	343,242	33 – 40
Transmission and distribution plant	14,231,263	16 – 90
General plant	439,245	4 – 15
Total	17,051,146	
Sewer Fixed Assets		
Collection system	10,184,258	30 – 100
Collection system pumping plant	1,215,786	20 – 40
General plant	350,686	7 – 40
Total	11,750,730	
Total Enterprise Fund Fixed Assets	\$ 28,801,876	

L. ADVANCES TO OTHER FUNDS

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset by deferred revenue for unavailable interest earnings and by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

The general fund advanced funds to TIF District No. 3 and is charging interest on the advance at a rate which is 2% over the city's cost of funds. No repayment schedule has been established. Interest on the interfund advance is recorded as a deferred revenue in the general fund until paid by the TIF District. Interest costs on the advance are recorded as an expenditure of the TIF District when the expenditure is incurred. See Note 6 for the advance balance at December 31, 2001. Deferred interest income in the general fund at December 31, 2001 is \$513,196.

The debt service fund advanced funds to the Pleasant View Golf Course special revenue fund for debt payments due in 2001. No repayment schedule has been established and interest is not being charged.

M. ENCUMBRANCES

Encumbrances outstanding represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year end are fulfilled. Encumbrances outstanding at year end are reported as reservations of fund balance and do not represent liabilities or expenditures. Encumbrance accounting applies only to governmental fund types.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

N. BUDGETS

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.E.

A budget has been adopted for the general fund, debt service fund, certain special revenue funds, and certain capital projects funds, and comparisons of actual to budget are presented in the general purpose financial statements. Since budgets have not been prepared for all special revenue funds and capital projects funds, comparisons between the actual columns in the combined statement of revenues, expenditures and changes in fund balances and the combined statement of revenues, expenditures and changes in fund balances – actual and budget are not meaningful. A reconciliation of the results of operations for all special revenue funds and capital projects funds as presented on page 4 and the budgeted special revenue funds and capital projects on page 5 is as follows:

	Excess (Deficiency) of Revenues Over <u>Expenditures</u>
All special revenue funds (page 4)	\$ (97,174)
Less: Unbudgeted special revenue funds	
Subdividers' Deposits	69,471
Land and Park Donations	(437)
Drug Evidence	4,028
Youth Commission Donations	1,005
EMS	(1,996)
Railroad Depot	27,464
Depot Restoration	1,000
Library Gift	2,532
EMS Equipment Replacement	(40,052)
Economic Development	(5,557)
Alcohol Awareness	1,049
Drug Forfeitures	(935)
Railroad Fund	<u>(71,724)</u>
Total Unbudgeted Special Revenue Funds	<u>(14,152)</u>
Budgeted Special Revenue Funds (page 5)	<u><u>\$ (83,022)</u></u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

N. BUDGETS (cont.)

	Revenues	Expenditures	Excess (Deficiency) of Revenues Over Expendi- tures
All capital projects funds (page 4)	\$ 3,644,788	\$ 8,452,178	\$ (4,807,390)
Less: Unbudgeted capital projects funds			
Southwest Quadrant	375,042	-	375,042
Total Unbudgeted Capital Projects Funds	375,042	-	375,042
Budgeted Capital Projects Funds (Page 5)	\$ 3,269,746	\$ 8,452,178	\$ (5,182,432)

The budgeted amounts presented include those amendments properly approved by the governing body. During the year, department heads may authorize limited transfers of budgeted amounts within departments. The city administrator can approve transfers between departments in amounts up to \$1,000. Transfers exceeding \$1,000 between departments and changes to the overall budget must be approved by city council action. There were no material supplemental appropriations during the year. Appropriations lapse at year end unless specifically carried over. Budgets are adopted at the departmental level of expenditure. Budgets have not been formally adopted for other governmental funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds. Budgetary comparisons are not required for proprietary funds.

O. COMPENSATED ABSENCES

Governmental Funds

Under terms of employment, employees are granted sick leave, vacations and floating holidays in varying amounts. Only benefits considered to be vested are disclosed in these statements. The amount of accumulated sick leave and vacation that will not be repaid with expendable available resources is \$1,108,325 and is recorded in the general long-term obligations account group.

Enterprise Funds

Vested sick leave is recorded as a liability by the individual fund when it is earned by the employee. The same is true for vacation pay. \$67,203 of vested sick leave and vacation pay is recorded as accrued liabilities at year end.

All Funds

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, 2001 are determined on the basis of current salary rates, and includes salary related payments.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

General accounts receivable have been adjusted for all known uncollectible accounts. No allowance is necessary at year end. Ambulance service accounts receivable have been adjusted by an allowance for uncollectible accounts of \$109,772. 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 in the enterprise funds because the water and sewer utilities have the right by law to place delinquent bills on the tax roll.

Q. CONTRIBUTIONS IN AID OF CONSTRUCTION – PROPRIETARY FUNDS

Contributions in aid of construction represent amounts received from customers for construction and the value of property (plant) contributed to the utility. These amounts are not subject to repayment.

R. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, a liability is recorded in the general long-term obligations account group. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the proprietary funds as expenses when the related liabilities are incurred.

S. FUND BALANCE TERMINOLOGY

Fund balances are segregated into three separate classifications. Reservations represent the portion of fund balances which may not be appropriated for expenditure or have been segregated for specific future uses by legal mandate.

Designations of fund balances represent tentative plans by the city for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

Undesignated fund balance represents the amount available for appropriation after reservations and designations. It also is a measurement of current working capital position.

T. ECONOMIC DEVELOPMENT LOANS RECEIVABLE

The city has received federal grant funds for economic development loan programs to various businesses. The city records a loan receivable when the loan has been made and funds have been disbursed.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

T. ECONOMIC DEVELOPMENT LOANS RECEIVABLE (cont.)

It is the city's policy to record revenue when the initial loan is made from the federal grant funds. The net amount of the loan receivable balance is offset by a reserve for loans receivable. As loans are repaid, the reserve for loans receivable is reduced and the designated fund balance is increased. When new loans are made from loan repayments, the reserve for loans receivable is increased and the designated fund balance is decreased. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the general purpose financial statements.

For economic development loans, the city is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans it may retain and loan to other businesses. Program income includes the principal and interest received from economic development loans repayments. Based upon its current population, the city may retain \$750,000.

At December 31, 2001, the city has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

U. OTHER ASSETS

The water utility has other assets recorded on their books for preliminary survey and investigation expenses.

V. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

W. BASIS FOR EXISTING RATES

Current water rates were placed into effect on March 15, 1997 and are designed to provide a 7.00% return on rate base.

Rates are adjusted annually to account for rate changes from Madison Metropolitan Sewerage District. 2001 rates were approved in November 2000 and became effective January 1, 2001.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 2 – CASH AND INVESTMENTS

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

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

No significant violations of these restrictions occurred during the year.

The city's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the city or its agent in the city's name. Category 2 includes deposits collateralized with securities held by the pledging institutions trust department or agent in the city's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the city's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments, with securities held by the counterparty or its trust department or agent but not in the city's name.

	Category			Total	Carrying Amount
	1	2	3		
Local and area banks	\$ 526,486	\$ -	\$ 10,551,185	\$ 11,077,671	\$ 10,925,957
Federal securities	126,605	-	-	126,605	126,605
Government securities	1,004,690	-	-	1,004,690	1,004,690
Sub-Totals	\$ 1,657,781	\$ -	\$ 10,551,185	\$ 12,208,966	
Local government investment pool					3,295,111
Mutual funds					9,050,889
Petty cash					2,248
Total Deposits and Investments					\$ 24,405,500

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 2 – CASH AND INVESTMENTS (cont.)

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

Deposits in local and area banks are insured by the FDIC in the amount of \$100,000 for each interest bearing account and \$100,000 for each noninterest bearing account.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the amounts in category 1 above.

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, 2001, the fair value of the LGIP's assets were substantially equal to the city's share as reported above.

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

NOTE 3 – LONG-TERM OBLIGATIONS

A. GENERAL OBLIGATION DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the general long-term obligations account group will be retired by future property tax levies transferred to the debt service fund, or by tax increment district levies. Proprietary fund debt is payable by revenues from user fees of those funds, or if the revenues are not sufficient, by future tax levies. The city levies property taxes annually for the full amount of principal and interest due in the following year. The debt service fund administers the collection of these levies and the subsequent payments of principal and interest.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 3 – LONG-TERM OBLIGATIONS (cont.)

A. GENERAL OBLIGATION DEBT (cont.)

The following is a summary of the long-term debt transactions for the year ended December 31, 2001:

	<u>Balance 1-1-01</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-01</u>
General Long-Term Obligations				
Account Group	\$ 44,019,671	\$ 10,000,000	\$ 4,018,360	\$ 50,001,311
Proprietary Funds				
Enterprise	<u>3,995,000</u>	<u>-</u>	<u>265,000</u>	<u>3,730,000</u>
General Obligation Debt	<u>\$ 48,014,671</u>	<u>\$ 10,000,000</u>	<u>\$ 4,283,360</u>	<u>\$ 53,731,311</u>

<u>Title of Issue</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-01</u>
1. General Obligation Debt					
1992 General obligation promissory notes	7-15-92	6-01-02	4.70% – 5.25%	\$ 1,900,000	\$ 350,000
1994 State trust fund loan	12-07-94	3-15-04	4.5%	500,000	191,311
1996 General obligation refunding bonds	10-01-96	10-01-96	4.00% – 5.65%	7,875,000	6,540,000
1996 General obligation promissory notes	6-01-96	6-01-06	4.00% – 5.15%	5,675,000	3,800,000
1997 General obligation promissory notes	3-01-97	3-01-07	3.95% – 5.15%	9,250,000	5,890,000
1997 General obligation promissory notes	4-01-97	3-01-12	3.90% – 5.40%	6,480,000	5,175,000
1998 General obligation promissory notes	4-01-98	9-01-08	3.90% – 4.60%	9,675,000	7,975,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	7,300,00	7,010,000
2000 General obligation promissory notes	4-01-00	3-01-10	4.80%– 5.20%	6,800,000	6,800,000
2001 General obligation promissory notes	3-15-01	3-11-11	4%– 4.4%	10,000,0	<u>10,000,000</u>
Total General Obligation Debt					53,731,311
Less: Proprietary fund general obligation debt					<u>(3,730,000)</u>
Total General Long-Term Obligations Account Group Debt					<u>\$ 50,001,311</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 3 – LONG-TERM OBLIGATIONS (cont.)

B. OTHER LONG-TERM OBLIGATIONS

	Balance 1-1-01	Increases	Decreases	Balance 12-31-01
Other Liabilities				
Long-term liability for accumulated vacation, floating holidays and vested sick leave (Note 1.O.)	\$ 1,065,951	\$ 42,374	\$ -	\$ 1,108,325
Unfunded pension liability (Note 4)	397,633	29,544	28,327	398,850
City's share of landfill district deficit fund balance (Note 11)	686,849	-	54,784	632,065
Total Other Long-Term Liabilities	<u>\$ 2,150,433</u>	<u>\$ 71,918</u>	<u>\$ 83,111</u>	<u>\$ 2,139,240</u>

Debt service requirements to maturity are as follows:

	General Long-Term Debt		Proprietary Fund Long-Term Debt		Totals
	Principal	Interest	Principal	Interest	
2002	\$ 4,100,987	\$ 2,248,742	\$ 280,000	\$ 180,467	\$ 6,810,196
2003	4,693,731	2,055,422	290,000	167,393	7,206,546
2004	4,881,593	1,845,907	305,000	153,527	7,186,027
2005	5,285,000	1,618,406	315,000	138,784	7,357,190
2006	4,835,000	1,390,404	330,000	123,106	6,678,510
2007 and thereafter	26,205,000	4,360,872	2,210,000	355,000	33,130,872
Totals	<u>\$ 50,001,311</u>	<u>\$ 13,519,753</u>	<u>\$ 3,730,000</u>	<u>\$ 1,118,277</u>	<u>\$ 68,369,341</u>

Estimated payments of accumulated employee benefits and other commitments are not included in the above schedule. \$633,276 is on deposit in the debt service fund which is available to meet the above debt service requirements as of December 31, 2001.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2001 was \$75,296,885. Total general obligation debt outstanding at year end was \$53,731,311.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 3 – LONG-TERM OBLIGATIONS (cont.)

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The city believes it is in compliance with all significant limitations and restrictions.

NOTE 4 – EMPLOYEES' RETIREMENT SYSTEM

All eligible city employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.5% of their salary (4.1% for Executives and Elected Officials, 4.1% for Protective Occupations with Social Security, and 4.4% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for city employees covered by the system for the year ended December 31, 2001 was \$4,167,357; the employer's total payroll was \$4,649,690. The total required contribution for the year ended December 31, 2001 was \$458,887 or 11.01 percent of covered payroll. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ending December 31, 2000 and 1999 were \$442,644 or 13.98 percent of covered payroll and \$433,099 or 15.10 percent of covered payroll, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations with Social Security and 2.5% for Protective Occupations without Social Security) of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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 are immediately vested.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 4 – EMPLOYEES' RETIREMENT SYSTEM (cont.)

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The pension-related debt for the city as of December 31, 2001 was \$398,850. This amount is included in the general long-term obligations account group as the city's best estimate of its unfunded commitment to the plan. This liability was determined in accordance with provisions of GASB Statement 27 regarding pension-related debt. Depending on actuarial assumptions, this estimate can vary significantly.

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND INTERFUND TRANSFERS

The following is a schedule of interfund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Land and parks donations	\$ 55
General	Railroad	6,721
General	Hotel room tax	159,700
General	Southwest quadrant	810,039
General	Fire district	14,639
Other capital projects	Water utility	464,746
Other capital projects	Sewer utility	55,200
Water utility	General	138,917
Water utility	Sewer utility	51,754
Sewer utility	General	1,557
		<u>\$ 1,703,328</u>
Total		

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Debt service fund	General fund	\$ 2,552,910
Debt service fund	Pleasant View Golf Course special revenue fund	583,175
Debt service fund	Other capital projects fund	38,363
Debt service fund	TIF District No. 3 capital projects fund	2,841,590
Debt service fund	Southwest Quadrant capital projects fund	337,800
		<u>\$ 6,353,838</u>
Total		

A residual equity transfer was made to close the Tax Incremental District No. 1 to the General Fund for \$65,740.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 6 – ADVANCES TO/FROM OTHER FUNDS

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	TIF No. 3 capital projects fund	\$ 1,423,663
Debt service fund	Pleasant View Golf Course special revenue fund	<u>311,407</u>
Total		<u><u>\$ 1,735,070</u></u>

NOTE 7 – FIXED ASSETS

A summary of general fixed assets follows:

	<u>Balance 1-1-01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-01</u>
Land	\$ 16,531,929	\$ 1,028,244	\$ 250,000	\$ 17,310,173
Golf course	5,180,197	1,983,739	-	7,163,936
Buildings	6,659,590	1,209,750	1,571	7,867,769
Improvements other than buildings	3,852,847	304,117	11,186	4,145,778
Equipment and vehicles	2,891,482	283,722	206,338	2,968,866
Furniture and fixtures	202,458	87,439	3,131	286,766
Totals	<u><u>\$ 35,318,503</u></u>	<u><u>\$ 4,897,011</u></u>	<u><u>\$ 472,226</u></u>	<u><u>\$ 39,743,288</u></u>

NOTE 8 – SEGMENTS OF ENTERPRISE ACTIVITIES

There are services provided by the city which are financed by user charges. The key financial data for the year ended December 31, 2001 for those services are as follows:

	<u>Water</u>	<u>Sewer</u>
Operating revenues	\$ 1,610,485	\$ 1,290,955
Depreciation expense	331,832	189,982
Operating income	495,841	42,334
Income (loss) before contributions	565,894	(14,861)
Capital contributions	377,889	159,358
Fixed Assets		
Additions	1,360,208	209,752
Deletions	85,005	37,032
Net working capital	2,202,250	582,697
Total assets	17,602,077	13,353,204
Long-term debt payable	2,185,000	1,545,000
Total equity	14,489,733	11,423,496

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 9 – DESIGNATED FUND BALANCE

Designated fund balance as of December 31, 2001 includes the following items:

General Fund	
Subsequent year's budget	\$ 112,000
IT Consulting	<u>10,000</u>
Total	<u>\$ 122,000</u>

NOTE 10 – TAX INCREMENTAL FINANCING DISTRICT NO. 3

Following is the cumulative status of Tax Incremental Financing District No. 3 transactions as of December 31, 2001:

Expenditures	
Administration and promotion	\$ 1,088,595
Relocation	1,651,250
Capital expenditures	29,644,313
Engineering	636,535
Interest and fiscal charges	769,194
Discounts on borrowing	<u>365,935</u>
Total Expenditures	<u>\$ 34,155,822</u>
Revenues	
Tax increment	\$ 7,695,064
Intergovernmental	626,239
Investment income	2,011,876
Miscellaneous revenues	<u>719,689</u>
Total Revenues	<u>11,052,868</u>
Amount to be Recovered Through Increments	<u>\$ 23,102,954</u>

State statutes allow the districts to receive tax increments until the net project costs are fully recovered or until recovery is statutorily ended. The amount to be recovered shown above will be increased by interest payments made in the future.

The tax increment on the 2001 tax roll collected in 2002 is as follows:

TIF No. 3	<u>\$ 2,771,513</u>
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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 11 – COMMITMENTS AND CONTINGENCIES

From time to time, the city 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 city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

Funding for the operating budget of the city comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the city. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the city.

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

As stated in Note 13, the city jointly operates the Metropolitan Refuse District, Inc. (district). For the year ending September 30, 1994, the district was required to adopt Governmental Standards Board Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs." The district's fund balance at September 30, 2001 is a deficit of \$1,061,940. Reporting standards require the city to report its share of the net deficit. The city's proportionate share in the operations of the district is 59%, which amounts to \$632,065 of the district's net deficit. The city's share of the net deficit has been reported in the general long-term obligations account group. See also Note 3 and Note 13.

NOTE 12 – LEASE DISCLOSURES

In March of 2000, the city entered into a 61 month operating lease agreement for golf carts. Annual lease payments total \$29,353.

On November 21, 2001, the CDA entered into a 120 month operating lease agreement for railroad equipment. Annual lease payments total \$85,543. The city has guaranteed these loan payments.

The city has no other material capital or operating leases.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 13 – JOINT VENTURES

METROPOLITAN REFUSE DISTRICT, INC.

The City of Middleton and the Villages of Shorewood Hills and Waunakee jointly operate the local sanitary landfill, which is called the Metropolitan Refuse District, Inc. The landfill stopped accepting waste in 1997. The communities share in the operation of the district based on estimated population as follows:

City of Middleton	59%
Village of Shorewood Hills	7
Village of Waunakee	34

The governing body is made up of citizens from each community. Local representatives are appointed by each city. The governing body has authority to adopt its own budget and control the financial affairs of the district. The city made payments totaling \$54,784 to the district in 2001. The city will continue to support the district's postclosure care costs in the future.

Financial information of the district as of September 30, 2001 is available directly from the district's office.

The transactions of the District are not reflected in these financial statements.

The district's landfill is being monitored for possible groundwater contamination as required by the Wisconsin Department of Natural Resources. The costs for groundwater monitoring are being budgeted for on an annual basis. At the current time it is not possible to determine if extensive contamination has occurred and the effects, if any, on the District's financial statements.

MIDDLETON FIRE DISTRICT

The City of Middleton and the Towns of Springfield, Westport and Middleton jointly operate the local fire district, which is called the Middleton Fire District, which provides fire protection. The communities share in the operation of the District based on the ratio of equalized values of each member.

The governing body is made up of citizens from each community. Local representatives are appointed by the municipalities. The governing body has authority to adopt its own budget and control the financial affairs of the district. The city has made payments totaling \$226,929 to the district in 2001. The city believes that the District will continue to provide services in the future at similar rates.

Financial information of the District as of December 31, 2001 is available directly from the District's office.

The City of Middleton is the fiscal agent for the Middleton Fire District. Transactions of the district are accounted for in the fire district agency fund.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

The city provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retiring from the city or becoming disabled and being eligible to receive social security benefits or Wisconsin Retirement benefits. The benefits are based on contractual agreements with employee groups, local ordinances, and employee benefit policies. Employees may convert their accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure in the year of retirement. The entire cost is paid by the city. Funding for those costs is provided out of the current operating budget of the city's general fund. Total expenditures for retirees medical premiums during the year were \$44,438. The number of participants currently eligible to receive benefits is seven. The total amount outstanding at year end to be paid in the future is \$194,821 and is included in the general fund as an accrued liability.

NOTE 15 – CAPITAL PAID IN BY CITY

During the year, contributed capital changed by the following amounts:

	Water	Sewer	Total
Capital Paid in by City			
Balance – January 1, 2001	\$ 1,932,660	\$ 1,806,261	\$ 3,738,921
Current contributions	171,471	11,134	182,605
Balance – December 31, 2001	\$ 2,104,131	\$ 1,817,395	\$ 3,921,526

NOTE 16 – RISK MANAGEMENT

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction to 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.

NOTE 17 – DEFICIT FUND BALANCE

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2001, the following individual funds held a deficit balance:

<i>Special Revenue Fund</i>	Amount	Reason
Pleasant View Golf Course	\$ 185,298	Closure of golf course during the year for construction.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2001

NOTE 17 – DEFICIT FUND BALANCE (cont.)

The Pleasant View Golf Course fund deficit is anticipated to be funded with future revenues.

Special Revenue Fund (cont.)	<u>Amount</u>	<u>Reason</u>
Land and Park Donations	\$ 437	Excess expenditures over permits revenue.

The Land and Parks Donations fund deficit is anticipated to be funded with future permits.

Railroad	71,724	New fund in 2001, excess expenditures over revenue
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The Railroad deficit is anticipated to be funded with future revenues.

Hotel Room Tax	200,677	Excess expenditures over revenue.
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The hotel room tax fund deficit is anticipated to be funded with future revenues.

Capital Projects Fund

Southwest quadrant	810,039	Debt service costs in excess of cash flows from special assessments.
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The southwest quadrant fund deficit is anticipated to be funded with future collections of special assessments.

NOTE 18 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) recently approved Statement Nos. 34, 37, and 38. These statements require significant changes from the current method of financial reporting for all state and local governments in the United States. GASB Statement No. 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures* are effective for the city for the fiscal year beginning on January 1, 2003. These statements require retroactive application of certain accounting and reporting standards, which may restate portions of these financial statements.

NOTE 19 – ADOPTION OF NEW ACCOUNTING STANDARD

On January 1, 2001, the city adopted the provisions of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. This statement requires that proprietary fund type capital contributions from external parties be presented as revenues beginning in 2001. The balance in Contributions in Aid of Construction reflects the accumulated contributions until adoption of Statement No. 33. This balance will remain until the city adopts Governmental Accounting Standards Board Statement No. 34, effective for the city on January 1, 2003, when it will become part of the Net Assets section.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 20 – SUBSEQUENT EVENT

In March 2002, the city issued \$6,250,000 general obligation promissory notes for various capital projects.

NOTE 21 – RESTRICTED ASSETS

REPLACEMENT ACCOUNT

The DNR requires the utilities to set aside operating funds for future repair and replacements to the sewer system. The replacement account currently has a balance of \$24,600.

NOTE 22 – EXCESS EXPENDITURES OVER APPROPRIATIONS

The following individual funds experienced excess expenditures over appropriations.

Special Revenue Funds		
Lost and Damaged Book	\$	12,336
Library Endowment		51,799
Hotel Room Tax		397,135
Capital Projects Fund		
Other Capital Projects		2,386,462

NOTE 23 – MIDDLETON AREA DEVELOPMENT CORPORATION (MADC)

In 2001, the City of Middleton, through its Tax Incremental Financing District No. 3, transferred property to MADDC which was sold for \$2,000,000. MADDC is retaining these funds for economic development loans.

S U P P L E M E N T A L I N F O R M A T I O N

CITY OF MIDDLETON

GENERAL FUND DETAILED SCHEDULE OF REVENUES For the Year Ended December 31, 2001

	Actual	Budget
TAXES		
General property tax	\$ 6,798,424	\$ 6,797,877
Omitted property tax	26,229	-
Fees in lieu of taxes	25,000	-
Taxes from city owned utility	265,417	263,000
Room tax	108,603	100,000
Interest on taxes	3,023	2,000
TOTALS	\$ 7,226,696	\$ 7,162,877
INTERGOVERNMENTAL REVENUES		
Shared taxes from state	\$ 672,948	\$ 690,890
State aid - road allotment	635,675	636,046
Federal and state aid - other	168,831	141,060
County aid - library	385,698	385,698
County aid - signals	9,757	7,500
County aid - senior citizens	26,267	32,742
TOTALS	\$ 1,899,176	\$ 1,893,936
LICENSES AND PERMITS		
Liquor and malt beverage licenses	\$ 20,548	\$ 22,700
Operators' licenses	7,820	7,000
Contractor's licenses	6,504	5,000
Alarm licenses	8,590	3,500
Cigarette licenses	185	150
Bicycle licenses	281	200
Dog and cat licenses	187	200
Cable TV franchise licenses	130,001	130,000
Other miscellaneous licenses	468	2,400
Building permits	210,825	190,000
Electrical permits	30,452	55,000
Plumbing permits	49,047	65,000
Erosion control permits	12,400	8,000
Park reservation permits	7,978	7,750
TOTALS	\$ 485,286	\$ 496,900
FINES, FORFEITURES AND PENALTIES		
Court penalties	\$ 126,275	\$ 135,000
Parking violations	35,027	28,000
Court costs	32,318	31,000
TOTALS	\$ 193,620	\$ 194,000

CITY OF MIDDLETON

GENERAL FUND DETAILED SCHEDULE OF REVENUES (cont.) For the Year Ended December 31, 2001

	Actual	Budget
PUBLIC CHARGES FOR SERVICES		
Clerk fees	\$ 28,626	\$ 7,000
Sale of materials and supplies	2,850	2,000
Police special services	19,484	-
Police department fees	28,041	30,000
Ambulance services	80,523	292,527
EMS fixed cost abatement	52,745	51,293
Public works charges	18,838	10,000
Senior citizens	7,348	5,000
Swimming pools	202,622	212,725
Summer recreation	58,721	41,900
Other recreation	31,581	37,940
Zoning	1,800	1,000
 TOTALS	 \$ 533,179	 \$ 691,385
 INTERGOVERNMENTAL CHARGES FOR SERVICES		
Local general government services	\$ 173,245	\$ 164,720
 SPECIAL ASSESSMENTS		
Curb, gutter and sidewalks	\$ 70,107	\$ 10,900
Interest on special assessments	1,817	2,163
 TOTALS	 \$ 71,924	 \$ 13,063
 INVESTMENT INCOME		
Investment income	\$ 571,593	\$ 482,000
 MISCELLANEOUS		
Rent of city buildings and offices	\$ 17,200	\$ 12,000
Compensation for loss of fixed assets	26,358	-
Refund of prior year's expenditures	35,133	28,000
Sale of city property	55,144	166,000
Act 11 refund	47,961	-
Pool contribution	25,000	25,000
 TOTALS	 \$ 206,796	 \$ 231,000
 TOTAL REVENUES	 \$ 11,361,515	 \$ 11,329,881

CITY OF MIDDLETON

GENERAL FUND DETAILED SCHEDULE OF EXPENDITURES For the Year Ended December 31, 2001

	<u>Actual</u>	<u>Budget</u>
GENERAL GOVERNMENT		
Council	\$ 43,822	\$ 41,500
Police commission	2,248	5,000
Landmarks commission	1,500	600
Middleton youth commission	20,125	14,500
Municipal court	16,782	16,870
General administration	408,837	397,164
Information technology	53,294	40,000
Independent auditing	19,084	14,196
Legal counseling	115,559	100,000
Special legal counsel	7,873	2,000
Buildings and grounds	103,908	78,034
Illegal taxes and tax refunds	5,000	5,000
Reduction of prior years revenue	117	-
Property and liability insurance	189,466	170,000
Board of review	215	375
Additional expenses - prior years	16,616	5,000
Emergency preparedness	6,453	4,920
Income continuation insurance	15,425	12,650
Group life insurance	3,756	4,000
Contingency	-	109,412
Act 11 credit - payment to Wisconsin Retirement Fund	47,961	-
	<u>1,078,041</u>	<u>1,021,221</u>
TOTALS	\$ 1,078,041	\$ 1,021,221
PUBLIC SAFETY		
Police administration	\$ 380,260	\$ 382,729
Police patrol	1,938,353	1,825,684
Training	19,799	20,100
Police uniform allowance and equipment	11,995	11,500
School patrol	11,362	11,331
Fire suppression	226,929	238,290
Public fire protection	354,920	340,000
Building inspector	75,832	73,651
Electrical inspector	67,591	65,949
Plumbing inspection	41,620	39,241
Sealer of weights and measures	2,640	2,640
Erosion control enforcement	11,004	5,000
EMS	341,483	493,703
Communications	262,456	239,684
	<u>3,746,244</u>	<u>3,749,502</u>
TOTALS	\$ 3,746,244	\$ 3,749,502

CITY OF MIDDLETON

GENERAL FUND DETAILED SCHEDULE OF EXPENDITURES (cont.) For the Year Ended December 31, 2001

	<u>Actual</u>	<u>Budget</u>
PUBLIC WORKS		
Machinery	\$ 217,638	\$ 184,076
Garage	53,473	39,321
Protective equipment	1,981	2,000
Engineering	467,206	505,114
Street maintenance	170,494	178,285
Street cleaning	48,356	36,004
Snow and ice control	80,341	72,464
Traffic signs and markings	55,052	48,170
Traffic signals	20,667	24,805
Street lighting	49,286	48,700
Tree and brush	65,837	67,428
Sidewalk maintenance	13,189	-
Storm sewers	24,840	10,116
Mass transit	177,174	153,095
PW fringe benefits	-	99,830
Garbage collection	231,991	234,500
Sanitary landfill	84,439	85,000
Leaf pick-up	44,985	29,759
Track and signal maintenance	-	300
Recycling	138,661	133,907
	<u>138,661</u>	<u>133,907</u>
TOTALS	<u>\$ 1,945,610</u>	<u>\$ 1,952,874</u>
LEISURE ACTIVITIES		
Library	\$ 906,772	\$ 903,173
Senior citizens center	195,691	229,530
Recreation administration	74,617	77,328
Swimming pool	230,205	244,180
Summer recreation	68,920	53,620
Other recreation	38,675	42,190
Parks	413,953	402,119
Cable television	-	2,500
	<u>-</u>	<u>2,500</u>
TOTALS	<u>\$ 1,928,833</u>	<u>\$ 1,954,640</u>

CITY OF MIDDLETON

GENERAL FUND DETAILED SCHEDULE OF EXPENDITURES (cont.) For the Year Ended December 31, 2001

	<u>Actual</u>	<u>Budget</u>
CONSERVATION AND DEVELOPMENT		
Weed control	\$ 3,475	\$ 2,705
Creek maintenance	429	-
Water resources	21,137	24,101
Conservancy land commission	68,984	51,000
Public land	4	-
Planning commission	<u>141,214</u>	<u>134,752</u>
TOTALS	<u>\$ 235,243</u>	<u>\$ 212,558</u>
TOTAL EXPENDITURES	<u>\$ 8,933,971</u>	<u>\$ 8,890,795</u>

CITY OF MIDDLETON

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

December 31, 2001

	Pleasant View Golf Course	Sub- dividers' Deposits	Land and Park Donations	Drug Evidence	Cable TV	Youth Commission Donations	EMS	Railroad Depot
ASSETS								
Cash and investments	\$ 122,837	\$ 1,052,892	\$ -	\$ 4,028	\$ 23,805	\$ 1,005	\$ 14,157	\$ 37,415
Accounts receivable	-	-	-	-	-	-	-	-
Loan receivable	-	-	-	-	-	-	-	-
Inventories	2,972	-	-	-	-	-	-	-
Other assets	300	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 126,109</u>	<u>\$ 1,052,892</u>	<u>-</u>	<u>\$ 4,028</u>	<u>\$ 23,805</u>	<u>\$ 1,005</u>	<u>\$ 14,157</u>	<u>\$ 37,415</u>
LIABILITIES AND FUND BALANCES								
Accounts payable	\$ -	\$ -	\$ 382	\$ -	\$ -	\$ -	\$ -	\$ 390
Due to other funds	-	-	55	-	-	-	-	-
Advances from other funds	311,407	-	-	-	-	-	-	-
Total Liabilities	<u>311,407</u>	<u>-</u>	<u>437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390</u>
Fund Balances								
Reserved for loan receivable	-	-	-	-	-	-	-	-
Reserved for inventories	2,972	-	-	-	-	-	-	-
Unreserved								
Undesignated (deficit)	(188,270)	1,052,892	(437)	4,028	23,805	1,005	14,157	37,025
Total Fund Balances	<u>(185,298)</u>	<u>1,052,892</u>	<u>(437)</u>	<u>4,028</u>	<u>23,805</u>	<u>1,005</u>	<u>14,157</u>	<u>37,025</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 126,109</u>	<u>\$ 1,052,892</u>	<u>\$ -</u>	<u>\$ 4,028</u>	<u>\$ 23,805</u>	<u>\$ 1,005</u>	<u>\$ 14,157</u>	<u>\$ 37,415</u>

Depot Restoration	Lost and Damaged Book	Library Gift	EMS Equipment Replacement	Library Endowment	Economic Develop- ment Grant	Economic Develop- ment	Alcohol Awareness	Drug Forfeitures	Railroad	Hotel Room Tax	Totals
\$ 1,152	\$ 22,163	\$ 7,429	\$ 39,106	\$ 155,472	\$ 70,833	\$ 139,007	\$ 2,905	\$ 2,167	\$ -	\$ -	\$ 1,696,373
-	-	-	-	-	-	-	-	-	3,125	78,516	81,641
-	-	-	-	-	-	81,390	-	-	-	-	81,390
-	-	-	-	-	-	-	-	-	-	-	2,972
-	-	-	-	-	-	-	-	-	-	-	300
<u>\$ 1,152</u>	<u>\$ 22,163</u>	<u>\$ 7,429</u>	<u>\$ 39,106</u>	<u>\$ 155,472</u>	<u>\$ 70,833</u>	<u>\$ 220,397</u>	<u>\$ 2,905</u>	<u>\$ 2,167</u>	<u>\$ 3,125</u>	<u>\$ 78,516</u>	<u>\$ 1,862,676</u>
\$ -	\$ 1,676	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,128	\$ 119,493	\$ 190,419
-	-	-	-	-	-	-	-	-	6,721	159,700	166,476
-	-	-	-	-	-	-	-	-	-	-	311,407
-	1,676	350	-	-	-	-	-	-	74,849	279,193	668,302
-	-	-	-	-	-	81,390	-	-	-	-	81,390
-	-	-	-	-	-	-	-	-	-	-	2,972
1,152	20,487	7,079	39,106	155,472	70,833	139,007	2,905	2,167	(71,724)	(200,677)	1,110,012
1,152	20,487	7,079	39,106	155,472	70,833	220,397	2,905	2,167	(71,724)	(200,677)	1,194,374
<u>\$ 1,152</u>	<u>\$ 22,163</u>	<u>\$ 7,429</u>	<u>\$ 39,106</u>	<u>\$ 155,472</u>	<u>\$ 70,833</u>	<u>\$ 220,397</u>	<u>\$ 2,905</u>	<u>\$ 2,167</u>	<u>\$ 3,125</u>	<u>\$ 78,516</u>	<u>\$ 1,862,676</u>

CITY OF MIDDLETON

SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 For the Year Ended December 31, 2001

	Pleasant View Golf Course	Sub- dividers' Deposits	Land and Park Donations	Drug Evidence	Cable TV	Youth Com- mission Donations	EMS	Railroad Depot
REVENUE								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	4,028	-	-	3,797	-
Public charges for services	1,115,681	183,178	-	-	23,805	-	454	-
Investment income	698	-	-	-	-	-	-	-
Miscellaneous and contributions	-	-	4,562	-	-	1,005	-	32,840
Total Revenues	<u>1,116,379</u>	<u>183,178</u>	<u>4,562</u>	<u>4,028</u>	<u>23,805</u>	<u>1,005</u>	<u>4,251</u>	<u>32,840</u>
EXPENDITURES								
Public safety	-	-	-	-	-	-	6,247	-
Leisure activities	931,948	-	4,999	-	-	-	-	5,376
Conservation and development	-	113,707	-	-	-	-	-	-
Total Expenditures	<u>931,948</u>	<u>113,707</u>	<u>4,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,247</u>	<u>5,376</u>
Excess (deficiency) of revenues over expenditures	<u>184,431</u>	<u>69,471</u>	<u>(437)</u>	<u>4,028</u>	<u>23,805</u>	<u>1,005</u>	<u>(1,996)</u>	<u>27,464</u>
OTHER FINANCING USES								
Operating transfer out	<u>(583,175)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Uses	<u>(583,175)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other uses	<u>(398,744)</u>	<u>69,471</u>	<u>(437)</u>	<u>4,028</u>	<u>23,805</u>	<u>1,005</u>	<u>(1,996)</u>	<u>27,464</u>
FUND BALANCES - Beginning of Year	<u>213,446</u>	<u>983,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,153</u>	<u>9,561</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (185,298)</u>	<u>\$ 1,052,892</u>	<u>\$ (437)</u>	<u>\$ 4,028</u>	<u>\$ 23,805</u>	<u>\$ 1,005</u>	<u>\$ 14,157</u>	<u>\$ 37,025</u>

Depot Restoration	Lost and Damaged Book	Library Gift	EMS Equipment Replace- ment	Library Endow- ment	Economic Develop- ment	Economic Develop- ment Grant	Alcohol Awareness	Drug Forfeitures	Railroad	Hotel Room Tax	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,407	\$ 253,407
-	-	-	-	73,750	-	-	-	-	-	39,099	120,674
-	28,860	-	-	-	3,758	-	2,793	-	34,416	97,840	1,490,785
-	-	-	-	10,043	-	10,542	-	-	-	-	21,283
1,000	-	7,785	-	-	-	3,895	-	839	-	398	52,324
1,000	28,860	7,785	-	83,793	3,758	14,437	2,793	839	34,416	390,744	1,938,473
-	-	-	40,052	-	-	-	1,744	1,774	-	-	49,817
-	19,658	5,253	-	126,799	-	-	-	-	106,140	662,635	1,862,808
-	-	-	-	-	9,315	-	-	-	-	-	123,022
-	19,658	5,253	40,052	126,799	9,315	-	1,744	1,774	106,140	662,635	2,035,647
1,000	9,202	2,532	(40,052)	(43,006)	(5,557)	14,437	1,049	(935)	(71,724)	(271,891)	(97,174)
-	-	-	-	-	-	-	-	-	-	-	(583,175)
-	-	-	-	-	-	-	-	-	-	-	(583,175)
1,000	9,202	2,532	(40,052)	(43,006)	(5,557)	14,437	1,049	(935)	(71,724)	(271,891)	(680,349)
152	11,285	4,547	79,158	198,478	76,390	205,960	1,856	3,102	-	71,214	1,874,723
\$ 1,152	\$ 20,487	\$ 7,079	\$ 39,106	\$ 155,472	\$ 70,833	\$ 220,397	\$ 2,905	\$ 2,167	\$ (71,724)	\$ (200,677)	\$ 1,194,374

CITY OF MIDDLETON

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
December 31, 2001

	TIF District No. 3	Southwest Quadrant	Other Capital Projects	Totals
ASSETS				
Cash and investments	\$ 3,926,987	\$ -	\$ 511,164	\$ 4,438,151
Taxes receivable	3,003,941	20,021	-	3,023,962
Accounts receivable	426,896	-	152,200	579,096
Loans receivable	41,043	-	-	41,043
Special assessments	-	673,205	-	673,205
Due from other funds	-	-	519,946	519,946
TOTAL ASSETS	<u>\$ 7,398,867</u>	<u>\$ 693,226</u>	<u>\$ 1,183,310</u>	<u>\$ 9,275,403</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 419,257	\$ -	\$ 593,897	\$ 1,013,154
Due to other funds	-	810,039	-	810,039
Deferred revenues	3,003,941	20,021	-	3,023,962
Deferred special assessments	-	673,205	-	673,205
Advances from other funds	1,423,663	-	-	1,423,663
Total Liabilities	<u>4,846,861</u>	<u>1,503,265</u>	<u>593,897</u>	<u>6,944,023</u>
Fund Balances				
Reserved for loans receivable	41,043	-	-	41,043
Reserved for encumbrances	770,967	-	11,975	782,942
Unreserved				
Undesignated (deficit)	<u>1,739,996</u>	<u>(810,039)</u>	<u>577,438</u>	<u>1,507,395</u>
Total Fund Balances (Deficit)	<u>2,552,006</u>	<u>(810,039)</u>	<u>589,413</u>	<u>2,331,380</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,398,867</u>	<u>\$ 693,226</u>	<u>\$ 1,183,310</u>	<u>\$ 9,275,403</u>

CITY OF MIDDLETON

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

For the Year Ended December 31, 2001

	TIF District No. 1	TIF District No. 3	Southwest Quadrant	Other Capital Projects	Totals
REVENUES					
Taxes	\$ -	\$ 2,128,882	\$ -	\$ -	\$ 2,128,882
Intergovernmental	-	362,610	-	-	362,610
Special assessments	-	-	375,042	-	375,042
Investment income	-	138,545	-	-	138,545
Miscellaneous revenues	-	432,949	-	206,760	639,709
Total Revenues	-	3,062,986	375,042	206,760	3,644,788
EXPENDITURES					
Capital outlay	-	3,969,118	-	4,414,327	8,383,445
Interest and fiscal charges	-	68,733	-	-	68,733
Total Expenditures	-	4,037,851	-	4,414,327	8,452,178
Excess (deficiency) of revenues over expenditures	-	(974,865)	375,042	(4,207,567)	(4,807,390)
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	6,400,000	-	3,600,000	10,000,000
Debt discount and issuance costs	-	(59,520)	-	(32,919)	(92,439)
Operating transfers out	-	(2,841,590)	(337,800)	(38,363)	(3,217,753)
Total Other Financing Sources (Uses)	-	3,498,890	(337,800)	3,528,718	6,689,808
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	2,524,025	37,242	(678,849)	1,882,418
FUND BALANCES (DEFICIT) - Beginning of Year	65,740	27,981	(847,281)	1,268,262	514,702
Equity transfers	(65,740)	-	-	-	(65,740)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ -	\$ 2,552,006	\$ (810,039)	\$ 589,413	\$ 2,331,380

CITY OF MIDDLETON

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
December 31, 2001

	Water Utility	Sewer Utility	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 2,820,953	\$ 641,607	\$ 3,462,560
Accounts receivable	133,083	429,318	562,401
Interest receivable	57,822	-	57,822
Due from other funds	190,671	1,557	192,228
Inventories	33,538	-	33,538
Total Current Assets	3,236,067	1,072,482	4,308,549
Other Property and Investments			
Cash and investments	-	24,600	24,600
Special assessments receivable	40,812	2,353,396	2,394,208
Property held for future use	622,421	-	622,421
Preliminary engineering	15,629	-	15,629
Total Other Property and Investments	678,862	2,377,996	3,056,858
Utility Plant			
Property and equipment	17,051,146	11,750,730	28,801,876
Less: Accumulated depreciation	(3,382,648)	(1,865,288)	(5,247,936)
Total Property and Equipment	13,668,498	9,885,442	23,553,940
Deferred Charges			
Unamortized debt expenses	18,650	17,284	35,934
Total Deferred Charges	18,650	17,284	35,934
TOTAL ASSETS	\$ 17,602,077	\$ 13,353,204	\$ 30,955,281

	Water Utility	Sewer Utility	Totals
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	\$ 103,373	\$ 228,877	\$ 332,250
Accrued taxes	265,099	-	265,099
Accrued interest	36,100	24,300	60,400
Accrued compensated absences	9,499	4,654	14,153
Due to other funds	464,746	106,954	571,700
Current portion of long-term debt	155,000	125,000	280,000
Total Current Liabilities	<u>1,033,817</u>	<u>489,785</u>	<u>1,523,602</u>
Deferred Credits			
Accrued compensated absences	35,527	17,523	53,050
Customer advances for construction	-	2,400	2,400
Total Deferred Credits	<u>35,527</u>	<u>19,923</u>	<u>55,450</u>
Other Liabilities			
Deferred revenues	13,000	-	13,000
Long-Term Debt Net of Current Maturities			
General obligation notes	2,030,000	1,420,000	3,450,000
Total Long-Term Debt	<u>2,030,000</u>	<u>1,420,000</u>	<u>3,450,000</u>
Total Liabilities	<u>3,112,344</u>	<u>1,929,708</u>	<u>5,042,052</u>
Equity			
Capital paid in by city	2,104,131	1,817,395	3,921,526
Contributions in aid of construction	6,443,898	8,743,358	15,187,256
Total Contributed Capital	<u>8,548,029</u>	<u>10,560,753</u>	<u>19,108,782</u>
Retained earnings			
Reserved	-	24,600	24,600
Unreserved	5,941,704	838,143	6,779,847
Total Retained Earnings	<u>5,941,704</u>	<u>862,743</u>	<u>6,804,447</u>
Total Equity	<u>14,489,733</u>	<u>11,423,496</u>	<u>25,913,229</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 17,602,077</u>	<u>\$ 13,353,204</u>	<u>\$ 30,955,281</u>

CITY OF MIDDLETON

ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 For the Year Ended December 31, 2001

	Water Utility	Sewer Utility	Totals
OPERATING REVENUES			
Charges for services	\$ 1,610,485	\$ 1,290,955	\$ 2,901,440
OPERATING EXPENSES			
Operation and maintenance	508,672	1,050,929	1,559,601
Depreciation	331,832	189,982	521,814
Taxes	274,140	7,710	281,850
Total Operating Expenses	<u>1,114,644</u>	<u>1,248,621</u>	<u>2,363,265</u>
Operating Income	<u>495,841</u>	<u>42,334</u>	<u>538,175</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	186,715	16,184	202,899
Interest expense	(112,862)	(71,474)	(184,336)
Amortization of debt issuance costs	(3,800)	(1,905)	(5,705)
Total Nonoperating Revenues (Expenses)	<u>70,053</u>	<u>(57,195)</u>	<u>12,858</u>
Income before contributions	565,894	(14,861)	551,033
CAPITAL CONTRIBUTIONS	<u>377,889</u>	<u>159,358</u>	<u>537,247</u>
NET CHANGE IN RETAINED EARNINGS	943,783	144,497	1,088,280
RETAINED EARNINGS - Beginning of Year	<u>4,997,921</u>	<u>718,246</u>	<u>5,716,167</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 5,941,704</u>	<u>\$ 862,743</u>	<u>\$ 6,804,447</u>

CITY OF MIDDLETON

ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2001

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,381,175	\$ 1,185,187	\$ 2,566,362
Cash received from city for services	353,323	-	353,323
Cash paid to suppliers for goods and services	(332,800)	(930,895)	(1,263,695)
Cash paid to employees for services	(193,894)	(93,394)	(287,288)
Cash paid for tax equivalent	(265,417)	-	(265,417)
Net Cash Flows From Operating Activities	<u>942,387</u>	<u>160,898</u>	<u>1,103,285</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid	(145,000)	(120,000)	(265,000)
Interest paid	(115,162)	(73,274)	(188,436)
Acquisition and construction of capital assets	(681,578)	(7,941)	(689,519)
Cost of removal of capital assets	(20,500)	-	(20,500)
Special assessments received	40,805	215,805	256,610
Net Cash Flows From Capital and Related Financing Activities	<u>(921,435)</u>	<u>14,590</u>	<u>(906,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	199,188	16,184	215,372
Marketable securities purchased	(87,913)	-	(87,913)
Cash Flows From Investing Activities	<u>111,275</u>	<u>16,184</u>	<u>127,459</u>
Net Increase (Decrease) in Cash and Cash Equivalents	132,227	191,672	323,899
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>693,683</u>	<u>474,535</u>	<u>1,168,218</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 825,910</u>	<u>\$ 666,207</u>	<u>\$ 1,492,117</u>

	Water Utility	Sewer Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 495,841	\$ 42,334	\$ 538,175
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities			
Depreciation expense	331,832	189,982	521,814
Depreciation charged to sewer utility	31,652	-	31,652
Changes in Noncash Components of Working Capital			
Accounts receivable	116,359	(104,174)	12,185
Other accounts receivable	(1,312)	(37)	(1,349)
Due from other funds	(35,686)	(1,557)	(37,243)
Accounts payable	(14,310)	19,314	5,004
Accrued taxes	(318)	-	(318)
Accrued compensated absences	3,691	1,843	5,534
Due to other funds	-	12,411	12,411
Deferred revenues	13,000	-	13,000
Other current liabilities	1,638	782	2,420
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 942,387</u>	<u>\$ 160,898</u>	<u>\$ 1,103,285</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2001, capital additions of \$170,658 were contributed to the water utility by developers and customers.

During 2001, capital additions of \$171,471 were contributed to the water utility by the city.

During 2001, capital additions of \$144,497 were contributed to the sewer utility by developers and customers.

During 2001, capital additions of \$11,134 were contributed to the sewer utility by the city.

CITY OF MIDDLETON

AGENCY FUNDS
COMBINING BALANCE SHEET
December 31, 2001

	Fire District	Tax Collection Fund	Totals
ASSETS			
Cash and investments	\$ -	\$ 12,120,991	\$ 12,120,991
Taxes receivable	-	8,525,482	8,525,482
Due from other governmental units	77,009	-	77,009
Prepaid items	5,118	-	5,118
 TOTAL ASSETS	 \$ 82,127	 \$ 20,646,473	 \$ 20,728,600
LIABILITIES			
Liabilities			
Accounts payable	\$ 67,488	\$ -	\$ 67,488
Due to other governmental units	-	20,646,473	20,646,473
Due to other funds	14,639	-	14,639
 TOTAL LIABILITIES	 \$ 82,127	 \$ 20,646,473	 \$ 20,728,600