

CITY OF MIDDLETON

Middleton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2003

CITY OF MIDDLETON

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Middleton
Middleton, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Middleton, Wisconsin, as of and for the year ended December 31, 2003, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Middleton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Middleton, Wisconsin at December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I.B., the City of Middleton has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2003. In addition, the Pleasant View Golf Course is now reported as an enterprise fund.

The budgetary comparison information on pages 53 through 58 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council
City of Middleton
Middleton, Wisconsin

The City of Middleton, Wisconsin, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Middleton's basic financial statements. The combining financial statements and statement of cash flows – component unit as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and statement of cash flows – component unit have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Madison, Wisconsin
April 9, 2004

Virehow, Kroun & Company, LLP

CITY OF MIDDLETON

STATEMENT OF NET ASSETS
December 31, 2003

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Totals	
ASSETS				
Cash and investments	\$ 5,914,200	\$ 4,010,269	\$ 9,924,469	\$ 696,935
Receivables (net of allowance for uncollectibles)				
Taxes	12,946,001	-	12,946,001	-
Delinquent taxes	205,016	-	205,016	-
Accounts	349,357	611,783	961,140	-
Loans	64,448	-	64,448	675,000
Special assessments	142,297	2,239,574	2,381,871	-
Delinquent special assessments	734	-	734	-
Due from other governments	121,505	16,994	138,499	-
Due from primary government	-	-	-	210,010
Due from component unit	6,719,651	-	6,719,651	-
Internal balances	806,627	(806,627)	-	-
Inventories	-	3,675	3,675	-
Restricted Assets				
Temporarily Restricted				
Cash and investments	2,912,656	29,600	2,942,256	6,719,651
Leases receivable from primary government	-	-	-	16,475,000
Other assets	94,810	660,267	755,077	55,844
Capital Assets				
Land	6,623,191	2,382,607	9,005,798	-
Right of ways	17,207,087	-	17,207,087	-
Construction in progress	7,881,245	-	7,881,245	-
Land Improvements	4,071,843	7,291,981	11,363,824	-
Buildings	7,918,077	208,763	8,126,840	-
Machinery and equipment	3,764,861	315,484	4,080,345	-
Infrastructure	18,941,425	31,932,256	50,873,681	-
Less: Accumulated depreciation	(7,358,922)	(6,428,814)	(13,787,736)	-
Investment in joint ventures (deficit)	(513,039)	-	(513,039)	-
Total Assets	<u>88,813,070</u>	<u>42,467,812</u>	<u>131,280,882</u>	<u>24,832,440</u>
LIABILITIES				
Accounts payable	2,235,837	289,512	2,525,349	3,019
Accrued liabilities	902,804	179,217	1,082,021	210,010
Due to other governments	9,549	-	9,549	-
Due to primary government	-	-	-	6,719,651
Due to component unit	210,010	-	210,010	-
Unearned revenue	12,853,486	14,584	12,868,070	675,000
Noncurrent Liabilities				
Due within one year	5,351,371	654,780	6,006,151	-
Due in more than one year	64,190,671	11,478,533	75,669,204	16,259,760
Total Liabilities	<u>85,753,728</u>	<u>12,616,626</u>	<u>98,370,354</u>	<u>23,867,440</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,279,595	23,691,801	32,971,396	-
Restricted	2,190,292	29,600	2,219,892	-
Unrestricted (deficit)	(8,410,545)	6,129,785	(2,280,760)	965,000
TOTAL NET ASSETS	<u>\$ 3,059,342</u>	<u>\$ 29,851,186</u>	<u>\$ 32,910,528</u>	<u>\$ 965,000</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Totals	
Primary Government								
Governmental Activities								
General government	\$ 946,095	\$ 96,227	\$ 13,037	\$ -	\$ (836,831)	\$ -	\$ (836,831)	\$ -
Public safety	4,469,230	732,329	65,280	-	(3,671,621)	-	(3,671,621)	-
Public works	5,086,333	801,130	865,408	3,583,283	163,488	-	163,488	-
Leisure activities	2,994,150	431,402	570,020	633,000	(1,359,728)	-	(1,359,728)	-
Conservation and economic development	6,428,853	5,982	6,841	-	(6,416,030)	-	(6,416,030)	-
Interest and fiscal charges	3,292,483	-	-	-	(3,292,483)	-	(3,292,483)	-
Total Governmental Activities	23,217,144	2,067,070	1,520,586	4,216,283	(15,413,205)	-	(15,413,205)	-
Business-Type Activities								
Water	1,185,283	1,673,035	-	1,035,224	-	1,522,976	1,522,976	-
Sewer	1,389,651	1,463,027	-	1,154,635	-	1,228,011	1,228,011	-
Pleasant View Golf Course	1,483,910	1,521,454	-	-	-	37,544	37,544	-
Total Business-Type Activities	4,058,844	4,657,516	-	2,189,859	-	2,788,531	2,788,531	-
Total Primary Government	\$ 27,275,988	\$ 6,724,586	\$ 1,520,586	\$ 6,406,142	(15,413,205)	2,788,531	(12,624,674)	-
Component Unit								
Community Development Authority	\$ 894,834	\$ 7,111	\$ -	\$ -	-	-	-	(887,723)
General Revenues								
Taxes								
Property taxes, levied for general purposes and debt service					7,960,454	-	7,960,454	-
Property taxes, levied for tax increment district					3,616,925	-	3,616,925	-
Other taxes					439,822	-	439,822	-
Cable television franchise fees					179,735	-	179,735	-
Intergovernmental revenues not restricted to specific programs					1,071,826	-	1,071,826	-
Public gifts and/or grants					54,732	-	54,732	-
Investment income					334,382	140,748	475,130	847,359
Gain on the sale of assets					19,636	-	19,636	98,071
Miscellaneous					69,965	-	69,965	-
Transfers					(91,689)	91,689	-	-
Total General Revenues and Transfers					13,655,788	232,437	13,888,225	945,430
Change in net assets					(1,757,417)	3,020,968	1,263,551	57,707
NET ASSETS - Beginning					4,816,759	26,830,218	31,646,977	907,293
NET ASSETS - ENDING					\$ 3,059,342	\$ 29,851,186	\$ 32,910,528	\$ 965,000

See accompanying notes to financial statements.

CITY OF MIDDLETON

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2003

	General	Debt Service	TIF District #3	2003 Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 1,809,069	\$ -	\$ 3,126,506	\$ 1,733,077	\$ 2,158,204	\$ 8,826,856
Receivables (net)						
Taxes	8,516,675	-	4,412,982	-	16,344	12,946,001
Delinquent taxes	205,016	-	-	-	-	205,016
Accounts	221,863	-	498	1,516	125,480	349,357
Loans	-	-	37,182	-	27,266	64,448
Special assessments	77,451	-	-	-	64,846	142,297
Delinquent special assessments	734	-	-	-	-	734
Due from other funds	306,778	5,800	-	-	-	312,578
Due from other governments	121,506	-	-	-	-	121,506
Due from component unit	-	-	6,719,651	-	-	6,719,651
Advances to other funds	3,787,444	-	-	-	-	3,787,444
TOTAL ASSETS	\$ 15,046,536	\$ 5,800	\$ 14,296,819	\$ 1,734,593	\$ 2,392,140	\$ 33,475,888
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,221,314	\$ -	\$ 711,681	\$ 270,973	\$ 31,869	\$ 2,235,837
Due to other governments	9,549	-	-	-	-	9,549
Due to other funds	98,359	-	-	-	-	98,359
Deferred revenue	8,565,668	-	4,412,982	-	16,344	12,994,994
Deferred special assessments	78,185	-	-	-	64,846	143,031
Deferred interest income	650,662	-	-	-	-	650,662
Advances from other funds	-	-	1,567,397	-	1,627,639	3,195,036
Other liabilities	-	4,057	-	-	-	4,057
Total Liabilities	<u>10,623,737</u>	<u>4,057</u>	<u>6,692,060</u>	<u>270,973</u>	<u>1,740,698</u>	<u>19,331,525</u>
Fund Balances						
Reserved for:						
Loans receivable	-	-	-	-	27,266	27,266
Delinquent personal property taxes	205,016	-	-	-	-	205,016
Advances	3,136,782	-	-	-	-	3,136,782
Debt service	-	1,743	2,460,438	-	-	2,462,181
Encumbrances	-	-	2,973,598	395,027	-	3,368,625
Unreserved and designated, reported in:						
General fund	176,000	-	-	-	-	176,000
Unreserved and undesignated (deficit), reported in:						
General fund	905,001	-	-	-	-	905,001
Special revenue funds	-	-	-	-	1,195,102	1,195,102
Debt service fund	-	-	-	-	-	-
Capital projects funds	-	-	2,170,723	1,068,593	(570,926)	2,668,390
Total Fund Balances	<u>4,422,799</u>	<u>1,743</u>	<u>7,604,759</u>	<u>1,463,620</u>	<u>651,442</u>	<u>14,144,363</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,046,536	\$ 5,800	\$ 14,296,819	\$ 1,734,593	\$ 2,392,140	
Amounts reported for governmental activities in the statement of net assets are different because:						4,692,103
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.						59,048,806
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.						935,201
Investment(deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.						(513,039)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.						<u>(70,345,979)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES						\$ 3,269,352

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

	General	Debt Service	TIF District #3	2003 Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 8,110,909	\$ -	\$ 3,616,925	\$ -	\$ 289,367	\$ 12,017,201
Intergovernmental	2,123,035	-	369,197	60,841	99,039	2,652,112
Licenses and permits	663,279	-	-	-	-	663,279
Fines, forfeitures and penalties	240,510	-	-	-	-	240,510
Public charges for services	746,277	-	-	-	360,639	1,106,916
Intergovernmental charges for services	294,156	-	-	-	-	294,156
Special assessments	98,716	-	-	-	239,243	337,959
Investment income	172,216	1,743	143,369	-	15,970	333,298
Miscellaneous	153,337	-	1,231,728	-	38,063	1,423,128
Total Revenues	<u>12,602,435</u>	<u>1,743</u>	<u>5,361,219</u>	<u>60,841</u>	<u>1,042,321</u>	<u>19,068,559</u>
EXPENDITURES						
Current						
General government	1,289,230	-	-	-	-	1,289,230
Public safety	4,541,558	-	-	-	2,114	4,543,672
Public works	2,117,580	-	-	-	-	2,117,580
Leisure activities	2,232,935	-	-	-	171,408	2,404,343
Conservation and economic development	236,378	-	-	-	448,055	684,433
Capital Outlay	-	-	15,089,341	2,808,281	-	17,897,622
Debt Service						
Principal retirement	-	4,698,731	-	-	-	4,698,731
Interest and fiscal charges	-	1,962,645	1,088,111	27,800	-	3,078,556
Total Expenditures	<u>10,417,681</u>	<u>6,661,376</u>	<u>16,177,452</u>	<u>2,836,081</u>	<u>621,577</u>	<u>36,714,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,184,754</u>	<u>(6,659,633)</u>	<u>(10,816,233)</u>	<u>(2,775,240)</u>	<u>420,744</u>	<u>(17,645,608)</u>
OTHER FINANCING SOURCES (USES)						
Debt issued	-	-	8,117,588	2,792,412	-	10,910,000
Debt premium	-	-	5,128	-	-	5,128
Transfers in	306,778	6,661,376	-	-	40,000	7,008,154
Transfers out	<u>(2,607,486)</u>	<u>(398,467)</u>	<u>(3,781,140)</u>	-	<u>(312,750)</u>	<u>(7,099,843)</u>
Total Other Financing Sources (Uses)	<u>(2,300,708)</u>	<u>6,262,909</u>	<u>4,341,576</u>	<u>2,792,412</u>	<u>(272,750)</u>	<u>10,823,439</u>
Net Change in Fund Balance	<u>(115,954)</u>	<u>(396,724)</u>	<u>(6,474,657)</u>	<u>17,172</u>	<u>147,994</u>	<u>(6,822,169)</u>
FUND BALANCES - Beginning (as restated)	<u>4,538,753</u>	<u>398,467</u>	<u>14,079,416</u>	<u>1,446,448</u>	<u>503,448</u>	<u>20,966,532</u>
FUND BALANCES - ENDING	<u>\$ 4,422,799</u>	<u>\$ 1,743</u>	<u>\$ 7,604,759</u>	<u>\$ 1,463,620</u>	<u>\$ 651,442</u>	<u>\$ 14,144,363</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2003

Net change in fund balances - total governmental funds	\$ (6,822,169)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of net assets the cost of these assets is capitalized and they are
depreciated over their estimated useful lives with depreciation expense reported
in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	17,897,622
Less: Some items are reported as capital outlay but are not capitalized	(3,406,576)
Capital assets charged to operating expenditures	320,215
Depreciation is reported in the government-wide statements	(725,230)
Capital contributions reported in the government-wide statements (infrastructure)	3,164,732
Capital assets given to developers	(5,697,281)

Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to increase net assets.	19,637
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Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	48,555
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Debt and lease proceeds provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$10,910,000 G.O. debt) exceeded payments(\$4,698,731).	(6,211,269)
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Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	94,810
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(69,383)
Unfunded pension liability	6,360
Accrued interest on debt	(167,430)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (1,547,407)
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See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2003

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
ASSETS				
Current Assets				
Cash and investments	\$ 2,992,358	\$ 1,017,911	\$ -	\$ 4,010,269
Accounts receivable, net	273,683	335,603	2,497	611,783
Interest receivable	15,834	1,160	-	16,994
Due from other funds	118,355	46,397	-	164,752
Inventories	3,675	-	-	3,675
Total Current Assets	<u>3,403,905</u>	<u>1,401,071</u>	<u>2,497</u>	<u>4,807,473</u>
Noncurrent Assets				
Restricted Assets	-	29,600	-	29,600
Other property and investments				
Special assessments receivable	-	2,239,574	-	2,239,574
Property held for future use	622,421	-	-	622,421
Preliminary engineering	13,322	-	-	13,322
Unamortized debt expenses	11,050	13,474	-	24,524
Capital Assets				
Property and equipment	18,934,025	13,164,838	10,032,228	42,131,091
Less: accumulated depreciation	<u>(4,030,849)</u>	<u>(2,223,232)</u>	<u>(174,733)</u>	<u>(6,428,814)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>14,903,176</u>	<u>10,941,606</u>	<u>9,857,495</u>	<u>35,702,277</u>
Total Noncurrent Assets	<u>15,549,969</u>	<u>13,224,254</u>	<u>9,857,495</u>	<u>38,631,718</u>
Total Assets	<u>18,953,874</u>	<u>14,625,325</u>	<u>9,859,992</u>	<u>43,439,191</u>

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 63,628	\$ 207,916	\$ 17,968	\$ 289,512
Accrued interest	30,940	20,565	127,712	179,217
Accrued compensated absences	13,253	6,527	-	19,780
Due to other funds	306,778	72,193	-	378,971
Current portion of long term debt	170,000	135,000	330,000	635,000
Total Current Liabilities	<u>584,599</u>	<u>442,201</u>	<u>475,680</u>	<u>1,502,480</u>
Noncurrent Liabilities				
Accrued compensated absences	49,437	24,350	4,746	78,533
Customer advances for construction	14,584	-	-	14,584
Advances from other funds	-	-	592,408	592,408
General obligation debt	1,700,000	1,155,000	8,545,000	11,400,000
Total Noncurrent Liabilities	<u>1,764,021</u>	<u>1,179,350</u>	<u>9,142,154</u>	<u>12,085,525</u>
Total Liabilities	<u>2,348,620</u>	<u>1,621,551</u>	<u>9,617,834</u>	<u>13,588,005</u>
NET ASSETS				
Invested in capital assets, net of related debt	13,044,226	9,665,080	982,495	23,691,801
Restricted for:				
Equipment replacement	-	29,600	-	29,600
Unrestricted (deficit)	<u>3,561,028</u>	<u>3,309,094</u>	<u>(740,337)</u>	<u>6,129,785</u>
TOTAL NET ASSETS	<u>\$ 16,605,254</u>	<u>\$ 13,003,774</u>	<u>\$ 242,158</u>	<u>\$ 29,851,186</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS For the Year Ended December 31, 2003

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
OPERATING REVENUES				
Charges for services	\$ 1,673,035	\$ 1,463,027	\$ 1,521,454	\$ 4,657,516
Total Operating Revenues	<u>1,673,035</u>	<u>1,463,027</u>	<u>1,521,454</u>	<u>4,657,516</u>
OPERATING EXPENSES				
Operation and maintenance	718,456	1,124,750	1,011,625	2,854,831
Depreciation	<u>364,945</u>	<u>198,281</u>	<u>50,377</u>	<u>613,603</u>
Total Operating Expenses	<u>1,083,401</u>	<u>1,323,031</u>	<u>1,062,002</u>	<u>3,468,434</u>
Operating Income	<u>589,634</u>	<u>139,996</u>	<u>459,452</u>	<u>1,189,082</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	98,836	41,912	-	140,748
Interest expense	(98,082)	(64,715)	(421,908)	(584,705)
Amortization of debt issuance costs	<u>(3,800)</u>	<u>(1,905)</u>	<u>-</u>	<u>(5,705)</u>
Total Nonoperating Revenues (Expenses)	<u>(3,046)</u>	<u>(24,708)</u>	<u>(421,908)</u>	<u>(449,662)</u>
Income before contributions and transfers	586,588	115,288	37,544	739,420
Capital contributions	1,035,224	1,154,635	-	2,189,859
Transfers in	-	-	398,467	398,467
Transfers out	<u>(306,778)</u>	<u>-</u>	<u>-</u>	<u>(306,778)</u>
Change in Net Assets	1,315,034	1,269,923	436,011	3,020,968
TOTAL NET ASSETS - Beginning	<u>15,290,220</u>	<u>11,733,851</u>	<u>(193,853)</u>	<u>26,830,218</u>
TOTAL NET ASSETS - ENDING	<u>\$ 16,605,254</u>	<u>\$ 13,003,774</u>	<u>\$ 242,158</u>	<u>\$ 29,851,186</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPES
 For the Year Ended December 31, 2003

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,395,236	\$ 1,393,728	\$ 1,552,993	\$ 4,341,957
Cash received from city for services	371,227	-	-	371,227
Cash paid to suppliers for goods and services	(446,245)	(997,136)	(832,059)	(2,275,440)
Cash paid to employees for services	(249,114)	(114,703)	(157,882)	(521,699)
Net Cash Flows From Operating Activities	<u>1,071,104</u>	<u>281,889</u>	<u>563,052</u>	<u>1,916,045</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of advances	-	-	(220,396)	(220,396)
Cash paid for tax equivalent	(294,845)	-	-	(294,845)
Transfers in	-	-	398,467	398,467
Net Cash Flows From Noncapital Financing Activities	<u>(294,845)</u>	<u>-</u>	<u>178,071</u>	<u>(116,774)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid	(160,000)	(130,000)	(280,000)	(570,000)
Interest paid	(100,742)	(66,650)	(424,235)	(591,627)
Capital contributions received	750	-	(40,153)	(39,403)
Acquisition and construction of capital assets	(411,775)	(16,631)	-	(428,406)
Special assessments received	40,812	113,202	-	154,014
Net Cash Flows From Capital and Related Financing Activities	<u>(630,955)</u>	<u>(100,079)</u>	<u>(744,388)</u>	<u>(1,475,422)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	131,146	43,334	-	174,480
Investments sold and matured	2,629,027	709,926	-	3,338,953
Marketable securities purchased	(2,515,961)	(736,665)	-	(3,252,626)
Net Cash Flows From Investing Activities	<u>244,212</u>	<u>16,595</u>	<u>-</u>	<u>260,807</u>
Net Increase (Decrease) in Cash and Cash Equivalents	389,516	198,405	(3,265)	584,656
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>86,881</u>	<u>112,441</u>	<u>3,265</u>	<u>202,587</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 476,397	\$ 310,846	\$ -	\$ 787,243

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income	\$ 589,634	\$ 139,996	\$ 459,452	\$ 1,189,082
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities				
Depreciation expense	364,945	198,281	50,377	613,603
Depreciation charged to sewer utility	41,948	-		
Changes in Noncash Components of Working Capital				
Accounts receivable	3,677	(22,129)	31,539	13,087
Other accounts receivable	(484)	(2,112)	-	(2,596)
Due from other funds	33,703	(45,058)	-	(11,355)
Inventories	11,489	-	-	11,489
Accounts payable	1,034	1,515	16,938	19,487
Accrued compensated absences	10,574	5,208	-	15,782
Due to other funds	-	6,188	-	6,188
Deferred revenues	14,584	-	-	14,584
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,071,104</u>	<u>\$ 281,889</u>	<u>\$ 558,306</u>	<u>\$ 1,869,351</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS				
Cash and investments - statement of net assets - proprietary fund	\$ 2,992,358	\$ 1,017,911	\$ -	\$ 4,010,269
Restricted cash and investments - statement of net assets - proprietary fund	-	29,600	-	29,600
Non-cash equivalents	(2,515,961)	(736,665)	-	(3,252,626)
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 476,397</u>	<u>\$ 310,846</u>	<u>\$ -</u>	<u>\$ 787,243</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES				
Municipality financed additions to utility plant	\$ 324,683	\$ 421,175	\$ -	
Developer financed additions to utility plant	\$ 749,377	\$ 733,460	\$ -	

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2003

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 15,262,861
Taxes receivable	9,955,039
Accounts receivable	52,685
Prepaid items	3,564
Due from other governmental units	<u>174,231</u>
TOTAL ASSETS	<u>\$ 25,448,380</u>
LIABILITIES	
Accounts payable	\$ 105,974
Due to other governmental units	<u>25,342,406</u>
TOTAL LIABILITIES	<u>\$ 25,448,380</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds 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. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

Community Development Authority of the City of Middleton

The basic 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 basic financial statements. 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In December 1998, the Governmental Accounting Standards Board (GASB) issued Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions* (GASB No. 33). In June 1999, GASB issued Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB No. 34). In June 2001, GASB issued Statement No. 37 *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments – Omnibus*, (GASB No. 37), and Statement No. 38 *Certain Financial Statement Note Disclosures*.

The City of Middleton made the decision to implement these standards effective January 1, 2003.

Statement Nos. 34 and 37, among many other changes, add two new “government-wide” financial statements as basic financial statements required for all governmental units. The statement of net assets and the statement of activities are the two new required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the city used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note I.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

Statement No. 33 requires capital contributions to proprietary funds to be presented as a change in net assets rather than being directly credited to net assets. Statement No. 38 requires additional note disclosures.

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

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

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

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

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

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

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

Fund Financial Statements (cont.)

The city reports the following major governmental funds:

Major Governmental Funds

- General Fund – accounts for the city's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise fund debt.
- Tax Incremental District (TID) No. 3 Capital Projects Fund – accounts for expenditures outlined in the TID project plan and related revenues and proceeds from long-term borrowing.
- 2003 Capital Projects Fund – accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects originally initiated in 2003.

The city reports the following major enterprise funds:

Major Enterprise Funds

- Water Utility – accounts for operations of the water system
- Sewer Utility – accounts for operations of the sewer system
- Pleasant View Golf Course – accounts for operations of the Pleasant View Golf Course. This fund was previously reported as a special revenue fund.

The city reports the following non-major governmental funds:

Non-Major Governmental Funds

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

- | | |
|----------------------------|----------------------------|
| Subdividers' Deposits | EMS Equipment Replacement |
| Land and Park Donations | Library Endowment |
| Drug Evidence | Economic Development |
| Cable TV | Economic Development Grant |
| Youth Commission Donations | Airport |
| EMS | Alcohol Awareness |
| Railroad Depot | Drug Forfeitures |
| Lost and Damaged Book | Senior Citizen |
| Library Gift | Railroad |
| | Tourism Commission |

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

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

Fund Financial Statements (cont.)

Non-Major Governmental Funds (cont.)

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.
Southwest Quadrant

In addition, the city reports the following fund types:

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

Tax Roll
Fire District
MJPSISC

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

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewer utility and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

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

Fund Financial Statements

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

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled 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. Delinquent special assessments being held for collection by the county are reported as receivables and deferred revenue in the general fund.

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

The city reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, 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 balance sheet and revenue is recognized.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

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

Fund Financial Statements (cont.)

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

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and Pleasant View Golf Course are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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.

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

1. Time deposits in any credit union, bank, savings bank or trust company 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, a local professional football stadium district, a local cultural arts 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

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.

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.

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, 2003, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. 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 receivables and due to other taxing units on the accompanying agency fund balance sheet.

Property tax calendar – 2003 tax roll:

Lien date and levy date	December 2003
Tax bills mailed	December 2003
Payment in full, or	January 31, 2004
First installment due	January 31, 2004
Second installment due	July 31, 2004
Personal property taxes in full	January 31, 2004
Tax sale – 2003 delinquent real estate taxes	October 2006

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

2. Receivables (cont.)

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally 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 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 governmental fund balance sheet.

3. Inventories and Prepaid Items

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

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

4. Restricted Assets

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

5. Property Held for Future Use

In 2001, the water utility acquired property held for future use. The property is a pre-dug well that is currently not being used.

6. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2007, when GASB No. 34 requires the city to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2003, the city has retroactively reported all of the network infrastructure acquired by its governmental fund types.

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

6. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

Buildings	30 Years
Land Improvements	30 Years
Machinery and Equipment	3 - 15 Years
Infrastructure	20 - 50 Years
Water Plant	
Source of Supply	33 Years
Pumping	20 - 40 Years
Water Treatment	33 - 40 Years
Transmission and Distribution	16 - 90 Years
General	4 - 15 Years
Sewer Plant	
Collecting System	30 - 100 Years
Collecting System Pumping	20 - 40 Years
General	7 - 40 Years

Fund Financial Statements

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

7. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

8. Compensated Absences

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

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

8. Compensated Absences (cont.)

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 \$60,971. The number of participants currently eligible to receive benefits is 13. The total amount outstanding at year end to be paid in the future is \$319,593 and is included in the general fund as an accrued liability.

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, 2003 are determined on the basis of current salary rates and include salary related payments.

9. Long-Term Obligations/Conduit Debt

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

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

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. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. No industrial revenue bonds were outstanding as of the end of the year.

10. 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, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

11. Equity Classifications

Government–Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

12. Basis for Existing Rates – Proprietary Funds

Current water rates were approved by the PSCW on March 15, 1997. Sewer rates are adjusted annually for rate changes from the Madison Metropolitan Sewerage District. The 2003 rates were approved in November 2002 and became effective January 1, 2003.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “some liabilities, including long-term debt are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$70,345,979 difference are as follows:

Bonds and notes payable	\$ 51,536,593
Unfunded pension liability	333,445
Compensated absences	1,197,004
Capital leases payable	16,475,000
Accrued interest	898,747
Unamortized debt discount and issue costs	<u>(94,810)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 70,345,979</u>

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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 I. C.

A budget has been adopted for the general fund, debt service fund, certain special revenue funds, and capital projects funds. Budgets have not been formally adopted for the Depot Restoration, Alcohol Awareness, Drug Forfeitures, Senior Citizen, and Railroad special revenue funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

A. BUDGETARY INFORMATION (cont.)

The budgeted amounts presented include any amendments made. The city administrator may authorize transfers of budgeted amounts between departments up to \$1,000. Transfers exceeding \$1,000 between departments and changes to the overall budget must be approved by a two-thirds council action. There were no supplemental appropriations during the year. Appropriations lapse at year end unless specifically carried over. Budgets are adopted at the departmental level of expenditure.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following individual funds experienced excess expenditures over appropriations.

Special Revenue Funds		
Subdivider's deposits	\$	207,824
Park donations		1,890
Tourism		12,231
Library gifts		4,610
Cable TV		18,698
Railroad		95,556
Capital Projects Funds		
TID No. 3 capital projects fund		2,790,108

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

C. DEFICIT BALANCES

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. DEFICIT BALANCES (cont.)

As of December 31, 2003, the following individual funds held a deficit balance:

Special Revenue Funds

	<u>Amount</u>	<u>Reason</u>
Railroad	\$ 674,713	Excess expenditures over revenue.

This deficit is anticipated to be funded by room taxes in future years.

Tourism Commission	\$ 291,468	Excess expenditures over revenue.
--------------------	------------	-----------------------------------

This deficit is anticipated to be funded by room taxes in future years.

Capital Projects Fund

Southwest quadrant	\$ 570,926	Infrastructure costs in excess of special assessments.
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This deficit is anticipated to be funded by future special assessments and transfers from other funds.

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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 financial institution's 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

A. DEPOSITS AND INVESTMENTS (cont.)

	Category			Totals	Carrying
	1	2	3		Amount/ Fair Value
Local and area banks	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 13,176,719</u>	<u>\$ 13,676,719</u>	\$ 13,406,328
Local government investment pool					4,521,892
Mutual funds					10,200,787
Petty cash					<u>579</u>
Total Deposits and Investments – Reporting Entity					<u>\$ 28,129,586</u>
Statement of net assets – cash and investments					\$ 9,924,469
Statement of net assets – restricted cash and investments					2,942,256
Statement of net assets – fiduciary funds					<u>15,262,861</u>
Total					<u>\$ 28,129,586</u>

The city had no significant type of investment during the year not included in the above schedule.

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

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.

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

B. RECEIVABLES

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	TID District No. 3	2003 Capital Projects	Water	Sewer	Pleasant View Golf Course	Nonmajor and Other Funds	Totals
Receivables:								
Taxes	\$ 8,516,675	\$ 4,412,982	\$ -	\$ -	\$ -	\$ -	\$ 16,344	\$ 12,946,001
Delinquent taxes	205,016	-	-	-	-	-	-	205,016
Accounts	295,156	498	1,516	273,683	335,603	2,497	125,480	1,034,433
Loans	-	37,182	-	-	-	-	27,266	64,448
Special assessments	77,451	-	-	-	2,239,574	-	68,846	2,385,871
Delinquent special assessments	734	-	-	-	-	-	-	734
Interest	-	-	-	15,834	1,160	-	-	16,994
Due from other governments	125,506	-	-	-	-	-	-	125,506
Gross Receivables	9,220,538	4,450,662	1,516	289,517	2,576,337	2,497	237,936	16,779,003
Less: Allowance for uncollectibles	(73,293)	-	-	-	-	-	-	(73,293)
Net Total Receivables	\$ 9,147,245	\$ 4,450,662	\$ 1,516	\$ 289,517	\$ 2,576,337	\$ 2,497	\$ 237,936	\$ 16,705,710
Amounts Not Expected to be Collected Within One Year	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

B. RECEIVABLES (cont.)

Revenues of the city are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to ambulance billings	\$ <u>73,293</u>
Total Uncollectibles of the Current Fiscal Year	\$ <u><u>73,293</u></u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable	\$ -	\$ 12,853,486	\$ 12,853,486
Special assessments not yet due	143,031	-	143,031
EMS receivable	141,508	-	141,508
Interest income (TIF No. 3)	<u>650,662</u>	-	<u>650,662</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 935,201</u>	<u>\$ 12,853,486</u>	<u>\$ 13,788,687</u>

For economic development loans, the city is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans that 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, 2003, the city has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

C. RESTRICTED ASSETS

Replacement Account

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

Following is a list of restricted assets at December 31, 2003:

	<u>2003</u>
Restricted assets replacement account	<u>\$ 29,600</u>

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 12,110,220	\$ 210,252	\$ 5,697,281	\$ 6,623,191
Right of ways	16,197,190	1,009,897	-	17,207,087
Construction in progress	-	7,881,245	-	7,881,245
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets Not Being Depreciated	<u>\$ 28,307,410</u>	<u>\$ 9,101,394</u>	<u>\$ 5,697,281</u>	<u>\$ 31,711,523</u>
Capital Assets Being Depreciated:				
Land improvements	\$ 3,981,995	\$ 95,628	\$ 5,780	\$ 4,071,843
Buildings	7,918,077	-	-	7,918,077
Machinery and equipment	3,187,448	784,177	206,764	3,764,861
Streets - infrastructure	4,422,260	4,238,481	-	8,660,741
Storm sewers - infrastructure	3,477,554	1,556,528	-	5,034,082
Traffic signals - infrastructure	419,506	343,590	-	763,096
Sidewalks - infrastructure	2,171,641	253,677	-	2,425,318
Bridges - infrastructure	455,668	1,602,520	-	2,058,188
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets Being Depreciated	<u>26,034,149</u>	<u>8,874,601</u>	<u>212,544</u>	<u>34,696,206</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated Depreciation for:				
Land improvements	\$ 613,528	\$ 96,222	\$ 1,577	\$ 708,173
Buildings	1,231,977	147,079	-	1,379,056
Machinery and equipment	1,575,967	239,867	230,604	1,585,230
Streets - infrastructure	1,465,345	98,123	-	1,563,468
Storm sewers - infrastructure	936,264	58,368	-	994,632
Traffic signals - infrastructure	219,086	22,657	-	241,743
Sidewalks - infrastructure	771,177	45,970	-	817,147
Bridges - infrastructure	52,529	16,944	-	69,473
Total Accumulated Depreciation	6,865,873	725,230	232,181	7,358,922
 Capital Assets,				
Net of Depreciation	\$ 19,168,276	\$ 8,149,371	\$ 19,637	\$ 27,337,284

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 16,606
Public safety	57,765
Public works, which includes the depreciation of roads, storm sewers and street lighting	390,037
Leisure activities	260,822
 Total Governmental Activities Depreciation Expense	\$ 725,230

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water Utility</u>				
Capital assets not being depreciated:				
Land and land rights	\$ 99,777	\$ -	\$ -	\$ 99,777
Construction in progress	46,501	-	46,501	-
Total Capital Assets Not Being Depreciated	146,278	-	46,501	99,777
Capital assets being depreciated:				
Source of supply	285,396	34,387	-	319,783
Pumping	1,658,508	23,944	4,789	1,677,663
Treatment	343,242	-	-	343,242
Transmission and distribution	14,694,223	1,445,699	111,348	16,028,574
Administrative and general assets	459,450	5,536	-	464,986
Total Capital Assets Being Depreciated	17,440,819	1,509,566	116,137	18,834,248
Total Capital Assets	17,587,097	1,509,566	162,638	18,934,025
Less: Accumulated Depreciation for:				
Source of supply	(197,714)	(10,076)	-	(207,790)
Pumping	(626,510)	(67,774)	4,789	(689,495)
Treatment	(316,534)	(6,816)	-	(323,350)
Transmission and distribution	(2,285,452)	(277,729)	121,480	(2,441,341)
Administrative and general assets	(324,375)	(44,498)	-	(368,873)
Total Accumulated Depreciation	(3,750,585)	(406,893)	126,629	(4,030,849)
Net Water Plant	\$ 13,836,512	\$ 1,102,673	\$ 36,009	\$ 14,903,176

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Sewer Utility				
Capital assets not being depreciated:				
Land and land rights	\$ 66,830	\$ -	\$ -	\$ 66,830
Capital assets being depreciated:				
Collection system	10,375,120	1,159,534	-	11,534,654
Collection system pumping	1,215,786	-	-	1,215,786
Administrative and general assets	347,568	-	-	347,568
Total Capital Assets	11,938,474	1,159,534	-	13,098,008
Being Depreciated	11,938,474	1,159,534	-	13,098,008
Total Capital Assets	12,005,304	1,159,534	-	13,164,838
Less: Accumulated Depreciation	(2,032,453)	(198,281)	7,502	(2,223,232)
Net Sewer Plant	\$ 9,972,851	\$ 961,253	\$ 7,502	\$ 10,941,606
	Beginning Balance	Additions	Deletions	Ending Balance
Pleasant View Golf Course				
Capital assets not being depreciated:				
Land and land rights	\$ 2,216,000	\$ -	\$ -	\$ 2,216,000
Capital assets being depreciated:				
Buildings	208,763	-	-	208,763
Land improvements	7,291,981	-	-	7,291,981
Equipment	275,331	40,153	-	315,484
Total Capital Assets	7,776,075	40,153	-	7,816,228
Being Depreciated	7,776,075	40,153	-	7,816,228
Total Capital Assets	9,992,075	40,153	-	10,032,228
Less: Accumulated				
Depreciation for:				
Buildings	(34,800)	(5,219)	-	(40,019)
Land improvements	-	(19,125)	-	(19,125)
Equipment	(89,556)	(26,033)	-	(115,589)
Total Accumulated Depreciation	(124,356)	(50,377)	-	(174,733)
Net Golf Course Plant	\$ 9,867,719	\$ (10,224)	\$ -	\$ 9,857,495
Total Net Capital Assets:				
Business Type Activities	\$ 31,461,082			\$ 35,702,277

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 364,945
Water – charged to sewer	41,948
Sewer	198,281
Pleasant View Golf Course	50,377
Total Business-Type Activities	
Depreciation Expense	\$ 655,551

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water utility	\$ 306,778
Debt service	General	5,800
Sewer utility	General	46,397
Water utility	General	46,162
Water utility	Sewer utility	72,193
Total – Fund Financial Statements		477,330
Less: Eliminations		(263,111)
Total Government-Wide Financial Statements		\$ 214,219

The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are due within one year.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

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. Deferred interest income in the general fund at December 31, 2003 is \$650,662.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

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

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

TIF No. 3 capital projects fund	Component unit – CDA	<u>\$ 6,719,651</u>
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This amount represents the unspent debt proceeds by the CDA that is intended to be spent on capital projects within TIF No. 3.

Over the past few years, the general fund advanced funds to the Tourism Commission, Railroad, and Pleasant View Golf Course in 2002. The debt service fund advanced funds to the Pleasant View Golf Course enterprise fund for debt payments. No repayment schedules have been established on the advances to Pleasant View Golf Course. Interest will be charged on the advances. Repayment of the advances to the Hotel Room Tax and Railroad funds will be made over four years at an interest rate of 4%.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
General fund	Pleasant View Golf Course	\$ 592,408	\$ 592,408
General fund	Railroad	674,713	674,713
General fund	Tourism	382,000	382,000
General fund	TIF District No. 3	1,567,397	1,567,397
General fund	Southwest Quadrant	<u>570,926</u>	<u>570,926</u>
Total – Fund Financial Statements		3,787,444	<u>\$ 3,787,444</u>
Less: Eliminations		<u>(3,195,036)</u>	
Total – Government-Wide Financial Statements		<u>\$ 592,408</u>	

The principal purpose of these interfunds is to finance the deficiency of revenues over expenditures and other financing sources since the fund's inception.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

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

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General	Water utility	\$ 306,778	Payment in lieu of tax
Debt service fund	General fund	2,567,486	Debt service
Debt service fund	TIF District No. 3	3,781,140	Debt service
Debt service fund	Southwest Quadrant fund	312,750	Debt service
Pleasant View Golf Course	Debt service fund	398,467	Debt service
Total – Fund Financial Statements		<u>\$ 7,366,621</u>	

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General	Water utility	\$ 306,778	\$ (306,778)
Pleasant View Golf Course	Debt service fund	(398,467)	398,467
Total – Government-Wide Financial Statements		<u>\$ 91,689</u>	<u>\$ 91,689</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt	\$ 45,325,324	\$ 10,910,000	\$ 4,698,731	\$ 51,536,593	\$ 4,962,200
Other Liabilities:					
Unfunded pension liability	339,805	24,127	30,487	333,445	32,000
Vested compensated absences	1,127,621	387,717	318,334	1,197,004	357,171
Capital leases	16,475,000	-	-	16,475,000	-
Total Other Liabilities	<u>17,942,426</u>	<u>411,844</u>	<u>348,821</u>	<u>18,005,449</u>	<u>389,171</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 63,267,750</u>	<u>\$ 11,321,844</u>	<u>\$ 5,047,552</u>	<u>\$ 69,542,042</u>	<u>\$ 5,351,371</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

F. LONG-TERM OBLIGATIONS (cont.)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt	\$ 12,605,000	\$ -	\$ 570,000	\$ 12,035,000	\$ 635,000
Other Liabilities:					
Vested compensated absences	<u>77,785</u>	<u>20,528</u>	<u>-</u>	<u>98,313</u>	<u>19,780</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 12,682,785</u>	<u>\$ 20,528</u>	<u>\$ 570,000</u>	<u>\$ 12,133,313</u>	<u>\$ 654,780</u>

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 governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

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, 2003, was \$90,725,135. Total general obligation debt outstanding at year end was \$63,571,593.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-03</u>
Governmental Activities					
 General Obligation Debt					
1994 State trust fund loan	12-07-94	3-15-04	4.50%	\$ 500,000	\$ 66,593
1996 General obligation promissory notes	6-01-96	6-01-06	4.00% – 5.15%	5,675,000	1,685,000
1997 General obligation promissory notes	3-01-97	3-01-07	3.95% – 5.15%	9,250,000	3,940,000
1997 General obligation promissory notes	4-01-97	3-01-12	3.90% – 5.40%	2,325,000	1,590,000
1998 General obligation promissory notes	4-01-98	9-01-08	3.90% – 4.60%	9,675,000	5,800,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	6,800,000	5,400,000
2000 General obligation promissory notes	4-01-00	3-01-10	4.80% – 5.20%	6,800,000	6,400,000

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-03</u>
Governmental Activities General Obligation Debt (cont.)					
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.40%	\$ 8,000,000	\$ 7,600,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,250,000	5,975,000
2002 State trust fund loan	11-06-02	3-15-19	5.00%	2,170,000	2,170,000
2003 General obligation promissory notes	5-01-03	9-01-13	2.00% – 3.40%	9,980,000	9,980,000
2003 State trust fund loan	1-30-03	3-15-19	5.00%	930,000	<u>930,000</u>
 Total Governmental Activities – General Obligation Debt					 <u>\$ 51,536,593</u>
 Business-Type Activities General Obligation Debt					
1996 General obligation promissory notes	6-01-96	6-01-96	4.00% – 5.15%	\$ 1,365,000	\$ 905,000
1997 General obligation promissory notes	4-01-97	3-01-12	3.90% – 5.40%	4,155,000	2,840,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	500,000	320,000
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.80%	2,000,000	1,975,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,005,000	<u>5,995,000</u>
 Total Business-Type Activities – General Obligation Debt					 <u>\$ 12,035,000</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt		Totals
	Principal	Interest	Principal	Interest	
2004	\$ 4,962,200	\$ 1,788,169	\$ 635,000	\$ 560,066	\$ 7,945,435
2005	5,819,515	1,529,321	850,000	526,791	8,725,627
2006	5,641,491	1,310,592	900,000	487,475	8,339,558
2007	6,008,815	1,087,348	965,000	435,621	8,496,784
2008	5,281,154	868,217	1,020,000	388,868	7,558,239
2009 – 2013	22,351,673	1,589,465	5,340,000	1,134,570	30,415,708
2014 – 2018	1,195,573	178,629	2,325,000	170,239	3,869,441
2019 – 2023	<u>276,172</u>	<u>9,698</u>	<u>-</u>	<u>-</u>	<u>285,870</u>
Totals	<u>\$ 51,536,593</u>	<u>\$ 8,361,439</u>	<u>\$ 12,035,000</u>	<u>\$ 3,703,630</u>	<u>\$ 75,636,662</u>

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 IV.J. for a repayment schedule. \$1,743 is on deposit in the debt service fund which is available to meet the above debt service requirements as of December 31, 2003.

Capital Leases

Refer to Note IV.G.

Other Debt Information

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

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, including federal arbitrage regulations.

Prior-Year Defeasance of Debt

In prior years, the city defeased certain general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the city's financial statements. At December 31, 2003, \$5,845,000 of bonds outstanding are considered defeased. The bonds are callable on November 1, 2006.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

G. LEASE DISCLOSURES

Lessee – Capital Leases

The Tax Increment District No. 3 (TIF No. 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. Tax increment revenues generated by TIF No. 3 are expected to be paid over to the CDA to make the debt payments.

Lessee – Operating Leases

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 and negotiated a reduction in the operating lease payments down to \$3,564/month.

Lessor – Capital Leases

The city has no material outstanding sales-type or direct financing leases.

Lessor – Operating Leases

The city does not receive material lease payments from property rented to others.

H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2003 includes the following:

Governmental Activities

Invested in capital assets, net of related debts	
Land	\$ 6,623,191
Right of ways	17,207,087
Construction in progress	7,881,245
Other capital assets, net of accumulated depreciation	27,337,283
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(49,769,211)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>9,279,595</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted:

Restricted for debt service	\$ 1,743
Subdivider's deposits	1,163,339
Land and park donations	7,784
Drug evidence	5,861
CATV	78,679
Youth commission	1,808
EMS	23,471
Railroad depot	37,025
Lost and damaged books	11,471
Library gift	10,491
EMS equipment replacement	164,280
Library endowment	341,549
Economic development	90,622
Economic development grants	230,979
Airport	5,549
Alcohol awareness	4,337
Drug forfeitures	2,167
Senior citizens	9,137

Total Restricted	2,190,292
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Unrestricted (deficit)	(8,410,545)
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Total Governmental Activities Net Assets	\$ 3,059,342
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Governmental fund balances reported on the fund financial statements at December 31, 2003 include the following:

Reserved

Major Funds

General Fund

Delinquent personal property taxes	\$ 205,016
Advances	3,136,782

Total	\$ 3,341,798
-------	--------------

Debt Service Fund

Debt service	\$ 1,743
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TID No. 3 Capital Projects Fund

Reserved for debt service	\$ 2,460,438
Reserved for encumbrances	2,973,598

Total	\$ 5,434,036
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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Reserved (cont.)

Major Funds (cont.)

2003 capital projects fund	<u>\$ 395,025</u>
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Non-Major Fund

Economic Development Grant	
----------------------------	--

Reserved for loans receivable	<u>\$ 27,266</u>
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Unreserved (Designated)

General Fund

2004 budget	<u>\$ 176,000</u>
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Unreserved (Deficit)

Major Funds

General fund	\$ 254,339
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2003 capital projects fund	1,068,593
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TID No. 3 capital projects fund	<u>2,170,723</u>
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Total	<u>\$ 3,493,655</u>
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Non-Major Funds (Deficit)

Special Revenue Funds

Subdividers' deposits	\$ 1,163,339
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Land and park donations	7,784
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Drug evidence	5,861
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Cable TV	78,679
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Youth commission donations	1,808
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EMS	23,471
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Railroad depot	37,025
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Lost and damaged book	11,471
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Library gift	10,491
--------------	--------

EMS equipment replacement	164,280
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Library endowment	341,549
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Economic development	90,622
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Economic development grant	203,713
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Airport	5,549
---------	-------

Alcohol awareness	4,337
-------------------	-------

Drug forfeitures	2,167
------------------	-------

Senior citizen	9,137
----------------	-------

Railroad	(674,713)
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Tourism commission	<u>(291,468)</u>
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Total	<u>\$ 1,195,102</u>
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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Capital Projects Fund (Deficit)	
Southwest quadrant	<u>\$ (570,926)</u>

Business-Type Activities

The following calculations support the net assets invested in capital assets, net of related debt.

	Water	Sewer	Pleasant View Golf Course
Capital assets	\$ 18,934,025	\$ 13,164,838	\$ 10,032,228
Accumulated depreciation	<u>(4,030,849)</u>	<u>(2,223,232)</u>	<u>(174,733)</u>
Sub-Total	<u>14,903,176</u>	<u>10,941,606</u>	<u>9,857,495</u>
Less: Capital Related Debt			
Current portion of capital related long-term debt	170,000	135,000	330,000
Long-term portion of capital related long-term debt	1,700,000	1,155,000	8,545,000
Unamortized debt issuance costs	<u>(11,050)</u>	<u>(13,474)</u>	<u>-</u>
Sub-Total	<u>1,858,950</u>	<u>1,276,526</u>	<u>8,875,000</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 13,044,226</u>	<u>\$ 9,665,080</u>	<u>\$ 982,495</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

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

I. RESTATEMENT OF NET ASSETS/FUND BALANCE

Fund balance of the general fund has been restated to record the tax equivalent from the water utility.

Fund Balance – December 31, 2002 (as reported)	\$ 4,243,908
Add: Water utility tax equivalent per GASB No. 33	<u>294,845</u>
Fund Balance – January 1, 2003 (as restated)	<u>\$ 4,538,753</u>

Net assets have been restated due to the Pleasant View Golf Course becoming a proprietary fund that was previously recorded as a governmental fund.

PLEASANT VIEW GOLF COURSE

Fund Balance – December 31, 2002 (as reported) (Deficit)	\$ (776,533)
Add: Capital assets, net of accumulated depreciation	9,867,719
Less: Long-term debt	(9,155,000)
Accrued interest	<u>(130,039)</u>
Net Assets – January 1, 2003 (as restated) (Deficit)	<u>\$ (193,853)</u>

J. 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 statement of net assets and statement of activities.

In addition to the basic 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.

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	\$ 4,259,211
Capitalized interest	868,406
Debt reserve fund	<u>1,592,034</u>
Total	<u>\$ 6,719,651</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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

J. COMPONENT UNIT (cont.)

c. CDA Lease Revenue Bonds

	Balance 1-1-03	Increases	Decreases	Balance 12-31-03
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.	9,100,000	-	-	9,100,000
Less: Unamortized debt discount	(228,090)	-	(12,850)	(215,240)
Totals	<u>\$ 16,246,910</u>	<u>\$ -</u>	<u>\$ (12,850)</u>	<u>\$ 16,259,760</u>

Debt service requirements to maturity are as follows:

	Principal	Interest	Totals
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	850,000	781,670	1,631,670
2009 – 2013	4,840,000	3,303,228	8,143,228
2014 – 2018	6,195,000	1,936,972	8,131,972
2019 – 2020	2,985,000	263,344	3,248,344
Totals	<u>\$ 16,475,000</u>	<u>\$ 9,617,870</u>	<u>\$ 26,092,870</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE V – OTHER INFORMATION

A. 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 (3.1% for Executives and Elected Officials, 4.0% for Protective Occupations with Social Security, and 3.0% 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, 2003 was \$4,817,690; the employer's total payroll was \$5,773,839. The total required contribution for the year ended December 31, 2003 was \$586,167 or 12.1 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2002 and 2001 were \$513,672 and \$458,887, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. 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 year's 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, 2003, was \$333,445. This liability was determined in accordance with provisions of GASB Statement No. 27 regarding pension-related debt. Depending on actuarial assumptions, this estimate can vary significantly.

B. RISK MANAGEMENT

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE V – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city's legal counsel that the likelihood is remote that most of such claims or proceedings will have a material adverse effect on the city's financial position or results of operations. However, the city is involved in a claim for refund of personal property taxes that it is vigorously defending. The possibility exists that the city may not be able to collect this receivable.

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 V.D., 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, 2003 is a deficit of \$861,955. 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 \$513,039 of the District's net deficit. The city's share of the net deficit has been reported in the government-wide statement of net assets. See also Note IV.G. and Note V.D.

D. 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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE V – OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

Metropolitan Refuse District, Inc. (cont.)

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 \$55,473 to the District in 2003. The city has an equity interest (deficit) of \$(513,039) at year end. The city will continue to support the District's postclosure care costs in the future.

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.

Multijurisdictional Public Safety Information System Commission (MJPISC)

The City of Fitchburg, City of Sun Prairie, and City of Middleton jointly operate the Multijurisdictional Public Safety Information System Commission. On March 20, 2003, the City of Middleton, City of Fitchburg, and City of Sun Prairie executed an intergovernmental agreement under authority of Section 66.0301 of the Wisconsin Statutes. The commission adopts its own budget. Net operating costs including debt service are shared by the three communities equally. The department is governed by the Intermunicipal Commission. The commission consists of one representative from each community. The transactions of the commission are not reflected in these financial statements.

The city does not have an equity interest in this joint venture.

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 elected officials 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 \$326,595 to the District in 2003 for operating expenses. The city believes that the District will continue to provide services in the future at similar rates. In 2003, the city also contributed \$306,600 for its share of a new tanker truck and land for a new fire station.

The transactions of the District are not reflected in these financial statements. The city does not have an equity interest in this joint venture.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MIDDLETON

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Over (Under)
REVENUES				
Taxes	\$ 8,100,557	\$ 8,100,557	\$ 8,110,909	\$ 10,352
Intergovernmental	2,117,101	2,117,101	2,123,035	5,934
Licenses and permits	432,150	432,150	663,279	231,129
Fines, forfeitures and penalties	194,000	194,000	240,510	46,510
Public charges for services	772,186	772,186	746,277	(25,909)
Interdepartmental charges for services	203,000	203,000	294,156	91,156
Special assessments	25,000	25,000	98,716	73,716
Investment income	244,365	244,365	172,216	(72,149)
Miscellaneous	377,500	377,500	153,337	(224,163)
Total Revenues	<u>12,465,859</u>	<u>12,465,859</u>	<u>12,602,435</u>	<u>136,576</u>
EXPENDITURES				
Current				
General government	1,247,541	1,292,898	1,289,230	(3,668)
Public safety	4,500,829	4,455,472	4,541,558	86,086
Public works	2,158,643	2,158,643	2,117,580	(41,063)
Leisure activities	2,221,690	2,221,690	2,232,935	11,245
Conservation and development	275,173	275,173	236,378	(38,795)
Total Expenditures	<u>10,403,876</u>	<u>10,403,876</u>	<u>10,417,681</u>	<u>13,805</u>
Excess (deficiency) of revenues over expenditures	<u>2,061,983</u>	<u>2,061,983</u>	<u>2,184,754</u>	<u>122,771</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	265,500	265,500	306,778	41,278
Transfers out	<u>(2,567,483)</u>	<u>(2,567,483)</u>	<u>(2,607,486)</u>	<u>40,003</u>
Total Other Financing Sources (Uses)	<u>(2,301,983)</u>	<u>(2,301,983)</u>	<u>(2,300,708)</u>	<u>1,275</u>
Net Change in Fund Balance	(240,000)	(240,000)	(115,954)	124,046
FUND BALANCE - Beginning	<u>4,538,753</u>	<u>4,538,753</u>	<u>4,538,753</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,298,753</u>	<u>\$ 4,298,753</u>	<u>\$ 4,422,799</u>	<u>\$ 124,046</u>

CITY OF MIDDLETON

GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO BUDGET - BUDGET AND ACTUAL
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
TAXES				
General property tax	\$ 7,953,557	\$ 7,953,557	\$ 7,959,379	\$ 5,822
Omitted property tax	-	-	1,075	1,075
Fees in lieu of taxes	25,000	25,000	25,000	-
Room tax	120,000	120,000	124,014	4,014
Interest on taxes	2,000	2,000	1,441	(559)
TOTALS	\$ 8,100,557	\$ 8,100,557	\$ 8,110,909	\$ 10,352
INTERGOVERNMENTAL REVENUES				
Shared taxes from state	\$ 473,662	\$ 473,662	\$ 473,663	\$ 1
State aid - road allotment	802,032	802,032	802,074	42
State aid - exempt computer aid	229,527	229,527	227,652	(1,875)
State aid - fire insurance dues	47,893	47,893	57,343	9,450
State aid - miscellaneous grants	11,445	11,445	28,565	17,120
Federal and state aid - other	57,000	57,000	70,568	13,568
County aid - library	371,089	371,089	350,054	(21,035)
County aid - signals	10,000	10,000	9,334	(666)
County aid - senior citizens	42,653	42,653	47,737	5,084
School district payments for liaison officer	71,800	71,800	56,045	(15,755)
TOTALS	\$ 2,117,101	\$ 2,117,101	\$ 2,123,035	\$ 5,934
LICENSES AND PERMITS				
Liquor and malt beverage licenses	\$ 23,250	\$ 23,250	\$ 27,932	\$ 4,682
Operators' licenses	7,000	7,000	6,005	(995)
Contractor's licenses	5,500	5,500	7,260	1,760
Alarm licenses	8,500	8,500	9,608	1,108
Cigarette licenses	200	200	265	65
Bicycle licenses	200	200	103	(97)
Dog and cat licenses	200	200	421	221
Cable TV franchise licenses	130,000	130,000	130,000	-
Other miscellaneous licenses	600	600	300	(300)
Building permits	150,000	150,000	280,250	130,250
Recycling permits	3,600	3,600	1,350	(2,250)
Electrical permits	35,000	35,000	84,326	49,326
Plumbing permits	50,000	50,000	84,892	34,892
Erosion control permits	10,000	10,000	16,300	6,300
Park reservation permits	8,100	8,100	14,267	6,167
TOTALS	\$ 432,150	\$ 432,150	\$ 663,279	\$ 231,129
FINES, FORFEITURES AND PENALTIES				
Court penalties	\$ 135,000	\$ 135,000	\$ 152,496	\$ 17,496
Parking violations	28,000	28,000	50,150	22,150
Court costs	31,000	31,000	37,864	6,864
TOTALS	\$ 194,000	\$ 194,000	\$ 240,510	\$ 46,510

CITY OF MIDDLETON

GENERAL FUND
 SCHEDULE OF REVENUES COMPARED TO BUDGET - BUDGET AND ACTUAL (cont)
 For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
Clerk fees	\$ 12,000	\$ 12,000	\$ 21,027	\$ 9,027
Police special services	-	-	38,837	38,837
Police department fees	30,000	30,000	29,234	(766)
Ambulance services	360,000	360,000	224,221	(135,779)
EMS fixed cost abatement	53,386	53,386	57,299	3,913
Plan commission charges	10,000	10,000	16,167	6,167
Senior citizens	5,000	5,000	25,440	20,440
Swimming pools	219,250	219,250	231,890	12,640
Summer recreation	32,000	32,000	34,122	2,122
Public works charges	-	-	4,902	4,902
Other recreation	49,550	49,550	61,388	11,838
Zoning	1,000	1,000	1,750	750
TOTALS	\$ 772,186	\$ 772,186	\$ 746,277	\$ (25,909)
INTERDEPARTMENTAL CHARGES FOR SERVICES				
Administration reimbursements - utilities	\$ 91,000	\$ 91,000	\$ 98,436	\$ 7,436
Administration reimbursements - TIF	100,000	100,000	190,000	90,000
Administration reimbursements - Landfill	5,000	5,000	5,000	-
Administration reimbursements - Fire District	7,000	7,000	720	(6,280)
TOTALS	\$ 203,000	\$ 203,000	\$ 294,156	\$ 91,156
SPECIAL ASSESSMENTS				
Curb, gutter and sidewalks	\$ 25,000	\$ 25,000	\$ 97,632	\$ 72,632
Interest on special assessments	-	-	1,084	1,084
TOTALS	\$ 25,000	\$ 25,000	\$ 98,716	\$ 73,716
INVESTMENT INCOME				
Investment income	\$ 244,365	\$ 244,365	\$ 172,216	\$ (72,149)
MISCELLANEOUS				
Rent of city buildings and offices	\$ 12,000	\$ 12,000	\$ 13,037	\$ 1,037
Compensation for loss of fixed assets	-	-	8,300	8,300
Refund of prior year's expenditures	25,000	25,000	90,868	65,868
Sale of city property	313,500	313,500	6,114	(307,386)
Sale of materials	2,000	2,000	10,018	8,018
Pool contribution	25,000	25,000	25,000	-
TOTALS	\$ 377,500	\$ 377,500	\$ 153,337	\$ (224,163)
OTHER FINANCING SOURCES				
Transfer In - Water Utility	265,500	265,500	306,778	41,278
TOTALS	\$ 265,500	\$ 265,500	\$ 306,778	\$ 41,278
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 12,731,359	\$ 12,731,359	\$ 12,909,213	\$ 177,854

CITY OF MIDDLETON

GENERAL FUND
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET - BUDGET AND ACTUAL
 For the Year Ended December 31, 2003

CURRENT EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
GENERAL GOVERNMENT				
Council	\$ 41,388	\$ 41,388	\$ 41,728	\$ 340
Police commission	5,000	5,000	2,785	(2,215)
Landmarks commission	600	600	-	(600)
Middleton youth commission	19,500	19,500	19,372	(128)
Municipal court	17,508	62,865	66,174	3,309
General administration	470,386	470,386	454,762	(15,624)
Information technology	64,900	64,900	62,725	(2,175)
Independent auditing	16,500	43,500	43,500	-
Legal counseling	135,000	135,000	138,978	3,978
Special legal counsel	10,000	10,000	22,899	12,899
Buildings and grounds	100,010	100,010	106,968	6,958
Illegal taxes and tax refunds	5,000	5,000	10,473	5,473
Reduction of prior years revenue	-	-	3,029	3,029
Property and liability insurance	300,000	300,000	283,530	(16,470)
Board of review	375	375	-	(375)
Additional expenditures - prior years	5,000	5,000	-	(5,000)
Emergency preparedness	4,920	4,920	7,806	2,886
Income continuation insurance	12,650	12,650	16,111	3,461
Contingency	31,204	4,204	-	(4,204)
Group life insurance	7,600	7,600	8,390	790
TOTALS	\$ 1,247,541	\$ 1,292,898	\$ 1,289,230	\$ (3,668)
PUBLIC SAFETY				
Police administration	\$ 431,350	\$ 385,993	\$ 457,930	\$ 71,937
Police patrol	2,286,773	2,286,773	2,304,594	17,821
Training	25,100	25,100	27,287	2,187
Police uniform allowance and equipment	11,500	11,500	14,318	2,818
School patrol	11,727	11,727	12,043	316
Fire suppression	303,622	303,622	326,595	22,973
Public fire protection	340,000	340,000	366,191	26,191
Building inspector	80,135	80,135	73,151	(6,984)
Electrical inspector	73,333	73,333	75,776	2,443
Plumbing inspection	45,619	45,619	41,179	(4,440)
Sealer of weights and measures	2,640	2,640	2,640	-
Erosion control enforcement	10,000	10,000	16,324	6,324
EMS	584,422	584,422	521,278	(63,144)
Communications	294,608	294,608	293,663	(945)
Other			8,589	8,589
TOTALS	\$ 4,500,829	\$ 4,455,472	\$ 4,541,558	\$ 86,086

CITY OF MIDDLETON

GENERAL FUND

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET - BUDGET AND ACTUAL (cont.)

For the Year Ended December 31, 2003

CURRENT EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
PUBLIC WORKS				
Machinery	\$ 206,448	\$ 206,448	\$ 192,180	\$ (14,268)
Garage	45,200	45,200	60,616	15,416
Protective equipment	2,300	2,300	2,311	11
Engineering	545,395	545,395	558,788	13,393
Street maintenance	178,610	178,610	153,086	(25,524)
Street cleaning	36,685	36,685	47,161	10,476
Snow and ice control	80,688	80,688	60,220	(20,468)
Traffic signs and markings	57,662	57,662	124,031	66,369
Traffic signals	33,974	33,974	34,232	258
Street lighting	52,000	52,000	62,877	10,877
Tree and brush	72,822	72,822	79,757	6,935
Storm sewers	19,422	19,422	13,975	(5,447)
Mass transit	196,413	196,413	210,277	13,864
PW fringe benefits	131,085	131,085	-	(131,085)
Garbage collection	262,600	262,600	257,379	(5,221)
Sanitary landfill	55,475	55,475	55,772	297
Leaf pick-up	32,714	32,714	54,630	21,916
Recycling	149,150	149,150	150,288	1,138
TOTALS	<u>\$ 2,158,643</u>	<u>\$ 2,158,643</u>	<u>\$ 2,117,580</u>	<u>\$ (41,063)</u>
LEISURE ACTIVITIES				
Library	\$ 987,167	\$ 987,167	\$ 992,360	\$ 5,193
Senior citizens center	297,294	297,294	301,725	4,431
Recreation administration	42,190	42,190	48,373	6,183
Swimming pool	254,855	254,855	257,302	2,447
Summer recreation	61,630	61,630	80,652	19,022
Other recreation	84,081	84,081	88,624	4,543
Parks	494,473	494,473	463,899	(30,574)
TOTALS	<u>\$ 2,221,690</u>	<u>\$ 2,221,690</u>	<u>\$ 2,232,935</u>	<u>\$ 11,245</u>
CONSERVATION AND DEVELOPMENT				
Weed control	\$ 2,974	\$ 2,974	\$ 5,831	\$ 2,857
Creek maintenance	-	-	1,119	1,119
Water resources	24,100	24,100	22,451	(1,649)
Conservancy land commission	77,032	77,032	51,925	(25,107)
Planning commission	171,067	171,067	155,052	(16,015)
TOTALS	<u>\$ 275,173</u>	<u>\$ 275,173</u>	<u>\$ 236,378</u>	<u>\$ (38,795)</u>
OTHER FINANCING USES				
Transfers out - debt service fund	\$ 2,567,483	\$ 2,567,483	\$ 2,567,486	\$ 3
Transfers out - EMS equipment replacement fund	-	-	40,000	40,000
TOTALS	<u>\$ 2,567,483</u>	<u>\$ 2,567,483</u>	<u>\$ 2,607,486</u>	<u>\$ 40,003</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ 12,971,359</u>	<u>\$ 12,971,359</u>	<u>\$ 13,025,167</u>	<u>\$ 53,808</u>

CITY OF MIDDLETON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2003

BUDGETARY INFORMATION

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

Excess expenditures over appropriations are as follows:

	<u>Amended Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Current Expenditures			
Council	\$ 41,388	\$ 41,728	\$ 340
Municipal court	62,865	66,174	3,309
Legal counseling	135,000	138,978	3,978
Special legal counsel	10,000	22,899	12,899
Buildings and grounds	100,010	106,968	6,958
Illegal taxes and tax refunds	5,000	10,473	5,473
Emergency preparedness	4,920	7,806	2,886
Income continuation insurance	12,650	16,111	3,461
Group life insurance	7,600	8,390	790
Police administration	385,993	457,930	71,937
Police patrol	2,286,773	2,304,594	17,821
Training	25,100	27,287	2,187
Police uniform allowance and equipment	11,500	14,318	2,818
School patrol	11,727	12,043	316
Fire suppression	303,622	326,595	22,973
Public fire protection	340,000	366,191	26,191
Electrical inspector	73,333	75,776	2,443
Erosion control enforcement	10,000	16,324	6,324
Protective equipment	2,300	2,311	11
Garage	45,200	60,616	15,416
Engineering	545,395	558,788	13,393
Street cleaning	36,685	47,161	10,476
Traffic signs and markings	57,662	124,031	66,369
Traffic signals	33,974	34,232	258
Street lighting	52,000	62,877	10,877
Tree and brush	72,822	79,757	6,935
Mass transit	196,413	210,277	13,864
Sanitary landfill	55,475	55,772	297
Leaf pick-up	32,714	54,630	21,916
Recycling	149,150	150,288	1,138
Library	987,167	992,360	5,193
Senior citizens center	297,294	301,725	4,431
Recreation administration	42,190	48,373	6,183
Swimming pool	987,167	992,360	5,193
Summer recreation	61,630	80,652	19,022
Other recreation	84,081	88,624	4,543
Weed control	2,974	5,831	2,857

SUPPLEMENTARY INFORMATION

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
December 31, 2003

	Special Revenue Funds									
	Sub- dividers' Deposits	Land and Park Donations	Drug Evidence	Cable TV	Youth Commission Donations	EMS	Railroad Depot	Lost and Damaged Book	Library Gift	EMS Equipment Replacement
ASSETS										
Cash and investments	\$ 1,163,339	\$ 7,784	\$ 5,861	\$ 21,248	\$ 1,808	\$ 23,471	\$ 37,025	\$ 12,766	\$ 10,491	\$ 164,280
Taxes receivable	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	57,454	-	-	-	-	-	-
Loan receivable	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,163,339	7,784	\$ 5,861	\$ 78,702	\$ 1,808	\$ 23,471	\$ 37,025	\$ 12,766	\$ 10,491	\$ 164,280
LIABILITIES AND FUND BALANCES										
Accounts payable	\$ -	\$ -	\$ -	\$ 23	\$ -	\$ -	\$ -	\$ 1,295	\$ -	\$ -
Deferred revenues	-	-	-	-	-	-	-	-	-	-
Deferred special assessments	-	-	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	23	-	-	-	1,295	-	-
Fund Balances										
Reserved for loan receivable	-	-	-	-	-	-	-	-	-	-
Unreserved										
Undesignated (deficit)	1,163,339	7,784	5,861	78,679	1,808	23,471	37,025	11,471	10,491	164,280
Total Fund Balances	1,163,339	7,784	5,861	78,679	1,808	23,471	37,025	11,471	10,491	164,280
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,163,339	\$ 7,784	\$ 5,861	\$ 78,702	\$ 1,808	\$ 23,471	\$ 37,025	\$ 12,766	\$ 10,491	\$ 164,280

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)
December 31, 2003

	Special Revenue Funds									Capital Project Fund	Total Nonmajor Governmental Funds
	Library Endowment	Economic Develop- ment	Economic Develop- ment Grant	Airport	Alcohol Awareness	Drug Forfeitures	Senior Citizen	Railroad	Tourism Commission	Southwest Quadrant	
ASSETS											
Cash and investments	\$ 341,549	\$ 90,622	\$ 203,713	\$ 5,549	\$ 4,337	\$ 2,167	\$ 9,137	\$ -	\$ 53,057	\$ -	\$ 2,158,204
Taxes receivable	-	-	-	-	-	-	-	-	-	16,344	16,344
Accounts receivable	-	-	-	-	-	-	-	-	68,026	-	125,480
Loan receivable	-	-	27,266	-	-	-	-	-	-	-	27,266
Special assessments	-	-	-	-	-	-	-	-	-	64,846	64,846
TOTAL ASSETS	\$ 341,549	\$ 90,622	\$ 230,979	\$ 5,549	\$ 4,337	\$ 2,167	\$ 9,137	\$ -	\$ 121,083	\$ 81,190	\$ 2,392,140
LIABILITIES AND FUND BALANCES											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,551	\$ -	\$ 31,869
Deferred revenues	-	-	-	-	-	-	-	-	-	16,344	16,344
Deferred special assessments	-	-	-	-	-	-	-	-	-	64,846	64,846
Advances from other funds	-	-	-	-	-	-	-	674,713	382,000	570,926	1,627,639
Total Liabilities	-	-	-	-	-	-	-	674,713	412,551	652,116	1,740,698
Fund Balances											
Reserved for loan receivable	-	-	27,266	-	-	-	-	-	-	-	27,266
Unreserved											
Undesignated (deficit)	341,549	90,622	203,713	5,549	4,337	2,167	9,137	(674,713)	(291,468)	(570,926)	624,176
Total Fund Balances	341,549	90,622	230,979	5,549	4,337	2,167	9,137	(674,713)	(291,468)	(570,926)	651,442
TOTAL LIABILITIES AND FUND BALANCES	\$ 341,549	\$ 90,622	\$ 230,979	\$ 5,549	\$ 4,337	\$ 2,167	\$ 9,137	\$ -	\$ 121,083	\$ 81,190	\$ 2,392,140

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

	Special Revenue Funds									
	Sub- dividers' Deposits	Land and Park Donations	Drug Evidence	Cable TV	Youth Commission Donations	EMS	Railroad Depot	Lost and Damaged Book	Library Gift	EMS Equipment Replacement
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	5,092	-	-	-	-
Public charges for services	265,995	-	-	49,735	-	-	25,356	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	10,302	1,833	-	185	-	-	-	7,237	5,174
Total Revenues	<u>265,995</u>	<u>10,302</u>	<u>1,833</u>	<u>49,735</u>	<u>185</u>	<u>5,092</u>	<u>-</u>	<u>25,356</u>	<u>7,237</u>	<u>5,174</u>
EXPENDITURES										
Current:										
Public safety	-	-	-	-	-	-	-	-	-	-
Leisure activities	-	4,890	-	28,698	4,892	-	-	24,951	9,610	-
Conservation and development	<u>257,824</u>	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>257,824</u>	<u>4,890</u>	<u>-</u>	<u>28,698</u>	<u>4,892</u>	<u>-</u>	<u>-</u>	<u>24,951</u>	<u>9,610</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>8,171</u>	<u>5,412</u>	<u>1,833</u>	<u>21,037</u>	<u>(4,707)</u>	<u>5,092</u>	<u>-</u>	<u>405</u>	<u>(2,373)</u>	<u>5,174</u>
OTHER FINANCING SOURCES (USES)										
Transfers In	-	-	-	-	-	-	-	-	-	40,000
Transfers Out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Net change in fund balance	8,171	5,412	1,833	21,037	(4,707)	5,092	-	405	(2,373)	45,174
FUND BALANCES (DEFICIT) - Beginning of Year	<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>	<u>11,066</u>	<u>12,864</u>	<u>119,106</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 1,163,339</u>	<u>\$ 7,784</u>	<u>\$ 5,861</u>	<u>\$ 78,679</u>	<u>\$ 1,808</u>	<u>\$ 23,471</u>	<u>\$ 37,025</u>	<u>\$ 11,471</u>	<u>\$ 10,491</u>	<u>\$ 164,280</u>

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

	Special Revenue Funds									Capital Project Fund	Nonmajor Governmental Funds
	Library Endowment	Economic Develop- ment	Airport	Economic Development Grant	Alcohol Awareness	Drug Forfeitures	Senior Citizen	Railroad	Tourism Commission	Southwest Quadrant	
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,367	\$ -	\$ 289,367
Intergovernmental	93,947	-	-	-	-	-	-	-	-	-	99,039
Public charges for services	5,470	-	5,549	-	-	-	-	8,534	-	-	360,639
Special assessments	-	-	-	-	-	-	-	-	-	239,243	239,243
Investment income	2,330	3,851	-	8,057	-	-	-	-	-	1,732	15,970
Miscellaneous	-	-	-	-	2,660	-	9,347	-	1,325	-	38,063
Total Revenues	101,747	3,851	5,549	8,057	2,660	-	9,347	8,534	290,692	240,975	1,042,321
EXPENDITURES											
Current:											
Public safety	-	-	-	-	2,114	-	-	-	-	-	2,114
Leisure activities	405	-	-	-	-	-	2,406	95,556	-	-	171,408
Conservation and development	-	-	-	-	-	-	-	-	190,231	-	448,055
Total Expenditures	405	-	-	-	2,114	-	2,406	95,556	190,231	-	621,577
Excess (deficiency) of revenues over expenditures	101,342	3,851	5,549	8,057	546	-	6,941	(87,022)	100,461	240,975	420,744
OTHER FINANCING SOURCES (USES)											
Transfers In	-	-	-	-	-	-	-	-	-	-	40,000
Transfers Out	-	-	-	-	-	-	-	-	-	(312,750)	(312,750)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	(312,750)	(272,750)
Net change in fund balance	101,342	3,851	5,549	8,057	546	-	6,941	(87,022)	100,461	(71,775)	147,994
FUND BALANCES (DEFICIT) - Beginning of Year	240,207	86,771	-	222,922	3,791	2,167	2,196	(587,691)	(391,929)	(499,151)	503,448
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 341,549	\$ 90,622	\$ 5,549	\$ 230,979	\$ 4,337	\$ 2,167	\$ 9,137	\$ (674,713)	\$ (291,468)	\$ (570,926)	\$ 651,442

CITY OF MIDDLETON

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2003

	Tax Roll	Fire District Fund	MJPSISC	Totals
ASSETS				
Cash and investments	\$ 15,262,861	\$ -	\$ -	\$ 15,262,861
Taxes receivable	9,955,039	-	-	9,955,039
Accounts receivable	-	-	52,685	52,685
Prepaid items	-	3,564	-	3,564
Due from other governmental units	-	174,231	-	174,231
	\$ 25,217,900	\$ 177,795	\$ 52,685	\$ 25,448,380
LIABILITIES				
Accounts payable	\$ -	\$ 64,182	\$ 41,792	\$ 105,974
Due to other governmental units	25,217,900	113,613	10,893	25,342,406
	\$ 25,217,900	\$ 177,795	\$ 52,685	\$ 25,448,380

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS - COMPONENT UNIT For the Year Ended December 31, 2003

	Component Unit - CDA
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 113,456
Cash paid to suppliers for goods and services	<u>35,258</u>
Net Cash Flows From Operating Activities	<u>148,714</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid	(947,378)
Sale of fixed assets	98,071
Acquisition and construction of capital assets	<u>(7,951,239)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(8,800,546)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>847,359</u>
Net Cash Flows From Investing Activities	<u>847,359</u>
Net Decrease in Cash and Cash Equivalents	(7,804,473)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>15,221,059</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,416,586</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (30,506)
Changes in Noncash Components of Working Capital	
Accounts receivable	106,345
Other accounts receivable	69,856
Accounts payable	<u>3,019</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 148,714</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:	
None	