

CITY OF MIDDLETON

Middleton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2002

CITY OF MIDDLETON

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December 31, 2002

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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, 2002, 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, 2002, and the results of its operations and cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23, the City of Middleton began reporting its component unit as a discretely presented component unit during 2002. It had previously been reported as a blended component unit in the Tax Incremental Financing District No. 3.

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 14, 2003

CITY OF MIDDLETON

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2002

(With Comparative Totals - Reporting Entity for December 31, 2001)

	Governmental Fund Types				Proprietary Fund Type Enterprise
	General Fund	Special Revenue	Debt Service	Capital Projects	
ASSETS AND OTHER DEBITS					
Cash and investments	\$ 1,623,469	\$ 1,897,851	\$ -	\$ 4,051,637	\$ 3,513,675
Receivables					
Taxes	8,084,246	-	-	3,772,743	-
Delinquent personal property taxes	35,068	-	-	-	-
Accounts	206,975	168,275	-	280,522	590,299
Loans	-	53,468	-	-	-
Special assessments	107,545	-	-	163,545	2,352,054
Delinquent special assessments	683	-	-	-	-
Interest	-	942	-	-	50,726
Due from other funds	1,095,163	-	-	-	192,870
Due from component unit	-	11,929	-	14,658,961	-
Lease receivable from primary government	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Prepaid items	-	-	-	-	-
Advances to other funds	2,614,396	-	682,804	-	-
Inventories	-	-	-	-	15,164
Restricted Assets					
Cash and investments	-	-	-	-	24,600
Fixed assets	-	-	-	-	29,592,401
Accumulated depreciation	-	-	-	-	(5,783,038)
Deferred charges	-	-	-	-	30,229
Other property	-	-	-	-	622,421
Other assets	-	-	-	-	4,729
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	\$ 13,767,545	\$ 2,132,465	\$ 682,804	\$ 22,927,408	\$ 31,206,130

Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Obligations	Primary Government	CDA	Reporting Entity	
					2002	2001
\$ 11,921,689	\$ -	\$ -	\$ 23,008,321	\$ 562,097	\$ 23,570,418	\$ 24,380,900
10,929,640	-	-	22,786,629	-	22,786,629	19,223,458
-	-	-	35,068	-	35,068	17,943
-	-	-	1,246,071	-	1,246,071	1,562,009
-	-	-	53,468	67,482	120,950	122,433
-	-	-	2,623,144	-	2,623,144	3,080,233
-	-	-	683	-	683	-
-	-	-	51,668	318,729	370,397	108,889
-	-	-	1,288,033	-	1,288,033	1,703,328
-	-	-	14,670,890	-	14,670,890	-
-	-	-	-	16,475,000	16,475,000	-
76,050	-	-	76,050	-	76,050	103,275
-	-	-	-	-	-	5,118
-	-	-	3,297,200	-	3,297,200	1,735,070
-	-	-	15,164	-	15,164	36,510
-	-	-	24,600	14,658,962	14,683,562	24,600
-	37,191,878	-	66,784,279	-	66,784,279	68,545,164
-	-	-	(5,783,038)	-	(5,783,038)	(5,247,936)
-	-	-	30,229	287,268	317,497	35,934
-	-	-	622,421	-	622,421	622,421
-	-	-	4,729	-	4,729	15,929
-	-	3,388,688	3,388,688	-	3,388,688	633,276
-	-	69,591,892	69,591,892	-	69,591,892	51,507,275
<u>\$ 22,927,379</u>	<u>\$ 37,191,878</u>	<u>\$ 72,980,580</u>	<u>\$ 203,816,189</u>	<u>\$ 32,369,538</u>	<u>\$ 236,185,727</u>	<u>\$ 168,215,829</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2002

(With Comparative Totals - Reporting Entity for December 31, 2001)

	Governmental Fund Types				Proprietary
	General Fund	Special Revenue	Debt Service	Capital Projects	Fund Type Enterprise
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities					
Accounts payable	\$ 712,696	\$ 23,375	\$ -	\$ 1,739,405	\$ 237,324
Accrued liabilities	-	-	-	-	350,945
Due to other governmental units	6,606	-	-	-	-
Due to other funds	126,865	78,220	284,337	732,606	66,005
Due to primary government	-	-	-	-	-
Deferred revenues	7,962,569	-	-	3,772,743	-
Deferred special assessments	108,228	-	-	163,545	-
Deferred investment income - TIF	24,744	-	-	-	-
Customer advances for construction	-	-	-	-	2,400
Deferred interest income	581,929	-	-	-	-
Advances from other funds	-	1,804,804	-	1,492,396	-
General obligation bonds and notes payable	-	-	-	-	3,450,000
Lease revenue bonds payable	-	-	-	-	-
Capital leases payable	-	-	-	-	-
Accrued compensated absences	-	-	-	-	77,785
Unfunded pension liability	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total Liabilities	9,523,637	1,906,399	284,337	7,900,695	4,184,459
Equity and Other Credits					
Investment in general fixed assets	-	-	-	-	-
Capital paid in by city	-	-	-	-	4,303,276
Contributions in aid of construction	-	-	-	-	15,187,256
Retained earnings					
Reserved for equipment replacement	-	-	-	-	24,600
Unreserved	-	-	-	-	7,506,539
Fund Balances					
Reserved for loans receivable	-	53,468	-	-	-
Reserved for advances	2,032,467	-	682,804	-	-
Reserved for noncurrent interfunds	783,488	-	-	-	-
Reserved for delinquent personal property taxes	35,068	-	-	-	-
Reserved for debt service	-	-	-	3,388,688	-
Reserved for encumbrances	-	-	-	4,743,772	-
Reserved for prepaid items and inventories	-	-	-	-	-
Unreserved					
Designated	240,000	-	-	-	-
Undesignated (Deficit)	1,152,885	172,598	(284,337)	6,894,253	-
Total Equity and Other Credits	4,243,908	226,066	398,467	15,026,713	27,021,671
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 13,767,545	\$ 2,132,465	\$ 682,804	\$ 22,927,408	\$ 31,206,130

Fiduciary Fund Type Agency	Account Groups		Totals (Memorandum Only)	Component Unit CDA	Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Obligations	Primary Government		Reporting Entity	
					2002	2001
\$ 91,674	\$ -	\$ -	\$ 2,804,474	\$ -	\$ 2,804,474	\$ 2,009,050
-	-	-	350,945	316,355	667,300	556,885
22,835,705	-	-	22,842,311	-	22,842,311	20,673,319
-	-	-	1,288,033	-	1,288,033	1,703,328
-	-	-	-	14,670,890	14,670,890	-
-	-	-	11,735,312	-	11,735,312	10,817,442
-	-	-	271,773	-	271,773	686,025
-	-	-	24,744	-	24,744	50,543
-	-	-	2,400	-	2,400	2,400
-	-	-	581,929	-	581,929	513,196
-	-	-	3,297,200	-	3,297,200	1,735,070
-	-	54,480,324	57,930,324	-	57,930,324	53,731,311
-	-	-	-	16,475,000	16,475,000	-
-	-	16,475,000	16,475,000	-	16,475,000	-
-	-	1,127,621	1,205,406	-	1,205,406	1,175,528
-	-	311,420	311,420	-	311,420	398,850
-	-	586,215	586,215	-	586,215	632,065
<u>22,927,379</u>	<u>-</u>	<u>72,980,580</u>	<u>119,707,486</u>	<u>31,462,245</u>	<u>151,169,731</u>	<u>94,685,012</u>
-	37,191,878	-	37,191,878	-	37,191,878	39,743,288
-	-	-	4,303,276	-	4,303,276	3,921,526
-	-	-	15,187,256	-	15,187,256	15,187,256
-	-	-	24,600	-	24,600	24,600
-	-	-	7,506,539	907,293	8,413,832	6,779,847
-	-	-	53,468	-	53,468	122,433
-	-	-	2,715,271	-	2,715,271	910,467
-	-	-	783,488	-	783,488	810,039
-	-	-	35,068	-	35,068	17,943
-	-	-	3,388,688	-	3,388,688	633,276
-	-	-	4,743,772	-	4,743,772	782,942
-	-	-	-	-	-	2,972
-	-	-	240,000	-	240,000	122,000
-	-	-	7,935,399	-	7,935,399	4,472,228
<u>-</u>	<u>37,191,878</u>	<u>-</u>	<u>84,108,703</u>	<u>907,293</u>	<u>85,015,996</u>	<u>73,530,817</u>
<u>\$ 22,927,379</u>	<u>\$ 37,191,878</u>	<u>\$ 72,980,580</u>	<u>\$ 203,816,189</u>	<u>\$ 32,369,538</u>	<u>\$ 236,185,727</u>	<u>\$ 168,215,829</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, 2002
(With Comparative Totals for the Year Ended December 31, 2001)

	Governmental Fund Types				Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)	
					2002	2001
REVENUES						
Taxes	\$ 7,934,580	\$ 261,780	\$ -	\$ 2,771,513	\$ 10,967,873	\$ 9,608,985
Intergovernmental	2,141,032	114,847	-	296,511	2,552,390	2,382,460
Licenses and permits	516,127	-	-	-	516,127	485,286
Fines, forfeitures and penalties	211,729	-	-	-	211,729	193,620
Public charges for services	939,443	1,605,711	-	-	2,545,154	2,023,964
Intergovernmental charges for services	292,432	-	-	-	292,432	173,245
Special assessments	96,823	-	-	563,409	660,232	446,966
Investment income	218,507	22,368	10,782	167,729	419,386	788,726
Miscellaneous revenues	394,387	33,994	-	274,985	703,366	898,829
Total Revenues	12,745,060	2,038,700	10,782	4,074,147	18,868,689	17,002,081
EXPENDITURES						
Current						
General government	1,140,506	-	-	-	1,140,506	1,078,041
Public safety	4,124,939	1,104	-	-	4,126,043	3,796,061
Public works	2,108,704	-	-	-	2,108,704	1,945,610
Leisure activities	2,042,454	2,258,818	-	-	4,301,272	3,791,641
Conservation and development	227,169	129,387	-	-	356,556	358,265
Capital Outlay	-	14,850	-	12,794,949	12,809,799	8,383,445
Debt Service						
Principal retirement	-	-	4,100,987	-	4,100,987	4,018,360
Interest and fiscal charges	-	45	2,310,695	422,373	2,733,113	2,411,537
Total Expenditures	9,643,772	2,404,204	6,411,682	13,217,322	31,676,980	25,782,960

CITY OF MIDDLETON

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

For the Year Ended December 31, 2002

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

	Governmental Fund Types				Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)	
					2002	2001
Excess (deficiency) of revenues over expenditures	\$ 3,101,288	\$ (365,504)	\$ (6,400,900)	\$ (9,143,175)	\$ (12,808,291)	\$ (8,780,879)
OTHER FINANCING SOURCES (USES)						
Proceeds from refunding bonds	-	-	6,005,000	-	6,005,000	-
Proceeds from long-term debt	-	-	-	8,420,000	8,420,000	10,000,000
Proceeds from capital leases	-	-	-	16,475,000	16,475,000	-
Premium on long-term debt	-	-	61,741	52,121	113,862	-
Payment to refunding escrow	-	-	(6,005,792)	-	(6,005,792)	-
Debt discount and issuance costs	-	-	-	(62,250)	(62,250)	(92,439)
Operating transfers in	-	80,000	6,350,727	245,585	6,676,312	6,353,838
Operating transfers out	(2,572,650)	(682,804)	(245,585)	(3,175,273)	(6,676,312)	(6,353,838)
Total Other Financing Sources (Uses)	(2,572,650)	(602,804)	6,166,091	21,955,183	24,945,820	9,907,561
Excess (deficiency) of revenues and other sources over expenditures and other uses	528,638	(968,308)	(234,809)	12,812,008	12,137,529	1,126,682
FUND BALANCES - Beginning of Year (as restated)	3,715,270	1,194,374	633,276	2,214,705	7,757,625	6,747,618
FUND BALANCES - END OF YEAR	<u>\$ 4,243,908</u>	<u>\$ 226,066</u>	<u>\$ 398,467</u>	<u>\$ 15,026,713</u>	<u>\$ 19,895,154</u>	<u>\$ 7,874,300</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ACTUAL AND BUDGET - GENERAL, CERTAIN SPECIAL REVENUE, DEBT SERVICE, AND CAPITAL PROJECTS FUNDS For the Year Ended December 31, 2002

	General Fund		Variance - Favorable (Unfavorable)
	Actual	Budget	
REVENUES			
Taxes	\$ 7,934,580	\$ 7,928,480	\$ 6,100
Intergovernmental	2,141,032	2,050,164	90,868
Licenses and permits	516,127	482,800	33,327
Fines, forfeitures and penalties	211,729	194,000	17,729
Public charges for services	939,443	699,616	239,827
Intergovernmental charges for services	292,432	192,720	99,712
Special assessments	96,823	26,190	70,633
Investment income	218,507	244,300	(25,793)
Miscellaneous revenues	394,387	387,500	6,887
Total Revenues	12,745,060	12,205,770	539,290
EXPENDITURES			
Current			
General government	1,140,506	1,402,999	262,493
Public safety	4,124,939	4,063,107	(61,832)
Public works	2,108,704	2,049,111	(59,593)
Leisure activities	2,042,454	2,060,526	18,072
Conservation and development	227,169	249,371	22,202
Capital Outlay	-	-	-
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	9,643,772	9,825,114	181,342
Excess (deficiency) of revenues over expenditures	3,101,288	2,380,656	720,632
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bonds	-	-	-
Proceeds of long-term debt	-	-	-
Proceeds of capital lease	-	-	-
Premium on long-term debt	-	-	-
Payment to refunding escrow	-	-	-
Debt discount and issuance costs	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(2,572,650)	(2,492,656)	(79,994)
Total Other Financing Sources (Uses)	(2,572,650)	(2,492,656)	(79,994)
Excess (deficiency) of revenues and other sources over expenditures and other uses	528,638	(112,000)	640,638
FUND BALANCES - Beginning of Year	3,715,270	3,715,270	-
FUND BALANCES - END OF YEAR	\$ 4,243,908	\$ 3,603,270	\$ 640,638

Certain Special Revenue Funds			Debt Service Fund			Capital Projects Funds		
Actual	Budget	Variance - Favorable (Unfavorable)	Actual	Budget	Variance - Favorable (Unfavorable)	Actual	Budget	Variance - Favorable (Unfavorable)
\$ 261,780	\$ 245,000	\$ 16,780	\$ -	\$ -	\$ -	\$ 2,771,513	\$ 3,068,000	\$ (296,487)
114,847	58,500	56,347	-	-	-	296,511	258,700	37,811
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,499,925	2,055,383	(555,458)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	563,409	656,257	(92,848)
22,368	46,215	(23,847)	10,782	-	10,782	167,729	42,000	125,729
23,770	27,000	(3,230)	-	-	-	274,985	86,000	188,985
<u>1,922,690</u>	<u>2,432,098</u>	<u>(509,408)</u>	<u>10,782</u>	<u>-</u>	<u>10,782</u>	<u>4,074,147</u>	<u>4,110,957</u>	<u>(36,810)</u>
-	-	-	-	-	-	-	-	-
-	21,822	21,822	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,631,027	2,186,383	555,356	-	-	-	-	-	-
128,235	49,000	(79,235)	-	-	-	-	-	-
14,850	-	(14,850)	-	-	-	12,794,949	23,677,700	10,882,751
-	-	-	4,100,987	4,380,986	279,999	-	-	-
45	-	(45)	2,310,695	2,429,206	118,511	422,373	-	(422,373)
<u>1,774,157</u>	<u>2,257,205</u>	<u>483,048</u>	<u>6,411,682</u>	<u>6,810,192</u>	<u>398,510</u>	<u>13,217,322</u>	<u>23,677,700</u>	<u>10,460,378</u>
<u>148,533</u>	<u>174,893</u>	<u>(26,360)</u>	<u>(6,400,900)</u>	<u>(6,810,192)</u>	<u>409,292</u>	<u>(9,143,175)</u>	<u>(19,566,743)</u>	<u>10,423,568</u>
-	-	-	6,005,000	-	6,005,000	-	-	-
-	-	-	-	-	-	8,420,000	20,873,000	(12,453,000)
-	-	-	-	-	-	16,475,000	-	16,475,000
-	-	-	61,741	-	61,741	52,121	-	52,121
-	-	-	(6,005,792)	-	(6,005,792)	-	-	-
-	-	-	-	-	-	(62,250)	-	(62,250)
80,000	-	80,000	6,350,727	6,810,192	(459,465)	245,585	-	245,585
(682,804)	(641,215)	(41,589)	(245,585)	-	(245,585)	(3,175,273)	(3,274,802)	99,529
<u>(602,804)</u>	<u>(641,215)</u>	<u>38,411</u>	<u>6,166,091</u>	<u>6,810,192</u>	<u>(644,101)</u>	<u>21,955,183</u>	<u>17,598,198</u>	<u>4,356,985</u>
(454,271)	(466,322)	12,051	(234,809)	-	(234,809)	12,812,008	(1,968,545)	14,780,553
<u>1,259,874</u>	<u>1,259,874</u>	<u>-</u>	<u>633,276</u>	<u>633,276</u>	<u>-</u>	<u>2,214,705</u>	<u>2,214,705</u>	<u>-</u>
<u>\$ 805,603</u>	<u>\$ 793,552</u>	<u>\$ 12,051</u>	<u>\$ 398,467</u>	<u>\$ 633,276</u>	<u>\$ (234,809)</u>	<u>\$ 15,026,713</u>	<u>\$ 246,160</u>	<u>\$ 14,780,553</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
 For the Year Ended December 31, 2002
 (With Comparative Totals - Primary Government for December 31, 2001)

	Primary Government		
	Proprietary Fund Type	(Memorandum Only)	Component Unit
	Enterprise	Enterprise	CDA
	2002	2001	2002
OPERATING REVENUES			
Charges for services	\$ 3,043,617	\$ 2,901,440	\$ -
CDA revenues	-	-	14,247
Total Operating Revenues	<u>3,043,617</u>	<u>2,901,440</u>	<u>14,247</u>
OPERATING EXPENSES			
Operation and maintenance	1,667,658	1,559,601	11,929
Depreciation	540,678	521,814	-
Taxes	311,693	281,850	-
Total Operating Expenses	<u>2,520,029</u>	<u>2,363,265</u>	<u>11,929</u>
Operating Income	<u>523,588</u>	<u>538,175</u>	<u>2,318</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	154,112	202,899	320,725
Interest expense	(176,167)	(184,336)	(316,355)
Gain on sale of fixed assets	-	-	420,455
Amortization of debt issuance costs	(5,705)	(5,705)	(4,122)
Miscellaneous revenues	-	-	291,390
Total Nonoperating Revenues (Expenses)	<u>(27,760)</u>	<u>12,858</u>	<u>712,093</u>
Income before contributions	495,828	551,033	714,411
CAPITAL CONTRIBUTIONS	<u>230,864</u>	<u>537,247</u>	<u>-</u>
NET CHANGE IN RETAINED EARNINGS	726,692	1,088,280	714,411
RETAINED EARNINGS - Beginning of Year (as restated)	<u>6,804,447</u>	<u>5,716,167</u>	<u>192,882</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 7,531,139</u>	<u>\$ 6,804,447</u>	<u>\$ 907,293</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
 For the Year Ended December 31, 2002
 (With Comparative Totals - Primary Government for the Year Ended December 31, 2001)

	Primary Government		
	Proprietary	(Memorandum Only)	Component Unit
	Fund Type		
	Enterprise	2001	CDA
	2002		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,723,607	\$ 2,566,362	\$ 14,247
Cash received from city for services	357,650	353,323	-
Cash paid to suppliers for goods and services	(1,348,681)	(1,263,695)	(11,929)
Cash paid to employees for services	(310,491)	(287,288)	-
Cash paid for tax equivalent	(265,099)	(265,417)	-
Net Cash Flows From Operating Activities	<u>1,156,986</u>	<u>1,103,285</u>	<u>2,318</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid	(280,000)	(265,000)	-
Interest paid	(180,467)	(188,436)	-
Paid to other funds	(519,946)	-	-
Acquisition and construction of fixed assets	(287,286)	(689,519)	-
Cost of removal of capital assets	-	(20,500)	-
Special assessments received	620	256,610	-
Sale of property	-	-	420,455
Net Cash Flows From Capital and Related Financing Activities	<u>(1,267,079)</u>	<u>(906,845)</u>	<u>420,455</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	161,208	215,372	4,370
Investments sold and matured	1,995,043	-	-
Marketable securities purchased	(3,338,953)	(87,913)	-
Cash Flows From Investing Activities	<u>(1,182,702)</u>	<u>127,459</u>	<u>4,370</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from lease revenue bonds	-	-	16,243,630
Cash paid to primary government - TIF No. 3	-	-	(1,575,528)
Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>14,668,102</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,292,795)	323,899	15,095,245
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,492,117</u>	<u>1,168,218</u>	<u>125,814</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 199,322	\$ 1,492,117	\$ 15,221,059

	Primary Government		
	Proprietary Fund Type	(Memorandum Only)	Component Unit
	Enterprise	2001	CDA
	2002	2001	CDA
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 523,588	\$ 538,175	\$ 2,318
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities			
Depreciation expense	540,678	521,814	-
Depreciation charged to sewer utility	37,646	31,652	-
Changes in Assets and Liabilities			
Accounts receivable	(28,223)	12,185	-
Other accounts receivable	2,386	(1,349)	-
Due from other funds	38,831	(37,243)	-
Inventories	18,374	-	-
Accounts payable	(17,873)	5,004	-
Accrued taxes	29,746	(318)	-
Accrued compensated absences	10,582	5,534	-
Due to other funds	14,251	12,411	-
Deferred revenues	(13,000)	13,000	-
Other current liabilities	-	2,420	-
NET CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 1,156,986	\$ 1,103,285	\$ 2,318

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2002, capital additions of \$230,864 were contributed to the water and sewer utilities by developers and customers.

During 2002, capital additions of \$381,750 were contributed to the water and sewer utilities by the city.

In 2002, the CDA entered into capital lease agreements with the primary government for \$16,475,000.

In 2002, the CDA issued lease revenue bonds, of which the net costs of \$231,370 were deducted from the bond proceeds.

CITY OF MIDDLETON

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CITY OF MIDDLETON

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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

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 financial statements have been presented as a discrete column in the general purpose financial statements. In 2001, the CDA's transactions were blended into Tax Incremental District No. 3 which is a capital projects fund. 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 21.

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, 2002

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	Senior Citizen
Depot Restoration	Railroad
Lost and Damaged Book	Hotel Room Tax

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. 3
Southwest Quadrant
Other Capital Projects

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

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, 2002

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 – 2002 tax roll:

Lien date and levy date	December 2002
Tax bills mailed	December 2002
Payment in full, or	January 31, 2003
First installment due	January 31, 2003
Second installment due	July 31, 2003
Personal property taxes in full	January 31, 2003
Tax sale – 2002 delinquent real estate taxes	October 2005

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

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, 2002

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:

	Primary Government Enterprise Funds	Component Unit CDA
Cash and investments – combined balance sheet	\$ 3,513,675	\$ 562,097
Restricted cash and investments – combined balance sheet	24,600	14,658,962
Less: Non-cash equivalents	(3,338,953)	-
 Cash and Cash Equivalents – Combined Statement of Cash Flows	 \$ 199,322	 \$ 15,221,059

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, 2002

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

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

The city may approve 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. No industrial revenue bonds were outstanding as of the end of the year.

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 2002.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2002

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

K. FIXED ASSETS – PROPRIETARY FUNDS (cont.)

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

	12-31-02	Years
Water Fixed Assets		
Source of supply plant	\$ 383,523	33
Pumping plant	1,658,508	20 – 40
Water treatment plant	343,242	33 – 40
Transmission and distribution plant	14,695,873	16 – 90
General plant	459,450	4 – 15
Total	17,540,596	
Sewer Fixed Assets		
Collection system	10,441,950	30 – 100
Collection system pumping plant	1,215,786	20 – 40
General plant	347,568	7 – 40
Total	12,005,304	
Construction in progress	46,501	N/A
Total Enterprise Fund Fixed Assets	\$ 29,592,401	

Other Property - Property Held for Future Use

In 2001, the water utility acquired property for future use of \$622,421.

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, 2002. Deferred interest income in the general fund at December 31, 2002 is \$581,929.

The general fund advanced funds to the Hotel Room Tax, Railroad, and Pleasant View Golf Course in 2002. The debt service fund advanced funds to the Pleasant View Golf Course special revenue fund for debt payments. No repayment schedules have been established and interest is not being charged on the above advances to Pleasant Prairie Golf Course. Repayment of the advances, the Hotel Room Tax and Railroad funds, will be made over four years at an interest rate of 4%.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2002

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

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.

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 capital projects funds, and comparisons of actual to budget are presented in the general purpose financial statements. 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. Since budgets have not been prepared for all special revenue 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 as presented on page 7 and the budgeted special revenue funds on page 9 is as follows:

	Excess (Deficiency) of Revenues Over Expenditures
All special revenue funds (page 7)	\$ (365,504)
Less: Unbudgeted special revenue funds	
Depot Restoration	(1,152)
Alcohol Awareness	886
Drug Forfeitures	-
Senior Citizen	2,196
Railroad Fund	<u>(515,967)</u>
Total Unbudgeted Special Revenue Funds	<u>(514,037)</u>
Budgeted Special Revenue Funds (page 9)	<u><u>\$ 148,533</u></u>

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

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

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 \$1,127,621 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. \$77,785 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, 2002 are determined on the basis of current salary rates, and includes salary related payments.

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 \$30,965. 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

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

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.

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, 2002, 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

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

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.

Sewer rates are adjusted annually to account for rate changes from Madison Metropolitan Sewerage District. 2002 rates were approved in November 2001 and became effective January 1, 2002.

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2002

NOTE 2 – CASH AND INVESTMENTS (cont.)

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	Reporting Entity
	1	2	3		Carrying Amount
Local and area banks	\$ 401,123	\$ -	\$ 11,326,807	\$ 11,727,930	\$ 11,153,668
Sub-Totals	\$ 401,123	\$ -	\$ 11,326,807	\$ 11,727,930	11,153,668
Local government investment pool					2,304,788
Mutual funds					24,795,099
Petty cash					425
Total Deposits and Investments – Reporting Entity					\$ 38,253,980

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

NOTE 2 – CASH AND INVESTMENTS (cont.)

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2002, 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 receives the collection of these levies from other funds and makes the payments of principal and interest.

The following is a summary of the long-term general obligation debt transactions for the year ended December 31, 2002:

	Balance 1-1-02	Increases	Decreases	Balance 12-31-02
General Long-Term Obligations Account Group	\$ 50,001,311	\$ 14,425,000	\$ 9,945,987	\$ 54,480,324
Proprietary Funds Enterprise	<u>3,730,000</u>	<u>-</u>	<u>280,000</u>	<u>3,450,000</u>
General Obligation Debt	<u>\$ 53,731,311</u>	<u>\$ 14,425,000</u>	<u>\$ 10,225,987</u>	<u>\$ 57,930,324</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2002

NOTE 3 – LONG-TERM OBLIGATIONS (cont.)

A. GENERAL OBLIGATION DEBT (cont.)

<u>Title of Issue</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-02</u>
1. General Obligation Debt					
1994 State trust fund loan	12-07-94	3-15-04	4.5%	\$ 500,000	\$ 130,324
1996 General obligation refunding bonds	10-01-96	10-01-06	4.00% – 5.65%	7,875,000	1,150,000
1996 General obligation promissory notes	6-01-96	6-01-06	4.00% – 5.15%	5,675,000	2,195,000
1997 General obligation promissory notes	3-01-97	3-01-07	3.95% – 5.15%	9,250,000	4,930,000
1997 General obligation promissory notes	4-01-97	3-01-12	3.90% – 5.40%	6,480,000	4,810,000
1998 General obligation promissory notes	4-01-98	9-01-08	3.90% – 4.60%	9,675,000	7,175,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	7,300,000	6,615,000
2000 General obligation promissory notes	4-01-00	3-01-10	4.80% – 5.20%	6,800,000	6,600,000
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.40%	10,000,000	9,900,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,250,000	6,250,000
2002 General obligation refunding bonds	5-15-02	3-01-16	3.00% – 4.75%	6,005,000	6,005,000
2002 State trust fund loan	11-06-02	3-15-19	5.00%	2,170,000	<u>2,170,000</u>
Total General Obligation Debt					57,930,324
Less: Proprietary fund general obligation debt					<u>(3,450,000)</u>
Total General Long-Term Obligations Account Group Debt					<u>\$ 54,480,324</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2002

NOTE 3 – LONG-TERM OBLIGATIONS (cont.)

B. OTHER LONG-TERM OBLIGATIONS

	Balance 1-1-02	Increases	Decreases	Balance 12-31-02
Other Liabilities				
Capital leases payable (Note 12)	\$ -	\$ 16,475,000	\$ -	\$ 16,475,000
Long-term liability for accumulated vacation, floating holidays and vested sick leave (Note 1.O.)	1,108,325	19,296	-	1,127,621
Unfunded pension liability (Note 4)	398,850	23,068	110,498	311,420
City's share of landfill district deficit fund balance (Note 11)	632,065	-	45,850	586,215
Total Other Long-Term Liabilities	\$ 2,139,240	\$ 16,517,364	\$ 156,348	\$ 18,500,256

Debt service requirements to maturity are as follows:

	General Long-Term Debt		Proprietary Fund Long-Term Debt		Totals
	Principal	Interest	Principal	Interest	
2003	\$ 4,978,731	\$ 2,380,103	\$ 290,000	\$ 167,393	\$ 7,816,227
2004	5,223,104	2,194,708	305,000	153,527	7,876,339
2005	5,667,981	1,917,328	315,000	138,784	8,039,093
2006	5,222,880	1,674,961	330,000	123,106	7,350,947
2007	5,733,024	1,416,663	350,000	106,306	7,605,993
2008 and thereafter	27,654,604	4,090,991	1,860,000	248,694	33,854,289
Totals	\$ 54,480,324	\$ 13,674,754	\$ 3,450,000	\$ 937,810	\$ 72,542,888

Estimated payments of accumulated employee benefits and other commitments are not included in the above schedule. Also, the capital lease principal and interest requirements are not included. They are equal to the CDA's lease revenue bonds required payments. See Note 23 for a repayment schedule. \$398,467 is on deposit in the debt service fund which is available to meet the above debt service requirements as of December 31, 2002.

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, 2002 was \$82,153,135. Total general obligation debt outstanding at year end was \$57,930,324.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

NOTE 3 – LONG-TERM OBLIGATIONS (cont.)

B. OTHER LONG-TERM OBLIGATIONS (cont.)

ADVANCE REFUNDING

On May 15, 2002, the city issued \$6,005,000 in general obligation bonds with an average interest rate of 4.52 percent to advance refund \$5,845,000 of outstanding general obligation refunding bonds with an average interest rate of 5.46 percent. The net proceeds of \$6,005,792 (after payment of \$62,500 in underwriting fees, insurance and other issuance costs and reoffering premium of \$61,741) plus an additional \$77,336 sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$5,845,000 bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term obligations account group.

The cash flow requirements on the refunded bonds and notes prior to the advance refunding was \$9,298,368 from 2007 through 2016. The cash flow requirements on the 2002 refunding bonds are \$8,777,001 from 2003 through 2016. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$186,469.

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 5.2% of their salary (3.9% for Executives and Elected Officials, 3.8% for Protective Occupations with Social Security, and 3.3% 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, 2002 was \$4,621,696; the employer's total payroll was \$5,066,916. The total required contribution for the year ended December 31, 2002 was \$513,672 or 11.1 percent of covered payroll. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ending December 31, 2001 and 2000 were \$458,887 and \$442,644, respectively, equal to the required contributions for each year.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

NOTE 4 – EMPLOYEES' RETIREMENT SYSTEM (cont.)

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. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. 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.

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, 2002 was \$311,420. 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	Alcohol Awareness	\$ 1,104
General	Hotel room tax	77,116
General	Debt service fund	284,337
General	TIF District No. 3 capital projects fund	233,455
General	Southwest quadrant	499,151
Water utility	General	126,865
Water utility	Sewer utility	66,005
Total		<u>\$ 1,288,033</u>

The following is a schedule of amounts due from the component unit to the primary government:

Railroad	Component unit – CDA	\$ 11,929
TIF No. 3 capital projects fund	Component unit – CDA	14,658,961
Total		<u>\$ 14,670,890</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2002

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES AND INTERFUND TRANSFERS (cont.)

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
EMS equipment replacement	General fund	\$ 80,000
Debt service fund	General fund	2,492,650
Debt service fund	Pleasant View Golf Course	682,804
Debt service fund	TIF District No. 3	2,849,923
Debt service fund	Southwest Quadrant fund	325,350
Other capital projects fund	Debt service fund	245,585
Total		<u>\$ 6,676,312</u>

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	Pleasant View Golf Course	\$ 130,000
General fund	Railroad	600,000
General fund	Hotel room tax	392,000
General fund	TIF District No. 3	1,492,396
Debt service fund	Pleasant View Golf Course	682,804
Total		<u>\$ 3,297,200</u>

NOTE 7 – FIXED ASSETS

A summary of general fixed assets follows:

	<u>Balance</u> <u>1-1-02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-02</u>
Land	\$ 17,310,173	\$ 50,000	\$ 3,033,953	\$ 14,326,220
Golf course	7,163,936	47,308	-	7,211,244
Buildings	7,867,769	250,000	37,235	8,080,534
Improvements other than buildings	4,145,778	-	27,162	4,118,616
Equipment and vehicles	2,968,866	425,504	180,875	3,213,495
Furniture and fixtures	286,766	-	44,997	241,769
Totals	<u>\$ 39,743,288</u>	<u>\$ 772,812</u>	<u>\$ 3,324,222</u>	<u>\$ 37,191,878</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

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, 2002 for those services are as follows:

	<u>Water</u>	<u>Sewer</u>
Operating revenues	\$ 1,682,748	\$ 1,360,869
Depreciation expense	349,085	191,593
Operating income	438,118	85,470
Income before contributions	461,465	34,363
Capital contributions	142,168	88,696
Property, Plant, and Equipment		
Additions	510,006	279,002
Deletions	20,556	24,428
Net working capital	2,723,764	679,681
Total assets	17,727,474	13,478,656
Long-term debt payable	2,030,000	1,420,000
Total equity	15,290,220	11,731,451

NOTE 9 – DESIGNATED FUND BALANCE

Designated fund balance as of December 31, 2002 includes the following item:

General Fund

 Subsequent year's budget \$ 240,000

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, 2002:

Expenditures

Administration and promotion	\$ 1,281,925
Relocation	1,682,488
Capital expenditures	40,351,443
Engineering	712,169
Interest and fiscal charges	6,726,666
Discounts on borrowing	<u>406,039</u>
 Total Expenditures	 \$ <u>51,160,730</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

NOTE 10 – TAX INCREMENTAL FINANCING DISTRICT NO. 3 (cont.)

Revenues

Tax increment	\$ 10,466,577
Intergovernmental	922,750
Investment income	2,049,603
Miscellaneous revenues	756,463
Premium on long-term debt	52,121
Total Revenues	<u>14,247,514</u>
Amount to be Recovered Through Increments	<u>\$ 36,913,216</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 2002 tax roll collected in 2003 is as follows:

TIF No. 3	<u>\$ 3,616,925</u>
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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, 2002 is a deficit of \$984,897. 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 \$586,215 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

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 city entered into a 120 month operating lease agreement for railroad equipment. Annual lease payments total \$85,543. The CDA took over the train lease in November 2002 and negotiated a reduction in the operating lease payments for six months to \$3,564/month.

CDA/CITY LEASE

The Tax Increment District No. 3 (TIF #3) is leasing land and other fixed assets from the Community Development Authority (CDA). The CDA borrowed \$16,475,000 in revenue bonds for these costs in 2002. The annual lease payments to be paid are the same as the CDA's annual debt service payments on the bonds. Revenues generated by TIF #3 are expected to be paid over to the CDA to make the debt payments.

The city has no other material capital or operating leases.

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 \$77,792 to the district in 2002. The city will continue to support the district's postclosure care costs in the future. See also Note 11.

Financial information of the district as of September 30, 2002 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

NOTE 13 – JOINT VENTURES (cont.)

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 \$287,570 to the district in 2002. 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, 2002 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.

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 \$48,213. The number of participants currently eligible to receive benefits is eight. The total amount outstanding at year end to be paid in the future is \$204,358 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:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Capital Paid in by City			
Balance – January 1, 2002	\$ 2,104,131	\$ 1,817,395	\$ 3,921,526
Current contributions	<u>196,854</u>	<u>184,896</u>	<u>381,750</u>
Balance – December 31, 2002	<u>\$ 2,300,985</u>	<u>\$ 2,002,291</u>	<u>\$ 4,303,276</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

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, 2002, the following individual funds held a deficit balance:

<i>Special Revenue Funds</i>	<u>Amount</u>	<u>Reason</u>
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Pleasant View Golf Course	\$ 776,533	Excess expenditures over revenue.
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The Pleasant View Golf Course fund deficit is anticipated to be funded by future operations.

Railroad	\$ 587,691	Excess expenditures over revenue.
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The Railroad deficit is anticipated to be funded by room tax in future years.

Hotel Room Tax	391,929	Excess expenditures over revenue.
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The hotel room tax fund deficit is anticipated to be funded by room tax in future years.

Capital Projects Fund

Southwest quadrant	499,151	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 by future special assessments and TIF revenues.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

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*; Statement No. 37, *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 – 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 20 – EXCESS EXPENDITURES OVER APPROPRIATIONS

The following individual funds experienced excess expenditures over appropriations.

Special Revenue Funds		
Subdivider's deposits	\$	92,575
Youth commission donation		2,950
Lost and damaged book fund		11,034
Hotel room tax		168,266

The city controls general fund expenditures at the department level. Some individual departments reported expenditures that exceeded appropriations. The detail of those departments can be found in the city's year-end budget to actual report.

NOTE 21 – MIDDLETON AREA DEVELOPMENT CORPORATION (MADC)

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2002

NOTE 22 – RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS

Fund balance has been restated due to CDA becoming a discretely presented unit.

TIF DISTRICT #3 FUND

TIF District #3 Fund Balance – December 31, 2002 (as reported)	\$ 2,552,006
Less: CDA beginning retained earnings	<u>(116,675)</u>
Fund Balance – January 1, 2002 (as reported)	<u>\$ 2,435,331</u>

Retained earnings have been restated due to CDA becoming a discretely presented unit.

CDA Retained Earnings – December 31, 2002 (as reported)	\$ -
Add: Amount reported in TIF District #3	116,675
Loan receivable not previously reported	<u>76,207</u>
Retained Earnings – January 1, 2002 (as restated)	<u>\$ 192,882</u>

Memorandum total columns of the previous year have not been restated to reflect these changes.

NOTE 23 – COMPONENT UNIT

This report contains the Community Development Authority (CDA), which is included as a component unit. Financial information is presented as a discrete column in the combined balance sheet, combined statement of revenues, expenses and changes in retained earnings and combined statements of cash flows.

In addition to the general purpose financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. **Basis of Accounting/Measurement Focus**

The CDA follows the full accrual basis of accounting and the flow of economic resources measurement focus.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

NOTE 23 – COMPONENT UNIT (cont.)

b. Restricted Cash and Investments

The bond ordinance relating to the CDA bonds requires the establishment of certain accounts. These are as follows:

Construction fund	\$ 11,270,274
Capitalized interest	1,793,635
Debt reserve fund	<u>1,595,053</u>
Total	<u>\$ 14,658,962</u>

c. CDA Lease Revenue Bonds

	Balance 1-1-02	Increases	Decreases	Balance 12-31-02
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 2.60%-4.75%. Principal payments vary. Bonds mature October 1, 2020.	\$ -	\$ 7,375,000	\$ -	\$ 7,375,000
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 4.3%-6.65%. Principal payments vary. Bonds mature October 1, 2020.	<u>-</u>	<u>9,100,000</u>	<u>-</u>	<u>9,100,000</u>
Totals	<u>\$ -</u>	<u>\$ 16,475,000</u>	<u>\$ -</u>	<u>\$ 16,475,000</u>

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2003	\$ -	\$ 947,378	\$ 947,378
2004	-	840,040	840,040
2005	-	840,042	840,042
2006	790,000	840,042	1,630,042
2007	815,000	812,532	1,627,532
2008 – 2020	<u>14,870,000</u>	<u>6,285,214</u>	<u>21,155,214</u>
Totals	<u>\$ 16,475,000</u>	<u>\$ 10,565,248</u>	<u>\$ 27,040,248</u>

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, 2002

	Actual	Budget
TAXES		
General property tax	\$ 7,530,855	\$ 7,530,855
Omitted property tax	797	-
Fees in lieu of taxes	25,000	25,625
Taxes from city owned utility	265,099	270,000
Room tax	112,140	100,000
Interest on taxes	689	2,000
TOTALS	\$ 7,934,580	\$ 7,928,480
INTERGOVERNMENTAL REVENUES		
Shared taxes from state	\$ 552,119	\$ 780,249
State aid - road allotment	731,026	731,025
State aid - exempt computer aid	229,527	-
Federal and state aid - other	236,428	152,700
County aid - library	344,690	344,690
County aid - signals	9,155	7,500
County aid - senior citizens	38,087	34,000
TOTALS	\$ 2,141,032	\$ 2,050,164
LICENSES AND PERMITS		
Liquor and malt beverage licenses	\$ 24,038	\$ 20,500
Operators' licenses	7,575	6,500
Contractor's licenses	5,240	6,100
Alarm licenses	9,143	8,000
Cigarette licenses	155	200
Bicycle licenses	414	200
Dog and cat licenses	251	200
Cable TV franchise licenses	130,000	130,000
Other miscellaneous licenses	605	600
Building permits	223,982	200,000
Electrical permits	42,763	42,000
Plumbing permits	48,056	52,000
Erosion control permits	14,825	8,000
Park reservation permits	9,080	8,500
TOTALS	\$ 516,127	\$ 482,800
FINES, FORFEITURES AND PENALTIES		
Court penalties	\$ 135,078	\$ 135,000
Parking violations	42,554	28,000
Court costs	34,097	31,000
TOTALS	\$ 211,729	\$ 194,000

CITY OF MIDDLETON

GENERAL FUND DETAILED SCHEDULE OF REVENUES (cont.) For the Year Ended December 31, 2002

	<u>Actual</u>	<u>Budget</u>
PUBLIC CHARGES FOR SERVICES		
Clerk fees	\$ 20,410	\$ 12,000
Police special services	11,104	-
Police department fees	28,273	30,000
Ambulance services	483,055	292,500
EMS fixed cost abatement	55,374	53,386
Plan commission charges	24,705	15,000
Senior citizens	11,197	5,000
Swimming pools	222,000	216,800
Summer recreation	48,949	45,430
Other recreation	33,376	28,500
Zoning	1,000	1,000
	<u>\$ 939,443</u>	<u>\$ 699,616</u>
TOTALS		
	<u>\$ 939,443</u>	<u>\$ 699,616</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES		
Local general government services	\$ 292,432	\$ 192,720
	<u>\$ 292,432</u>	<u>\$ 192,720</u>
SPECIAL ASSESSMENTS		
Curb, gutter and sidewalks	\$ 95,529	\$ 25,000
Interest on special assessments	1,294	1,190
	<u>\$ 96,823</u>	<u>\$ 26,190</u>
TOTALS		
	<u>\$ 96,823</u>	<u>\$ 26,190</u>
INVESTMENT INCOME		
Investment income	\$ 218,507	\$ 244,300
	<u>\$ 218,507</u>	<u>\$ 244,300</u>
MISCELLANEOUS		
Rent of city buildings and offices	\$ 13,453	\$ 12,000
Compensation for loss of fixed assets	14,537	-
Refund of prior year's expenditures	53,499	18,000
Sale of city property	285,690	330,500
Sale of materials	2,208	2,000
Pool contribution	25,000	25,000
	<u>\$ 394,387</u>	<u>\$ 387,500</u>
TOTALS		
	<u>\$ 394,387</u>	<u>\$ 387,500</u>
TOTAL REVENUES	<u>\$ 12,745,060</u>	<u>\$ 12,205,770</u>

CITY OF MIDDLETON

GENERAL FUND DETAILED SCHEDULE OF EXPENDITURES For the Year Ended December 31, 2002

	<u>Actual</u>	<u>Budget</u>
GENERAL GOVERNMENT		
Council	\$ 41,462	\$ 41,338
Police commission	2,278	5,000
Landmarks commission	1,000	600
Middleton youth commission	18,520	18,680
Municipal court	17,169	17,153
General administration	461,363	473,395
Information technology	42,027	40,100
Independent auditing	20,860	14,905
Legal counseling	125,221	125,000
Special legal counsel	8,478	2,000
Buildings and grounds	106,846	93,479
Illegal taxes and tax refunds	5,000	5,000
Reduction of prior years revenue	2,356	-
Property and liability insurance	238,282	189,342
Board of review	63	375
Additional expenditures - prior years	25,077	5,000
Emergency preparedness	5,631	4,920
Income continuation insurance	14,460	12,650
Group life insurance	4,413	4,000
Contingency	-	350,062
	<u> </u>	<u> </u>
TOTALS	\$ 1,140,506	\$ 1,402,999
PUBLIC SAFETY		
Police administration	\$ 374,120	\$ 413,705
Police patrol	2,142,926	1,974,645
Training	23,123	20,600
Police uniform allowance and equipment	17,456	11,500
School patrol	11,682	11,727
Fire suppression	287,570	289,859
Public fire protection	359,636	340,000
Building inspector	71,972	74,189
Electrical inspector	71,460	69,779
Plumbing inspection	37,966	44,331
Sealer of weights and measures	2,640	2,640
Erosion control enforcement	11,331	10,000
EMS	435,512	546,927
Communications	277,545	253,205
	<u> </u>	<u> </u>
TOTALS	\$ 4,124,939	\$ 4,063,107

CITY OF MIDDLETON

GENERAL FUND DETAILED SCHEDULE OF EXPENDITURES (cont.) For the Year Ended December 31, 2002

	Actual	Budget
PUBLIC WORKS		
Machinery	\$ 224,627	\$ 203,934
Garage	72,115	44,023
Protective equipment	1,919	2,300
Engineering	552,132	531,953
Street maintenance	125,531	125,243
Street cleaning	55,691	34,508
Snow and ice control	73,902	78,069
Traffic signs and markings	70,702	49,700
Traffic signals	26,046	28,106
Street lighting	58,146	54,700
Tree and brush	66,519	67,638
Sidewalk maintenance	7,669	-
Storm sewers	24,129	10,267
Mass transit	187,971	189,600
PW fringe benefits	57,220	115,865
Garbage collection	245,171	257,830
Sanitary landfill	77,792	77,792
Leaf pick-up	25,941	30,313
Recycling	155,481	147,270
	<u>\$ 2,108,704</u>	<u>\$ 2,049,111</u>
TOTALS		
LEISURE ACTIVITIES		
Library	\$ 944,512	\$ 929,251
Senior citizens center	227,287	261,471
Recreation administration	76,725	80,483
Swimming pool	269,279	246,580
Summer recreation	59,912	55,130
Other recreation	53,315	42,190
Parks	411,424	445,421
	<u>\$ 2,042,454</u>	<u>\$ 2,060,526</u>
TOTALS		
CONSERVATION AND DEVELOPMENT		
Weed control	\$ 4,048	\$ 2,756
Creek maintenance	1,062	-
Water resources	3,235	24,100
Conservancy land commission	66,969	57,200
Planning commission	151,855	165,315
	<u>\$ 227,169</u>	<u>\$ 249,371</u>
TOTALS		
TOTAL EXPENDITURES		
	<u>\$ 9,643,772</u>	<u>\$ 9,825,114</u>

CITY OF MIDDLETON

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2002

	Pleasant View Golf Course	Sub- dividers' Deposits	Land and Park Donations	Drug Evidence	Cable TV	Youth Commission Donations	EMS	Railroad Depot	Lost and Damaged Book
ASSETS									
Cash and investments	\$ 3,265	\$ 1,155,168	\$ 2,372	\$ 4,028	\$ 13,805	\$ 6,515	\$ 18,379	\$ 37,025	\$ 12,516
Accounts receivable	34,036	-	-	-	43,837	-	-	-	354
Loan receivable	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 37,301	\$ 1,155,168	2,372	\$ 4,028	\$ 57,642	\$ 6,515	\$ 18,379	\$ 37,025	\$ 12,870
LIABILITIES AND FUND BALANCES									
Accounts payable	\$ 1,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,804
Due to other funds	-	-	-	-	-	-	-	-	-
Advances from other funds	812,804	-	-	-	-	-	-	-	-
Total Liabilities	813,834	-	-	-	-	-	-	-	1,804
Fund Balances									
Reserved for loan receivable	-	-	-	-	-	-	-	-	-
Unreserved									
Undesignated (deficit)	(776,533)	1,155,168	2,372	4,028	57,642	6,515	18,379	37,025	11,066
Total Fund Balances	(776,533)	1,155,168	2,372	4,028	57,642	6,515	18,379	37,025	11,066
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,301	\$ 1,155,168	\$ 2,372	\$ 4,028	\$ 57,642	\$ 6,515	\$ 18,379	\$ 37,025	\$ 12,870

Library Gift	EMS Equipment Replacement	Library Endowment	Economic Development	Economic Development Grant	Alcohol Awareness	Drug Forfeitures	Senior Citizen	Railroad	Hotel Room Tax	Totals
\$ 12,864	\$ 119,106	\$ 239,265	\$ 86,771	\$ 169,454	\$ 4,895	\$ 2,167	\$ 3,052	\$ 7,204	\$ -	\$ 1,897,851
-	-	-	-	-	-	-	-	2,231	87,817	168,275
-	-	-	-	53,468	-	-	-	-	-	53,468
-	-	942	-	-	-	-	-	-	-	942
-	-	-	-	-	-	-	-	11,929	-	11,929
<u>\$ 12,864</u>	<u>\$ 119,106</u>	<u>\$ 240,207</u>	<u>\$ 86,771</u>	<u>\$ 222,922</u>	<u>\$ 4,895</u>	<u>\$ 2,167</u>	<u>\$ 3,052</u>	<u>\$ 21,364</u>	<u>\$ 87,817</u>	<u>\$ 2,132,465</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 856	\$ 9,055	\$ 10,630	\$ 23,375
-	-	-	-	-	1,104	-	-	-	77,116	78,220
-	-	-	-	-	-	-	-	600,000	392,000	1,804,804
-	-	-	-	-	1,104	-	856	609,055	479,746	1,906,399
-	-	-	-	53,468	-	-	-	-	-	53,468
<u>12,864</u>	<u>119,106</u>	<u>240,207</u>	<u>86,771</u>	<u>169,454</u>	<u>3,791</u>	<u>2,167</u>	<u>2,196</u>	<u>(587,691)</u>	<u>(391,929)</u>	<u>172,598</u>
<u>12,864</u>	<u>119,106</u>	<u>240,207</u>	<u>86,771</u>	<u>222,922</u>	<u>3,791</u>	<u>2,167</u>	<u>2,196</u>	<u>(587,691)</u>	<u>(391,929)</u>	<u>226,066</u>
<u>\$ 12,864</u>	<u>\$ 119,106</u>	<u>\$ 240,207</u>	<u>\$ 86,771</u>	<u>\$ 222,922</u>	<u>\$ 4,895</u>	<u>\$ 2,167</u>	<u>\$ 3,052</u>	<u>\$ 21,364</u>	<u>\$ 87,817</u>	<u>\$ 2,132,465</u>

CITY OF MIDDLETON

SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 For the Year Ended December 31, 2002

	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	-	-	-	-	-	-	4,222	-
Public charges for services	1,149,046	229,851	-	-	43,837	-	-	-
Investment income	-	-	-	-	-	-	-	-
Miscellaneous and contributions	-	-	6,902	-	-	10,960	-	-
Total Revenues	<u>1,149,046</u>	<u>229,851</u>	<u>6,902</u>	<u>-</u>	<u>43,837</u>	<u>10,960</u>	<u>4,222</u>	<u>-</u>
EXPENDITURES								
Current								
Public safety	-	-	-	-	-	-	-	-
Leisure activities	1,042,582	-	4,093	-	10,000	5,450	-	-
Conservation and development	-	127,575	-	-	-	-	-	-
Capital Outlay	14,850	-	-	-	-	-	-	-
Debt Service								
Interest and fiscal charges	45	-	-	-	-	-	-	-
Total Expenditures	<u>1,057,477</u>	<u>127,575</u>	<u>4,093</u>	<u>-</u>	<u>10,000</u>	<u>5,450</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>91,569</u>	<u>102,276</u>	<u>2,809</u>	<u>-</u>	<u>33,837</u>	<u>5,510</u>	<u>4,222</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)								
Operating transfer in	-	-	-	-	-	-	-	-
Operating transfer out	(682,804)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(682,804)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(591,235)	102,276	2,809	-	33,837	5,510	4,222	-
FUND BALANCES (DEFICIT) - Beginning 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>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (776,533)</u>	<u>\$ 1,155,168</u>	<u>\$ 2,372</u>	<u>\$ 4,028</u>	<u>\$ 57,642</u>	<u>\$ 6,515</u>	<u>\$ 18,379</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	Senior Citizen	Railroad	Hotel Room Tax	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 261,780	\$ 261,780
-	-	-	-	83,192	-	-	-	-	-	-	27,433	114,847
-	25,613	-	-	-	-	-	-	-	-	105,786	51,578	1,605,711
-	-	-	-	3,245	16,598	2,525	-	-	-	-	-	22,368
-	-	5,785	-	-	-	-	1,990	-	8,234	-	123	33,994
-	25,613	5,785	-	86,437	16,598	2,525	1,990	-	8,234	105,786	340,914	2,038,700
-	-	-	-	-	-	-	1,104	-	-	-	-	1,104
-	35,034	-	-	1,702	-	-	-	-	6,038	621,753	532,166	2,258,818
1,152	-	-	-	-	660	-	-	-	-	-	-	129,387
-	-	-	-	-	-	-	-	-	-	-	-	14,850
-	-	-	-	-	-	-	-	-	-	-	-	45
1,152	35,034	-	-	1,702	660	-	1,104	-	6,038	621,753	532,166	2,404,204
(1,152)	(9,421)	5,785	-	84,735	15,938	2,525	886	-	2,196	(515,967)	(191,252)	(365,504)
-	-	-	80,000	-	-	-	-	-	-	-	-	80,000
-	-	-	-	-	-	-	-	-	-	-	-	(682,804)
-	-	-	80,000	-	-	-	-	-	-	-	-	(602,804)
(1,152)	(9,421)	5,785	80,000	84,735	15,938	2,525	886	-	2,196	(515,967)	(191,252)	(968,308)
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
\$ -	\$ 11,066	\$ 12,864	\$ 119,106	\$ 240,207	\$ 86,771	\$ 222,922	\$ 3,791	\$ 2,167	\$ 2,196	\$ (587,691)	\$ (391,929)	\$ 226,066

CITY OF MIDDLETON

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
December 31, 2002

	TIF District No. 3	Southwest Quadrant	Other Capital Projects	Totals
ASSETS				
Cash and investments	\$ 2,708,353	\$ -	\$ 1,343,284	\$ 4,051,637
Taxes receivable	3,616,925	155,818	-	3,772,743
Accounts receivable	44,292	-	236,230	280,522
Special assessments	-	163,545	-	163,545
Due from component unit	<u>14,658,961</u>	<u>-</u>	<u>-</u>	<u>14,658,961</u>
TOTAL ASSETS	<u>\$ 21,028,531</u>	<u>\$ 319,363</u>	<u>\$ 1,579,514</u>	<u>\$ 22,927,408</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 1,606,339	\$ -	\$ 133,066	\$ 1,739,405
Due to other funds	233,455	499,151	-	732,606
Deferred revenues	3,616,925	155,818	-	3,772,743
Deferred special assessments	-	163,545	-	163,545
Advances from other funds	<u>1,492,396</u>	<u>-</u>	<u>-</u>	<u>1,492,396</u>
Total Liabilities	<u>6,949,115</u>	<u>818,514</u>	<u>133,066</u>	<u>7,900,695</u>
Fund Balances				
Reserved for encumbrances	4,743,772	-	-	4,743,772
Unreserved				
Undesignated (deficit)	5,946,956	(499,151)	1,446,448	6,894,253
Reserved for debt service	<u>3,388,688</u>	<u>-</u>	<u>-</u>	<u>3,388,688</u>
Total Fund Balances (Deficit)	<u>14,079,416</u>	<u>(499,151)</u>	<u>1,446,448</u>	<u>15,026,713</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,028,531</u>	<u>\$ 319,363</u>	<u>\$ 1,579,514</u>	<u>\$ 22,927,408</u>

CITY OF MIDDLETON

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

For the Year Ended December 31, 2002

	TIF District No. 3	Southwest Quadrant	Other Capital Projects	Totals
REVENUES				
Taxes	\$ 2,771,513	\$ -	\$ -	\$ 2,771,513
Intergovernmental	296,511	-	-	296,511
Special assessments	-	563,409	-	563,409
Investment income	94,900	72,829	-	167,729
Miscellaneous revenues	36,774	-	238,211	274,985
Total Revenues	<u>3,199,698</u>	<u>636,238</u>	<u>238,211</u>	<u>4,074,147</u>
EXPENDITURES				
Capital Outlay	10,947,814	-	1,847,135	12,794,949
Debt Service				
Interest and fiscal charges	400,227	-	22,146	422,373
Total Expenditures	<u>11,348,041</u>	<u>-</u>	<u>1,869,281</u>	<u>13,217,322</u>
Excess (deficiency) of revenues over expenditures	<u>(8,148,343)</u>	<u>636,238</u>	<u>(1,631,070)</u>	<u>(9,143,175)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	6,155,334	-	2,264,666	8,420,000
Proceeds from capital lease	16,475,000	-	-	16,475,000
Premium on long-term debt	52,121	-	-	52,121
Debt discount and issuance costs	(40,104)	-	(22,146)	(62,250)
Operating transfers in	-	-	245,585	245,585
Operating transfers out	(2,849,923)	(325,350)	-	(3,175,273)
Total Other Financing Sources (Uses)	<u>19,792,428</u>	<u>(325,350)</u>	<u>2,488,105</u>	<u>21,955,183</u>
Excess of revenues and other sources over expenditures and other uses	11,644,085	310,888	857,035	12,812,008
FUND BALANCES (DEFICIT) - Beginning of Year (as restated)	<u>2,435,331</u>	<u>(810,039)</u>	<u>589,413</u>	<u>2,214,705</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 14,079,416</u>	<u>\$ (499,151)</u>	<u>\$ 1,446,448</u>	<u>\$ 15,026,713</u>

CITY OF MIDDLETON
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
December 31, 2002

	Water Utility	Sewer Utility	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 2,715,908	\$ 797,767	\$ 3,513,675
Accounts receivable	276,876	313,423	590,299
Interest receivable	48,144	2,582	50,726
Due from other funds	192,870	-	192,870
Inventories	15,164	-	15,164
Total Current Assets	<u>3,248,962</u>	<u>1,113,772</u>	<u>4,362,734</u>
Restricted Assets			
Total Restricted Assets	<u>-</u>	<u>24,600</u>	<u>24,600</u>
Other Property and Investments			
Special assessments receivable	-	2,352,054	2,352,054
Property held for future use	622,421	-	622,421
Preliminary engineering	4,729	-	4,729
Total Other Property and Investments	<u>627,150</u>	<u>2,352,054</u>	<u>2,979,204</u>
Utility Plant			
Construction work in progress	46,501	-	46,501
Property and equipment	17,540,596	12,005,304	29,545,900
Less: Accumulated depreciation	<u>(3,750,585)</u>	<u>(2,032,453)</u>	<u>(5,783,038)</u>
Total Property and Equipment	<u>13,836,512</u>	<u>9,972,851</u>	<u>23,809,363</u>
Deferred Charges			
Unamortized debt expenses	<u>14,850</u>	<u>15,379</u>	<u>30,229</u>
Total Deferred Charges	<u>14,850</u>	<u>15,379</u>	<u>30,229</u>
TOTAL ASSETS	<u>\$ 17,727,474</u>	<u>\$ 13,478,656</u>	<u>\$ 31,206,130</u>

	Water Utility	Sewer Utility	Totals
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	\$ 26,693	\$ 210,631	\$ 237,324
Accrued taxes	294,845	-	294,845
Accrued interest	33,600	22,500	56,100
Accrued compensated absences	10,060	4,955	15,015
Due to other funds	-	66,005	66,005
Current portion of long-term debt	<u>160,000</u>	<u>130,000</u>	<u>290,000</u>
Total Current Liabilities	<u>525,198</u>	<u>434,091</u>	<u>959,289</u>
Deferred Credits			
Accrued compensated absences	42,056	20,714	62,770
Customer advances for construction	<u>-</u>	<u>2,400</u>	<u>2,400</u>
Total Deferred Credits	<u>42,056</u>	<u>23,114</u>	<u>65,170</u>
Long-Term Debt Net of Current Maturities			
General obligation notes	<u>1,870,000</u>	<u>1,290,000</u>	<u>3,160,000</u>
Total Long-Term Debt	<u>1,870,000</u>	<u>1,290,000</u>	<u>3,160,000</u>
Total Liabilities	<u>2,437,254</u>	<u>1,747,205</u>	<u>4,184,459</u>
Equity			
Capital paid in by city	2,300,985	2,002,291	4,303,276
Contributions in aid of construction	<u>6,443,898</u>	<u>8,743,358</u>	<u>15,187,256</u>
Total Contributed Capital	<u>8,744,883</u>	<u>10,745,649</u>	<u>19,490,532</u>
Retained earnings			
Reserved for equipment replacement	-	24,600	24,600
Unreserved	<u>6,545,337</u>	<u>961,202</u>	<u>7,506,539</u>
Total Retained Earnings	<u>6,545,337</u>	<u>985,802</u>	<u>7,531,139</u>
Total Equity	<u>15,290,220</u>	<u>11,731,451</u>	<u>27,021,671</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 17,727,474</u>	<u>\$ 13,478,656</u>	<u>\$ 31,206,130</u>

CITY OF MIDDLETON

ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS For the Year Ended December 31, 2002

	Water Utility	Sewer Utility	Totals
OPERATING REVENUES			
Charges for services	\$ 1,682,748	\$ 1,360,869	\$ 3,043,617
OPERATING EXPENSES			
Operation and maintenance	591,955	1,075,703	1,667,658
Depreciation	349,085	191,593	540,678
Taxes	303,590	8,103	311,693
Total Operating Expenses	<u>1,244,630</u>	<u>1,275,399</u>	<u>2,520,029</u>
Operating Income	<u>438,118</u>	<u>85,470</u>	<u>523,588</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	132,832	21,280	154,112
Interest expense	(105,685)	(70,482)	(176,167)
Amortization of debt issuance costs	(3,800)	(1,905)	(5,705)
Total Nonoperating Revenues (Expenses)	<u>23,347</u>	<u>(51,107)</u>	<u>(27,760)</u>
Income before contributions	461,465	34,363	495,828
CAPITAL CONTRIBUTIONS	<u>142,168</u>	<u>88,696</u>	<u>230,864</u>
NET CHANGE IN RETAINED EARNINGS	603,633	123,059	726,692
RETAINED EARNINGS - Beginning of Year	<u>5,941,704</u>	<u>862,743</u>	<u>6,804,447</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 6,545,337</u>	<u>\$ 985,802</u>	<u>\$ 7,531,139</u>

CITY OF MIDDLETON

ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS For the Year Ended December 31, 2002

	Water Utility	Sewer Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,244,564	\$ 1,479,043	\$ 2,723,607
Cash received from city for services	357,650	-	357,650
Cash paid to suppliers for goods and services	(364,873)	(983,808)	(1,348,681)
Cash paid to employees for services	(208,574)	(101,917)	(310,491)
Cash paid for tax equivalent	(265,099)	-	(265,099)
Net Cash Flows From Operating Activities	<u>763,668</u>	<u>393,318</u>	<u>1,156,986</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid	(155,000)	(125,000)	(280,000)
Interest paid	(108,185)	(72,282)	(180,467)
Paid to other funds	(464,746)	(55,200)	(519,946)
Acquisition and construction of capital assets	(283,292)	(3,994)	(287,286)
Special assessments received	-	620	620
Net Cash Flows From Capital and Related Financing Activities	<u>(1,011,223)</u>	<u>(255,856)</u>	<u>(1,267,079)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	142,510	18,698	161,208
Investments sold and matured	1,995,043	-	1,995,043
Marketable securities purchased	(2,629,027)	(709,926)	(3,338,953)
Cash Flows From Investing Activities	<u>(491,474)</u>	<u>(691,228)</u>	<u>(1,182,702)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(739,029)	(553,766)	(1,292,795)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>825,910</u>	<u>666,207</u>	<u>1,492,117</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 86,881</u>	<u>\$ 112,441</u>	<u>\$ 199,322</u>

	Water Utility	Sewer Utility	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 438,118	\$ 85,470	\$ 523,588
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities			
Depreciation expense	349,085	191,593	540,678
Depreciation charged to sewer utility	37,646	-	37,646
Changes in Noncash Components of Working Capital			
Accounts receivable	(144,035)	115,812	(28,223)
Other accounts receivable	242	2,144	2,386
Due from other funds	38,613	218	38,831
Inventories	18,374	-	18,374
Accounts payable	1,789	(19,662)	(17,873)
Accrued taxes	29,746	-	29,746
Accrued compensated absences	7,090	3,492	10,582
Due to other funds	-	14,251	14,251
Deferred revenues	(13,000)	-	(13,000)
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>\$ 763,668</u>	 <u>\$ 393,318</u>	 <u>\$ 1,156,986</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2002, capital additions of \$142,168 were contributed to the water utility by developers and customers.

During 2002, capital additions of \$196,854 were contributed to the water utility by the city.

During 2002, capital additions of \$88,696 were contributed to the sewer utility by developers and customers.

During 2002, capital additions of \$184,896 were contributed to the sewer utility by the city.

CITY OF MIDDLETON

AGENCY FUNDS
COMBINING BALANCE SHEET
December 31, 2002

	<u>Fire District</u>	<u>Tax Collection Fund</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 15,624	\$ 11,906,065	\$ 11,921,689
Taxes receivable	-	10,929,640	10,929,640
Due from other governmental units	<u>76,050</u>	<u>-</u>	<u>76,050</u>
 TOTAL ASSETS	 <u>\$ 91,674</u>	 <u>\$ 22,835,705</u>	 <u>\$ 22,927,379</u>
 LIABILITIES			
Liabilities			
Accounts payable	\$ 91,674	\$ -	\$ 91,674
Due to other governmental units	<u>-</u>	<u>22,835,705</u>	<u>22,835,705</u>
 TOTAL LIABILITIES	 <u>\$ 91,674</u>	 <u>\$ 22,835,705</u>	 <u>\$ 22,927,379</u>