

CITY OF MIDDLETON
Middleton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2004

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, 2004, 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 opinions.

In our opinion, 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, 2004, 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.

The budgetary comparison information on pages 52 through 57 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
March 29, 2005

Virchow, Kraus & Company, LLP

CITY OF MIDDLETON

STATEMENT OF NET ASSETS
December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 6,336,867	\$ 4,314,530	\$ 10,651,397	\$ 733,413
Receivables (net of allowance for uncollectibles)				
Taxes	15,076,511	-	15,076,511	-
Delinquent taxes	69,725	-	69,725	-
Accounts	533,068	643,286	1,176,354	-
Interest	46,518	39,275	85,793	-
Loans	35,133	-	35,133	675,000
Special assessments	119,191	2,231,043	2,350,234	-
Delinquent special assessments	473	-	473	-
Due from other governments	17,151	-	17,151	-
Due from primary government	-	-	-	210,010
Due from component unit	2,998,828	-	2,998,828	-
Internal balances	900,455	(900,455)	-	-
Restricted Assets				
Temporarily Restricted				
Cash and investments	1,223,261	39,600	1,262,861	2,998,828
Leases receivable from primary government	-	-	-	16,475,000
Other assets	84,830	689,174	774,004	52,510
Capital Assets				
Land	6,412,939	2,382,607	8,795,546	-
Right of ways	17,338,287	-	17,338,287	-
Construction in progress	6,366,946	-	6,366,946	-
Land Improvements	4,130,939	7,291,981	11,422,920	-
Buildings	9,216,171	208,763	9,424,934	-
Machinery and equipment	3,782,235	344,074	4,126,309	-
Infrastructure	19,467,150	32,321,469	51,788,619	-
Less: Accumulated depreciation	(8,168,658)	(7,212,874)	(15,381,532)	-
Investment in joint ventures (deficit)	(431,025)	-	(431,025)	-
Total Assets	<u>85,556,995</u>	<u>42,392,473</u>	<u>127,949,468</u>	<u>21,144,761</u>
LIABILITIES				
Accounts payable	1,237,234	290,414	1,527,648	2,208
Accrued liabilities	1,119,527	171,483	1,291,010	210,010
Due to other governments	11,833	-	11,833	-
Due to primary government	-	-	-	2,998,828
Due to component unit	210,010	-	210,010	-
Unearned revenue	14,954,527	-	14,954,527	675,000
Noncurrent Liabilities				
Due within one year	6,530,588	874,285	7,404,873	-
Due in more than one year	60,182,530	10,602,432	70,784,962	16,272,610
Total Liabilities	<u>84,246,249</u>	<u>11,938,614</u>	<u>96,184,863</u>	<u>20,158,656</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,421,986	23,951,639	33,373,625	-
Restricted for equipment replacement	-	39,600	39,600	-
Restricted for subdivider's deposits	1,351,493	-	1,351,493	-
Restricted for park improvements	8,253	-	8,253	-
Restricted for police enforcement	20,090	-	20,090	-
Restricted for EMS	27,198	-	27,198	-
Restricted for library	176,778	-	176,778	-
Restricted for economic development	231,913	-	231,913	-
Restricted for senior citizens	52,168	-	52,168	-
Unrestricted (deficit)	(9,979,133)	6,462,620	(3,516,513)	986,105
TOTAL NET ASSETS	<u>\$ 1,310,746</u>	<u>\$ 30,453,859</u>	<u>\$ 31,764,605</u>	<u>\$ 986,105</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	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	\$ 1,252,594	\$ 445,256	\$ 29,074	\$ -	\$ (778,264)	\$ -	\$ (778,264)	\$ -
Public safety	5,005,974	705,922	81,207	-	(4,218,845)	-	(4,218,845)	-
Public works	3,614,989	569,124	885,544	583,416	(1,576,905)	-	(1,576,905)	-
Leisure activities	4,038,099	327,240	612,600	25,000	(3,073,259)	-	(3,073,259)	-
Conservation and economic development	201,458	13,436	68,733	-	(119,289)	-	(119,289)	-
Interest and fiscal charges	3,129,608	-	-	-	(3,129,608)	-	(3,129,608)	-
Total Governmental Activities	<u>17,242,722</u>	<u>2,060,978</u>	<u>1,677,158</u>	<u>608,416</u>	<u>(12,896,170)</u>	<u>-</u>	<u>(12,896,170)</u>	<u>-</u>
Business-type Activities								
Water	1,139,432	1,651,479	-	131,261	-	643,308	643,308	-
Sewer	1,465,846	1,445,178	-	113,266	-	92,598	92,598	-
Pleasant View Golf Course	1,612,514	1,681,506	-	-	-	68,992	68,992	-
Total Business-type Activities	<u>4,217,792</u>	<u>4,778,163</u>	<u>-</u>	<u>244,527</u>	<u>-</u>	<u>804,898</u>	<u>804,898</u>	<u>-</u>
Total Primary Government	<u>\$ 21,460,514</u>	<u>\$ 6,839,141</u>	<u>\$ 1,677,158</u>	<u>\$ 852,943</u>	<u>(12,896,170)</u>	<u>804,898</u>	<u>(12,091,272)</u>	<u>-</u>
Component Unit								
Community Development Authority	\$ 892,339	\$ 66,889	\$ -	\$ -	-	-	-	(825,450)
General Revenues								
Taxes								
Property taxes, levied for general purposes and debt service					8,409,455	-	8,409,455	-
Property taxes, levied for tax increment districts					4,412,982	-	4,412,982	-
Other taxes					554,732	-	554,732	-
Cable television franchise fees					176,926	-	176,926	-
Intergovernmental revenues not restricted to specific programs					962,646	-	962,646	-
Public gifts and/or grants					30,000	-	30,000	-
Investment income					167,189	109,793	276,982	846,555
Miscellaneous					2,122,012	-	2,122,012	-
Transfers					312,018	(312,018)	-	-
Total General Revenues and Transfers					<u>17,147,960</u>	<u>(202,225)</u>	<u>16,945,735</u>	<u>846,555</u>
Change in net assets					<u>4,251,790</u>	<u>602,673</u>	<u>4,854,463</u>	<u>21,105</u>
NET ASSETS - Beginning (as restated)					<u>(2,941,044)</u>	<u>29,851,186</u>	<u>26,910,142</u>	<u>965,000</u>
NET ASSETS - ENDING					<u>\$ 1,310,746</u>	<u>\$ 30,453,859</u>	<u>\$ 31,764,605</u>	<u>\$ 986,105</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2004

	General	Debt Service	TIF District #3	Capital Projects	Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 3,194,611	\$ 15,290	\$ 997,467	\$ 1,153,979	\$ 2,198,781	\$ 7,560,128
Receivables (net)						
Taxes	9,120,704	-	5,955,807	-	-	15,076,511
Delinquent taxes	69,725	-	-	-	-	69,725
Accounts	336,977	-	-	44,222	151,869	533,068
Loans	-	-	35,133	-	-	35,133
Special assessments	54,345	-	64,846	-	-	119,191
Delinquent special assessments	473	-	-	-	-	473
Interest	42,628	-	-	-	3,890	46,518
Due from other funds	313,649	-	-	41,770	-	355,419
Due from other governments	17,151	-	-	-	-	17,151
Due from component unit	-	-	2,998,828	-	-	2,998,828
Advances to other funds	3,719,381	-	-	-	-	3,719,381
TOTAL ASSETS	\$ 16,869,644	\$ 15,290	\$ 10,052,081	\$ 1,239,971	\$ 2,354,540	\$ 30,531,526
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 766,535	\$ -	\$ 709,120	\$ 136,005	\$ 16,808	\$ 1,628,468
Due to other governments	11,833	-	-	-	-	11,833
Due to other funds	127,597	-	-	-	-	127,597
Deferred revenue	9,205,295	-	5,955,807	30,000	-	15,191,102
Deferred special assessments	54,818	-	64,846	-	-	119,664
Deferred interest income	719,395	-	-	-	-	719,395
Advances from other funds	-	-	1,629,862	-	1,416,886	3,046,748
Total Liabilities	<u>10,885,473</u>	<u>-</u>	<u>8,359,635</u>	<u>166,005</u>	<u>1,433,694</u>	<u>20,844,807</u>
Fund Balances						
Reserved for:						
Loans receivable	-	-	35,133	-	-	35,133
Delinquent personal property taxes	69,725	-	-	-	-	69,725
Advances	2,999,986	-	-	-	-	2,999,986
Debt service	-	15,290	1,634,262	-	-	1,649,552
Encumbrances	-	-	798,736	296,264	-	1,095,000
Unreserved and designated, reported in:						
General fund	587,000	-	-	-	-	587,000
Unreserved and undesignated (deficit), reported in:						
General fund	2,327,460	-	-	-	-	2,327,460
Special revenue funds	-	-	-	-	920,846	920,846
Capital projects funds	-	-	(775,685)	777,702	-	2,017
Total Fund Balances	<u>5,984,171</u>	<u>15,290</u>	<u>1,692,446</u>	<u>1,073,966</u>	<u>920,846</u>	<u>9,686,719</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,869,644	\$ 15,290	\$ 10,052,081	\$ 1,239,971	\$ 2,354,540	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	58,546,009
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.	1,075,635
Investment (deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.	(431,025)
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>(67,566,592)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,310,746

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, 2004

	General	Debt Service	TIF District #3	Capital Projects	Non-Major Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 8,608,066	\$ -	\$ 4,412,982	\$ -	\$ 356,122	\$ 13,377,170
Intergovernmental	2,146,521	-	274,562	54,989	3,727	2,479,799
Licenses and permits	689,323	-	-	-	-	689,323
Fines, forfeitures and penalties	231,185	-	-	-	-	231,185
Public charges for services	754,345	-	-	-	483,828	1,238,173
Intergovernmental charges for services	158,936	-	-	-	-	158,936
Special assessments	74,236	-	-	-	15,274	89,510
Investment income	159,934	13,546	47,278	-	10,819	231,577
Miscellaneous	1,674,394	-	15,300	204,915	267,646	2,162,255
Total Revenues	<u>14,496,940</u>	<u>13,546</u>	<u>4,750,122</u>	<u>259,904</u>	<u>1,137,416</u>	<u>20,657,928</u>
EXPENDITURES						
Current						
General government	1,467,562	-	-	-	-	1,467,562
Public safety	4,658,718	-	-	-	9,987	4,668,705
Public works	1,995,342	-	-	-	-	1,995,342
Leisure activities	2,417,364	-	-	-	28,013	2,445,377
Conservation and economic development	200,409	-	-	-	1,092,732	1,293,141
Capital Outlay	-	-	4,560,120	2,761,322	-	7,321,442
Debt Service						
Principal retirement	-	4,962,198	-	-	-	4,962,198
Interest and fiscal charges	-	2,260,767	908,733	-	42,268	3,211,768
Total Expenditures	<u>10,739,395</u>	<u>7,222,965</u>	<u>5,468,853</u>	<u>2,761,322</u>	<u>1,173,000</u>	<u>27,365,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,757,545</u>	<u>(7,209,419)</u>	<u>(718,731)</u>	<u>(2,501,418)</u>	<u>(35,584)</u>	<u>(6,707,607)</u>
OTHER FINANCING SOURCES (USES)						
Debt issued	-	6,580,000	-	1,910,000	-	8,490,000
Payment to refunding bond escrow agent	-	(6,552,055)	-	-	-	(6,552,055)
Transfers in	399,848	7,195,021	-	201,764	598,052	8,394,685
Transfers out	(2,596,021)	-	(5,193,582)	-	(293,064)	(8,082,667)
Total Other Financing Sources (Uses)	<u>(2,196,173)</u>	<u>7,222,966</u>	<u>(5,193,582)</u>	<u>2,111,764</u>	<u>304,988</u>	<u>2,249,963</u>
Net Change in Fund Balance	1,561,372	13,547	(5,912,313)	(389,654)	269,404	(4,457,644)
FUND BALANCES - Beginning (as restated)	<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>
FUND BALANCES - ENDING	<u>\$ 5,984,171</u>	<u>\$ 15,290</u>	<u>\$ 1,692,446</u>	<u>\$ 1,073,966</u>	<u>\$ 920,846</u>	<u>\$ 9,686,719</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, 2004

Net change in fund balances - total governmental funds	\$ (4,457,644)
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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	7,321,442
Less: Some items are reported as capital outlay but are not capitalized	(1,589,460)
Depreciation is reported in the government-wide statements	(841,177)
Capital contributions reported in the government-wide statements (infrastructure)	606,782

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.	140,434
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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 payments (\$11,514,253 less refunding debt costs of \$147,053) exceeded proceeds(\$8,490,000).	2,877,200
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The proportionate share of the change in net assets related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund statements.	82,014
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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	(63,375)
Debt issuance costs	(9,985)
Unfunded pension liability	15,099
Accrued interest on debt	170,460
	170,460

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,251,790</u>
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CITY OF MIDDLETON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2004

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
ASSETS				
Current Assets				
Cash and investments	\$ 3,263,753	\$ 1,050,777	\$ -	\$ 4,314,530
Accounts receivable, net	284,685	357,312	1,289	643,286
Interest receivable	25,127	14,148	-	39,275
Due from other funds	143,104	64,883	-	207,987
Total Current Assets	<u>3,716,669</u>	<u>1,487,120</u>	<u>1,289</u>	<u>5,205,078</u>
Noncurrent Assets				
Restricted Assets	-	39,600	-	39,600
Other property and investments				
Special assessments receivable	-	2,231,043	-	2,231,043
Property held for future use	622,421	-	-	622,421
Preliminary engineering	47,934	-	-	47,934
Unamortized debt expenses	7,250	11,569	-	18,819
Capital Assets				
Property and equipment	19,194,377	13,293,699	10,060,818	42,548,894
Less: accumulated depreciation	<u>(4,409,785)</u>	<u>(2,432,546)</u>	<u>(370,543)</u>	<u>(7,212,874)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>14,784,592</u>	<u>10,861,153</u>	<u>9,690,275</u>	<u>35,336,020</u>
Total Noncurrent Assets	<u>15,462,197</u>	<u>13,143,365</u>	<u>9,690,275</u>	<u>38,295,837</u>
Total Assets	<u>19,178,866</u>	<u>14,630,485</u>	<u>9,691,564</u>	<u>43,500,915</u>

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 42,164	\$ 225,415	\$ 22,835	\$ 290,414
Accrued interest	28,122	18,483	124,878	171,483
Accrued compensated absences	8,319	4,098	11,868	24,285
Due to other funds	355,419	77,190	3,200	435,809
Current portion of long term debt	175,000	140,000	535,000	850,000
Total Current Liabilities	<u>609,024</u>	<u>465,186</u>	<u>697,781</u>	<u>1,771,991</u>
Noncurrent Liabilities				
Accrued compensated absences	35,130	17,302	-	52,432
Advances from other funds	-	-	672,633	672,633
General obligation debt	1,525,000	1,015,000	8,010,000	10,550,000
Total Noncurrent Liabilities	<u>1,560,130</u>	<u>1,032,302</u>	<u>8,682,633</u>	<u>11,275,065</u>
Total Liabilities	<u>2,169,154</u>	<u>1,497,488</u>	<u>9,380,414</u>	<u>13,047,056</u>
NET ASSETS				
Invested in capital assets, net of related debt	13,091,842	9,717,722	1,142,075	23,951,639
Restricted for:				
Equipment replacement	-	39,600	-	39,600
Unrestricted (deficit)	<u>3,917,870</u>	<u>3,375,675</u>	<u>(830,925)</u>	<u>6,462,620</u>
TOTAL NET ASSETS	<u>\$ 17,009,712</u>	<u>\$ 13,132,997</u>	<u>\$ 311,150</u>	<u>\$ 30,453,859</u>

CITY OF MIDDLETON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS For the Year Ended December 31, 2004

	<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	\$ 1,651,479	\$ 1,445,178	\$ 1,681,506	\$ 4,778,163
Total Operating Revenues	<u>1,651,479</u>	<u>1,445,178</u>	<u>1,681,506</u>	<u>4,778,163</u>
OPERATING EXPENSES				
Operation and maintenance	675,055	1,199,503	1,015,289	2,889,847
Depreciation	370,574	205,814	195,810	772,198
Total Operating Expenses	<u>1,045,629</u>	<u>1,405,317</u>	<u>1,211,099</u>	<u>3,662,045</u>
Operating Income	<u>605,850</u>	<u>39,861</u>	<u>470,407</u>	<u>1,116,118</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	73,168	36,625	-	109,793
Interest expense	(90,003)	(58,624)	(401,415)	(550,042)
Amortization of debt issuance costs	(3,800)	(1,905)	-	(5,705)
Total Nonoperating Revenues (Expenses)	<u>(20,635)</u>	<u>(23,904)</u>	<u>(401,415)</u>	<u>(445,954)</u>
Income before contributions and transfers	585,215	15,957	68,992	670,164
Capital contributions	131,261	113,266	-	244,527
Transfers out	(312,018)	-	-	(312,018)
Change in Net Assets	404,458	129,223	68,992	602,673
TOTAL NET ASSETS - Beginning	<u>16,605,254</u>	<u>13,003,774</u>	<u>242,158</u>	<u>29,851,186</u>
TOTAL NET ASSETS - ENDING	<u>\$ 17,009,712</u>	<u>\$ 13,132,997</u>	<u>\$ 311,150</u>	<u>\$ 30,453,859</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPES
 For the Year Ended December 31, 2004

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,274,666	\$ 1,404,983	\$ 1,682,714	\$ 4,362,363
Cash received from city for services	371,614	-	-	371,614
Cash paid to suppliers for goods and services	(433,667)	(1,082,222)	(451,206)	(1,967,095)
Cash paid to employees for services	(245,350)	(104,262)	(552,094)	(901,706)
Net Cash Flows From Operating Activities	<u>967,263</u>	<u>218,499</u>	<u>679,414</u>	<u>1,865,176</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of advances	-	-	(130,000)	(130,000)
Advance from general fund	-	-	210,225	210,225
Cash paid for tax equivalent	(305,148)	-	-	(305,148)
Net Cash Flows From Noncapital Financing Activities	<u>(305,148)</u>	<u>-</u>	<u>80,225</u>	<u>(224,923)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid	(170,000)	(135,000)	(330,000)	(635,000)
Interest paid	(92,820)	(60,706)	(404,249)	(557,775)
Capital contributions received	(9,602)	-	-	(9,602)
Acquisition and construction of capital assets	(182,173)	(12,095)	(25,390)	(219,658)
Special assessments received	-	8,531	-	8,531
Net Cash Flows From Capital and Related Financing Activities	<u>(454,595)</u>	<u>(199,270)</u>	<u>(759,639)</u>	<u>(1,413,504)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	63,875	23,637	-	87,512
Investments sold and matured	2,515,961	736,665	-	3,252,626
Marketable securities purchased	(2,513,960)	(1,009,800)	-	(3,523,760)
Net Cash Flows From Investing Activities	<u>65,876</u>	<u>(249,498)</u>	<u>-</u>	<u>(183,622)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	273,396	(230,269)	-	43,127
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>476,397</u>	<u>310,846</u>	<u>-</u>	<u>787,243</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 749,793</u>	<u>\$ 80,577</u>	<u>\$ -</u>	<u>\$ 830,370</u>

	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	\$ 605,850	\$ 39,861	\$ 470,407	\$ 1,116,118
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities				
Depreciation expense	370,574	205,814	195,810	772,198
Depreciation charged to sewer utility	45,136	-	-	45,136
Changes in Noncash Components of Working Capital				
Accounts receivable	(14,832)	(23,821)	1,208	(37,445)
Other accounts receivable	3,830	2,112	-	5,942
Due from other funds	(24,749)	(18,486)	-	(43,235)
Inventories	3,675	-	-	3,675
Accounts payable	11,604	17,499	4,867	33,970
Accrued compensated absences	(5,988)	(9,477)	7,122	(8,343)
Due to other funds	-	4,997	-	4,997
Other current liabilities	(13,253)	-	-	(13,253)
Deferred revenues	(14,584)	-	-	(14,584)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 967,263	\$ 218,499	\$ 679,414	\$ 1,865,176
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS				
Cash and investments - statement of net assets - proprietary funds	\$ 3,263,753	\$ 1,050,777	\$ -	\$ 4,314,530
Restricted cash and investments - statement of net assets - proprietary funds	-	39,600	-	39,600
Less: Non-cash equivalents	(2,513,960)	(1,009,800)	-	(3,523,760)
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 749,793	\$ 80,577	\$ -	\$ 830,370
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES				
Municipality financed additions to utility plant	\$ -	\$ 421,175	\$ -	
Developer financed additions to utility plant	\$ 140,863	\$ 733,460	\$ -	

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 16,448,212
Taxes receivable	8,732,375
Accounts receivable	112,560
Prepaid items	16,394
Due from other governmental units	<u>616</u>
TOTAL ASSETS	<u>\$ 25,310,157</u>
LIABILITIES	
Accounts payable	\$ 240,735
Due to other funds	16,898
Due to other governmental units	<u>25,052,524</u>
TOTAL LIABILITIES	<u>\$ 25,310,157</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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. 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. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that 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 primary 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, 2004

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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.

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, 2004

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.
- Capital Projects Fund – accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects originally initiated.

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

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	Library Endowment
Land and Park Donations	Economic Development
Drug Evidence	Airport
Cable TV	Economic Development Grant
Youth Commission Donations	Alcohol Awareness
EMS	Drug Forfeitures
Lost and Damaged Book	Federal Seizures
Library Gift	Senior Citizen
EMS Equipment Replacement	Tourism Commission

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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, 2004

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, 2004

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 enterprise 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, 2004

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, 2004, 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 statement of net assets.

Property tax calendar – 2004 tax roll:

Lien date and levy date	December 2004
Tax bills mailed	December 2004
Payment in full, or	January 31, 2005
First installment due	January 31, 2005
Second installment due	July 31, 2005
Personal property taxes in full	January 31, 2005
Tax sale – 2004 delinquent real estate taxes	October 2007

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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 undesignated fund balance is increased. When new loans are made from loan repayments, the reserve for loans receivable is increased and the undesignated 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 undesignated 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, 2004

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, 2004, 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, 2004

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 capital 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	40 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, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

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, 2004

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 \$69,854. 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 \$308,948 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, 2004 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, 2004

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 2004 rates were approved in November 2003 and became effective January 1, 2004.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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 \$67,566,592 difference are as follows:

Bonds and notes payable	\$ 48,659,393
Unfunded pension liability	318,346
Compensated absences	1,260,379
Capital leases payable	16,475,000
Accrued interest	938,304
Unamortized debt issuance costs	<u>(84,830)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 67,566,592</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. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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	\$	116,089
Tourism		726,031
Senior citizen		42
Lost and damaged book		22,927
Airport		4,761
Alcohol awareness		115

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.

As of December 31, 2004, the following individual funds held a deficit balance:

Special Revenue Funds

Tourism Commission \$ 1,330,019 Excess expenditures over revenue.

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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.

	Category			Totals	Carrying Amount/ Fair Value
	1	2	3		
Local and area banks	\$ 500,000	\$ -	\$ 19,584,751	\$ 20,084,751	\$ 19,948,167
U.S. government securities	-	-	505,074	505,074	505,074
Sub-Totals	\$ 500,000	\$ -	\$ 20,089,825	\$ 20,589,825	
Local government investment pool					1,634,025
Madison Community Foundation – pooled funds					149,387
Mutual funds					6,125,392
Petty cash					425
Total Deposits and Investments – Primary Government					\$ 28,362,470
Statement of net assets – cash and investments					\$ 10,651,397
Statement of net assets – restricted cash and investments					1,262,861
Statement of net assets – fiduciary funds					16,448,212
Total					\$ 28,362,470

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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

A. *DEPOSITS AND INVESTMENTS* (cont.)

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.

The Madison Community Foundation ("the Foundation") is a community endowment fund. The Foundation is not registered with the Securities and Exchange Commission. It constitutes a contractual agreement between the city and the Foundation with respect to investment of city assets. The Foundation reports the fair value of its underlying assets annually. At December 31, 2004, the fair value of the Foundation's assets was substantially equal to the city's share as reported above.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in uninsured balances during the year significantly exceeding uninsured balances at year end.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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:

	<u>General</u>	<u>TID District No. 3</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Receivables:								
Taxes	\$ 9,120,704	\$ 5,955,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,076,511
Delinquent taxes	69,725	-	-	-	-	-	-	69,725
Accounts	539,373	-	44,222	284,685	357,312	1,289	151,869	1,378,750
Loans	-	35,133	-	-	-	-	-	35,133
Special assessments	54,345	64,846	-	-	2,231,043	-	-	2,350,234
Delinquent special assessments	473	-	-	-	-	-	-	473
Interest	42,628	-	-	25,127	14,148	-	3,890	85,793
Due from other governments	17,151	-	-	-	-	-	-	17,151
Gross Receivables	<u>9,844,399</u>	<u>6,055,786</u>	<u>44,222</u>	<u>309,812</u>	<u>2,602,503</u>	<u>1,289</u>	<u>155,759</u>	<u>19,013,770</u>
Less: Allowance for uncollectibles	<u>(202,396)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202,396)</u>
Net Total Receivables	<u>\$ 9,642,003</u>	<u>\$ 6,055,786</u>	<u>\$ 44,222</u>	<u>\$ 309,812</u>	<u>\$ 2,602,503</u>	<u>\$ 1,289</u>	<u>\$ 155,759</u>	<u>\$ 18,811,374</u>
Amounts Not Expected to be Collected Within One Year	<u>\$ 17,387</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,387</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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>202,396</u>
Total Uncollectibles of the Current Fiscal Year	\$	<u><u>202,396</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	\$ -	\$ 14,954,527	\$ 14,954,527
Special assessments not yet due	119,665	-	119,665
EMS receivable	206,575	-	206,575
Grant revenue	30,000	-	30,000
Interest income (TIF No. 3)	<u>719,395</u>	-	<u>719,395</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u><u>\$ 1,075,635</u></u>	<u><u>\$ 14,954,527</u></u>	<u><u>\$ 16,030,162</u></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, 2004, 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, 2004

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, 2004:

	2004
Restricted assets replacement account	<u>\$ 39,600</u>

In addition, TIF No. 3 has money set aside in an escrow account used to pay for current and future construction projects within the TIF. The amount of this escrow account as of December 31, 2004 is \$1,223,261.

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance*	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 6,412,939	\$ -	\$ -	\$ 6,412,939
Right of way	17,207,087	131,200	-	17,338,287
Construction in progress	2,504,313	5,160,727	1,298,094	6,366,946
Total Capital Assets Not Being Depreciated	\$ 26,124,339	\$ 5,291,927	\$ 1,298,094	\$ 30,118,172
Capital Assets Being Depreciated:				
Land improvements	\$ 4,071,843	\$ 59,096	\$ -	\$ 4,130,939
Buildings	7,918,077	1,298,094	-	9,216,171
Machinery and equipment	3,351,659	462,017	31,441	3,782,235
Streets - infrastructure	8,660,741	221,367	-	8,882,108
Storm sewers - infrastructure	5,034,082	246,509	-	5,280,591
Traffic signals - infrastructure	763,096	-	-	763,096
Sidewalks - infrastructure	2,425,318	57,849	-	2,483,167
Bridges - infrastructure	2,058,188	-	-	2,058,188
Total Capital Assets Being Depreciated	34,283,004	2,344,932	31,441	36,596,495

* As restated

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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	\$ 708,173	\$ 94,566	\$ -	\$ 802,739
Buildings	1,379,056	149,607	-	1,528,663
Machinery and equipment	1,585,230	286,434	31,441	1,840,223
Streets - infrastructure	1,563,468	130,492	-	1,693,960
Storm sewers - infrastructure	994,632	73,654	-	1,068,286
Traffic signals - infrastructure	241,743	29,529	-	271,272
Sidewalks - infrastructure	817,147	49,084	-	866,231
Bridges - infrastructure	69,473	27,811	-	97,284
Total Accumulated Depreciation	7,358,922	841,177	31,441	8,168,658
Capital Assets, Net of Depreciation	\$ 26,924,082	\$ 1,503,755	\$ -	\$ 28,427,837

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 18,465
Public safety	69,825
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks and bridges	487,526
Leisure activities	265,361
Total Governmental Activities Depreciation Expense	\$ 841,177

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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
Total Capital Assets Not Being Depreciated	99,777	-	-	99,777
Capital assets being depreciated:				
Source of supply	319,783	-	-	319,783
Pumping	1,677,663	-	-	1,677,663
Treatment	343,242	-	-	343,242
Transmission and distribution	16,028,574	264,154	18,233	16,274,495
Administrative and general assets	464,986	33,647	19,216	479,417
Total Capital Assets Being Depreciated	18,834,248	297,801	37,449	19,094,600
Total Capital Assets	18,934,025	297,801	37,449	19,194,377
Less: Accumulated Depreciation for:				
Source of supply	(207,790)	(10,649)	-	(218,439)
Pumping	(689,495)	(68,253)	-	(757,748)
Treatment	(323,350)	(1,922)	-	(325,272)
Transmission and distribution	(2,441,341)	(289,583)	21,058	(2,709,866)
Administrative and general assets	(368,873)	(48,803)	19,216	(398,460)
Total Accumulated Depreciation	(4,030,849)	(419,210)	40,274	(4,409,785)
Net Water Plant	\$ 14,903,176	\$ (121,409)	\$ (2,825)	\$ 14,784,592

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer Utility</u>				
Capital assets not being depreciated:				
Land and land rights	\$ 66,830	\$ -	\$ -	\$ 66,830
Capital assets being depreciated:				
Collection system	11,534,654	113,266	-	11,647,920
Collection system pumping	1,215,786	-	-	1,215,786
Administrative and general assets	347,568	15,595	-	363,163
Total Capital Assets				
Being Depreciated	13,098,008	128,861	-	13,226,869
Total Capital Assets	13,164,838	128,861	-	13,293,699
Less: Accumulated Depreciation	(2,223,232)	(209,314)	-	(2,432,546)
Net Sewer Plant	\$ 10,941,606	\$ (80,453)	\$ -	\$ 10,861,153
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Pleasant View Golf Course</u>				
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	315,484	28,590	-	344,074
Total Capital Assets				
Being Depreciated	7,816,228	28,590	-	7,844,818
Total Capital Assets	10,032,228	28,590	-	10,060,818
Less: Accumulated				
Depreciation for:				
Buildings	(40,019)	(45,238)	-	(85,257)
Land improvements	(19,125)	(38,249)	-	(57,374)
Equipment	(115,589)	(112,323)	-	(227,912)
Total Accumulated Depreciation	(174,733)	(195,810)	-	(370,543)
Net Golf Course Plant	\$ 9,857,495	\$ (167,220)	\$ -	\$ 9,690,275
Total Net Capital Assets:				
Business Type Activities	\$ 35,702,277			\$ 35,336,020

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$	370,574
Water – charged to sewer		52,136
Sewer		205,814
Pleasant View Golf Course		195,810
Total Business-Type Activities		
Depreciation Expense	\$	824,334

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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>	<u>Amount Not Due Within One Year</u>
General	Water utility	\$ 313,649	\$ -
Sewer utility	Pleasant View Golf Course	1,600	-
Sewer utility	General	63,283	-
Water utility	General	64,314	-
Water utility	Pleasant View Golf Course	1,600	-
Water utility	Sewer utility	77,190	-
2004 capital projects	Water utility	41,770	-
Total – Fund Financial Statements		563,406	-
Less: Eliminations		(336,200)	-
Total Government-Wide Financial Statements		\$ 227,822	\$ -

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, 2004 is \$719,395.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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

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

The general fund has also advanced funds to the Tourism Commission and Pleasant View Golf Course. 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 Tourism Commission fund 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	\$ 672,633	\$ 672,633
General fund	Tourism Commission	1,416,886	1,416,886
General fund	TIF District No. 3	<u>1,629,862</u>	<u>1,629,862</u>
Total – Fund Financial Statements		3,719,381	
Less: Eliminations		<u>(3,046,748)</u>	
Total – Government-Wide Financial Statements		<u>\$ 672,633</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.

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>\$ 2,998,828</u>
---------------------------------	----------------------	---------------------

This amount represents the unspent debt proceeds by the CDA that is intended to be spent on capital projects within TIF No. 3.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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	\$ 312,018	Payment in lieu of tax
General	Economic development	87,830	Closing the fund
EMS	General	40,000	Ambulance purchase
Capital projects	Library	201,764	Library construction
Southwest quadrant	TIF District No. 3	554,582	Cost transferred to TIF
Debt service fund	General	2,556,021	Debt service
Debt service fund	TIF District No. 3	4,639,000	Debt service
Federal seizures	Drug forfeitures	3,470	Allocating for allowable uses
Total – Fund Financial Statements		<u>\$ 8,394,685</u>	

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General	Water utility	<u>\$ 312,018</u>	<u>\$ 312,018</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, 2004 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	\$ 51,536,593	\$ 8,490,000	\$ 11,367,200	\$ 48,659,393	\$ 5,934,514
Other Liabilities:					
Unfunded pension liability	333,445	23,034	38,133	318,346	36,000
Vested compensated absences	1,197,004	630,504	567,129	1,260,379	560,074
Capital leases	16,475,000	-	-	16,475,000	-
Total Other Liabilities	<u>18,005,449</u>	<u>653,538</u>	<u>605,262</u>	<u>18,053,725</u>	<u>596,074</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 69,542,042</u>	<u>\$ 9,143,538</u>	<u>\$ 11,972,462</u>	<u>\$ 66,713,118</u>	<u>\$ 6,530,588</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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	\$ 12,035,000	\$ -	\$ 635,000	\$ 11,400,000	\$ 850,000
Other Liabilities:					
Vested compensated absences	<u>111,272</u>	<u>27,059</u>	<u>61,614</u>	<u>76,717</u>	<u>24,285</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 12,146,272</u>	<u>\$ 27,059</u>	<u>\$ 696,614</u>	<u>\$ 11,476,717</u>	<u>\$ 874,285</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, 2004, was \$100,647,055. Total general obligation debt outstanding at year end was \$60,059,393.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-04</u>
Governmental Activities					
 General Obligation Debt					
1997 General obligation promissory notes	3-01-97	3-01-07	3.95% – 5.15%	9,250,000	\$ 950,000
1997 General obligation promissory notes	4-01-97	3-01-12	3.90% – 5.40%	2,325,000	305,000
1998 General obligation promissory notes	4-01-98	9-01-08	3.90% – 4.60%	9,675,000	4,350,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	6,800,000	4,550,000
2000 General obligation promissory notes	4-01-00	3-01-10	4.80% – 5.20%	6,800,000	6,200,000

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities General Obligation Debt (cont.)	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-04
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.40%	\$ 8,000,000	\$ 7,200,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,250,000	5,700,000
2002 State trust fund loan	11-06-02	3-15-19	5.00%	2,170,000	2,113,489
2003 General obligation promissory notes	5-01-03	9-01-13	2.00% – 3.40%	9,980,000	9,945,000
2003 State trust fund loan	1-30-03	3-15-19	5.00%	930,000	895,904
2004 General obligation revenue bond	6-15-04	3-01-12	2.00% – 4.00%	4,540,000	4,540,000
2004 General obligation promissory notes	6-15-04	3-01-14	2.50% – 4.25%	1,910,000	<u>1,910,000</u>
Total Governmental Activities – General Obligation Debt					<u>\$ 48,659,393</u>

Business-Type Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-04
1996 General obligation promissory notes	6-01-96	11-01-06	4.00% – 5.15%	\$ 1,365,000	\$ 635,000
1997 General obligation promissory notes	4-01-97	3-01-12	3.90% – 5.40%	4,155,000	545,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	500,000	270,000
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.80%	2,000,000	1,925,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,005,000	5,985,000
2004 General obligation refunding	6-15-04	3-01-12	2.00% – 4.00%	2,040,000	<u>2,040,000</u>
Total Business-Type Activities – General Obligation Debt					<u>\$ 11,400,000</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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	
2005	\$ 5,934,513	\$ 1,831,166	\$ 850,000	\$ 524,500	\$ 9,140,179
2006	6,041,489	1,598,968	900,000	485,185	9,025,642
2007	6,118,814	1,380,422	965,000	433,405	8,897,641
2008	5,491,152	1,153,224	1,020,000	386,802	8,051,178
2009	5,589,562	922,331	1,085,000	336,197	7,933,090
2010 – 2014	18,228,500	1,674,822	4,970,000	886,558	25,759,880
2015 – 2019	1,255,363	194,566	1,610,000	77,706	3,137,635
Totals	\$ 48,659,393	\$ 8,755,499	\$ 11,400,000	\$ 3,130,353	\$ 71,945,245

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 the repayment schedule. \$15,290 is on deposit in the debt service fund which is available to meet the above debt service requirements as of December 31, 2004.

Capital Leases

Refer to Note IV.G.

Advance Refunding

On June 15, 2004, the City of Middleton issued \$6,580,000 in general obligation bonds with an average interest rate of 3.49 percent to advance refund \$6,405,000 of outstanding general obligation bonds with various average interest rates. The net proceeds of \$6,593,711 (after payment of notes and underwriting fees, insurance and other issuance costs) plus an additional \$119,000 of city funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for portions of future debt service payments on the 1996 general obligation notes, 1997 general obligation notes and 1997 general obligation bonds. As a result, these notes and bonds are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds and notes prior to the advance refunding was \$7,125,673 from 2005 through 2012. The cash flow requirements on the refunding bonds are \$11,417,197 from 2005 through 2012. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$154,467.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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

F. LONG-TERM OBLIGATIONS (cont.)

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, 2004, \$5,845,000 of bonds outstanding are considered defeased. The bonds are callable on November 1, 2006.

G. LEASE DISCLOSURES

Lessee – Capital Leases

The Tax Increment District No. 3 (TIF No. 3) is leasing land and other capital 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.

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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

H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2004 include the following:

Governmental Activities

Invested in capital assets, net of related debt	
Land	\$ 6,412,939
Right of ways	17,338,287
Construction in progress	6,366,946
Other capital assets, net of accumulated depreciation	28,427,837
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(49,124,023)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>9,421,986</u>
Restricted:	
Subdivider's deposits	1,351,493
Park improvements	8,253
Police enforcement	20,090
EMS	27,198
Library	176,778
Economic development	231,913
Senior citizens	<u>52,168</u>
Total Restricted	<u>1,867,893</u>
Unrestricted (deficit)	<u>(9,979,133)</u>
Total Governmental Activities Net Assets	<u>\$ 1,310,746</u>

Governmental fund balances reported on the fund financial statements at December 31, 2004 include the following:

Reserved	
Major Funds	
General Fund	
Delinquent personal property taxes	\$ 69,725
Advances	<u>2,999,986</u>
Total	<u>\$ 3,069,711</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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

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

Governmental Activities (cont.)

Reserved (cont.)	
Major Funds (cont.)	
Debt Service Fund	
Debt service	\$ 15,290
TID No. 3 Capital Projects Fund	
Reserved for debt service	\$ 1,634,262
Reserved for encumbrances	798,736
Reserved for loans	35,133
Total	<u>\$ 2,468,131</u>
2004 capital projects fund	<u>\$ 296,264</u>
Unreserved – Designated	
General Fund	
2005 budget	<u>\$ 587,000</u>
Unreserved – Undesignated (Deficit)	
Major Funds	
General fund	<u>\$ 2,327,460</u>
TID No. 3 capital projects fund	<u>(775,685)</u>
Capital projects fund	<u>\$ 777,702</u>
Non-Major Funds (Deficit)	
Special Revenue Funds	
Subdividers' deposits	\$ 1,351,493
Land and park donations	8,253
Drug evidence	4,501
Cable TV	115,085
Youth commission donations	5,557
EMS	27,198
Lost and damaged book	14,760
Library gift	23,618
EMS equipment replacement	204,280
Library endowment	153,160
Economic development	-
Economic development grant	231,913
Airport	36,816
Alcohol awareness	6,474
Drug forfeitures	6,748
Federal seizures	8,841
Senior citizen	52,168
Tourism commission	<u>(1,330,019)</u>
Total	<u>\$ 920,846</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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

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

Business-type Activities

Invested in Capital Assets, Net of Related Debt

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

	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Totals</u>
Capital assets	\$ 19,194,377	\$ 13,293,699	\$ 10,057,618	\$ 42,545,694
Accumulated depreciation	<u>(4,409,785)</u>	<u>(2,432,546)</u>	<u>(370,543)</u>	<u>(7,212,874)</u>
Sub-Total	<u>14,784,592</u>	<u>10,861,153</u>	<u>9,687,075</u>	<u>35,332,820</u>
Less:				
Current portion of capital related long-term debt	175,000	140,000	535,000	850,000
Long-term portion of capital related long-term debt	1,525,000	1,015,000	8,010,000	10,550,000
Unamortized debt issuance costs	<u>(7,250)</u>	<u>(11,569)</u>	<u>-</u>	<u>(18,819)</u>
Sub-Total	<u>1,692,750</u>	<u>1,143,431</u>	<u>8,545,000</u>	<u>11,381,181</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 13,091,842</u>	<u>\$ 9,717,722</u>	<u>\$ 1,142,075</u>	<u>\$ 23,951,639</u>
Restricted				
Equipment replacement	<u>\$ -</u>	<u>\$ 39,606</u>	<u>\$ -</u>	<u>\$ 39,606</u>
Unrestricted (Deficit)	<u>\$ 3,917,870</u>	<u>\$ 3,375,675</u>	<u>\$ (830,925)</u>	<u>\$ 6,462,620</u>

I. RESTATEMENT OF NET ASSETS/FUND BALANCE

Fund balance of the drug forfeiture and drug evidence funds has been restated to record revenue that had been incorrectly added to drug evidence instead of drug forfeiture.

Non-major Funds	
Drug forfeiture	\$ 1,833
Drug evidence	<u>(1,833)</u>
Total	<u>\$ -</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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

I. RESTATEMENT OF NET ASSETS/FUND BALANCE (cont.)

Net assets have been restated due to incorrectly capitalizing work in progress in prior years.

Governmental Activities Net Assets – December 31, 2003 (as reported)	\$ 3,059,342
Less: Construction work in progress contributed to developer	<u>(6,000,386)</u>
Net Assets (Deficit) – January 1, 2004 (as restated)	<u>\$ (2,941,044)</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	\$ 1,364,561
Capitalized interest	39,213
Debt reserve fund	<u>1,595,054</u>
Total	<u>\$ 2,998,828</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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

J. COMPONENT UNIT (cont.)

c. CDA Lease Revenue Bonds

	<u>Balance</u> 1-1-04	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 12-31-04
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	<u>(215,240)</u>	<u>-</u>	<u>(12,850)</u>	<u>(202,390)</u>
Totals	<u>\$ 16,259,760</u>	<u>\$ -</u>	<u>\$ (12,850)</u>	<u>\$ 16,272,610</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	885,000	746,258	1,631,258
2010 – 2014	5,065,000	3,070,690	8,135,690
2015 – 2019	6,535,000	1,596,784	8,131,784
2020	<u>1,535,000</u>	<u>89,812</u>	<u>1,624,812</u>
Totals	<u>\$ 16,475,000</u>	<u>\$ 8,777,830</u>	<u>\$ 25,252,830</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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 5.4% of their salary (2.6% for Executives and Elected Officials, 4.0% for Protective Occupations with Social Security, and 2.4% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for city employees covered by the system for the year ended December 31, 2004 was \$5,502,866; the employer's total payroll was \$6,071,186. The total required contribution for the year ended December 31, 2004 was \$664,451 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, 2003 and 2002 were \$586,167 and \$513,672, 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, 2004 was \$318,346. 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, 2004

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 not 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. In addition, a claim has been filed that may have an unfavorable outcome.

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). The District's fund balance at September 30, 2004 is a deficit of \$730,552. 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 \$431,025 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 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	6
Village of Waunakee	35

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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 \$50,150 to the District in 2004. The city has an equity interest (deficit) of \$(431,025) 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 \$428,878 to the District in 2004 for operating expenses. The city believes that the District will continue to provide services in the future at similar rates. In 2004, the city also contributed \$161,265 for its share of 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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,556,585	\$ 8,556,585	\$ 8,608,066	\$ 51,481
Intergovernmental	2,156,358	2,156,358	2,146,521	(9,837)
Licenses and permits	443,675	443,675	689,323	245,648
Fines, forfeitures and penalties	203,000	203,000	231,185	28,185
Public charges for services	831,036	831,036	754,345	(76,691)
Interdepartmental charges for services	149,720	149,720	158,936	9,216
Special assessments	25,287	25,287	74,236	48,949
Investment income	148,000	148,000	159,934	11,934
Miscellaneous	610,984	610,984	1,674,394	1,063,410
Total Revenues	<u>13,124,645</u>	<u>13,124,645</u>	<u>14,496,940</u>	<u>1,372,295</u>
EXPENDITURES				
Current				
General government	1,813,012	1,813,012	1,467,562	345,450
Public safety	4,614,167	4,614,167	4,658,718	(44,551)
Public works	2,089,695	2,089,695	1,995,342	94,353
Leisure activities	2,366,284	2,366,284	2,417,364	(51,080)
Conservation and development	253,966	253,966	200,409	53,557
Total Expenditures	<u>11,137,124</u>	<u>11,137,124</u>	<u>10,739,395</u>	<u>397,729</u>
Excess of revenues over expenditures	<u>1,987,521</u>	<u>1,987,521</u>	<u>3,757,545</u>	<u>1,770,024</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	381,000	381,000	399,848	18,848
Transfers out	<u>(2,556,021)</u>	<u>(2,556,021)</u>	<u>(2,596,021)</u>	<u>(40,000)</u>
Total Other Financing Sources (Uses)	<u>(2,175,021)</u>	<u>(2,175,021)</u>	<u>(2,196,173)</u>	<u>(21,152)</u>
Net Change in Fund Balance	(187,500)	(187,500)	1,561,372	1,748,872
FUND BALANCE - Beginning	<u>4,422,799</u>	<u>4,422,799</u>	<u>4,422,799</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,235,299</u>	<u>\$ 4,235,299</u>	<u>\$ 5,984,171</u>	<u>\$ 1,748,872</u>

CITY OF MIDDLETON

GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO BUDGET - BUDGET AND ACTUAL
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
General property tax	\$ 8,409,585	\$ 8,409,585	\$ 8,409,455	\$ (130)
Fees in lieu of taxes	25,000	25,000	44,110	19,110
Room tax	120,000	120,000	152,624	32,624
Interest on taxes	2,000	2,000	1,877	(123)
TOTALS	\$ 8,556,585	\$ 8,556,585	\$ 8,608,066	\$ 51,481
INTERGOVERNMENTAL REVENUES				
Shared taxes from state	\$ 353,538	\$ 353,538	\$ 362,878	\$ 9,340
State aid - road allotment	876,278	876,278	875,874	(404)
State aid - exempt computer aid	233,244	233,244	206,311	(26,933)
State aid - fire insurance dues	61,930	61,930	64,876	2,946
State aid - miscellaneous grants	11,000	11,000	10,233	(767)
Federal and state aid - other	71,500	71,500	71,605	105
County aid - library	435,060	435,060	441,526	6,466
County aid - signals	10,000	10,000	9,670	(330)
County aid - senior citizens	44,851	44,851	47,504	2,653
School district payments for liaison officer	58,957	58,957	56,044	(2,913)
TOTALS	\$ 2,156,358	\$ 2,156,358	\$ 2,146,521	\$ (9,837)
LICENSES AND PERMITS				
Liquor and malt beverage licenses	\$ 26,500	\$ 26,500	\$ 40,917	\$ 14,417
Operators' licenses	5,000	5,000	7,035	2,035
Contractor's licenses	6,300	6,300	5,780	(520)
Alarm licenses	9,000	9,000	6,265	(2,735)
Cigarette licenses	250	250	170	(80)
Bicycle licenses	200	200	124	(76)
Dog and cat licenses	325	325	476	151
Cable TV franchise license	130,000	130,000	130,000	-
Other miscellaneous licenses	400	400	465	65
Building permits	150,000	150,000	289,557	139,557
Recycling permits	5,000	5,000	4,530	(470)
Electrical permits	45,000	45,000	81,517	36,517
Plumbing permits	47,000	47,000	84,010	37,010
Erosion control permits	10,000	10,000	25,785	15,785
Park reservation permits	8,700	8,700	12,692	3,992
TOTALS	\$ 443,675	\$ 443,675	\$ 689,323	\$ 245,648
FINES, FORFEITURES AND PENALTIES				
Court penalties	\$ 135,000	\$ 135,000	\$ 146,515	\$ 11,515
Parking violations	37,000	37,000	49,635	12,635
Court costs	31,000	31,000	35,035	4,035
TOTALS	\$ 203,000	\$ 203,000	\$ 231,185	\$ 28,185

CITY OF MIDDLETON

GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO BUDGET - BUDGET AND ACTUAL (cont)
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
Clerk fees	\$ 15,000	\$ 15,000	\$ 12,084	\$ (2,916)
Police special services	19,775	19,775	8,859	(10,916)
Police department fees	30,000	30,000	31,900	1,900
Ambulance services	360,000	360,000	308,670	(51,330)
EMS fixed cost abatement	53,386	53,386	59,521	6,135
Plan commission charges	10,000	10,000	5,957	(4,043)
Senior citizens	25,000	25,000	14,574	(10,426)
Swimming pool	224,250	224,250	194,536	(29,714)
Summer recreation	51,225	51,225	65,659	14,434
Public works charges	5,000	5,000	24,346	19,346
Other recreation	36,000	36,000	26,540	(9,460)
Zoning	1,400	1,400	1,699	299
TOTALS	\$ 831,036	\$ 831,036	\$ 754,345	\$ (76,691)
INTERDEPARTMENTAL CHARGES FOR SERVICES				
Administration reimbursements - utilities	\$ 94,000	\$ 94,000	\$ 103,216	\$ 9,216
Administration reimbursements - TIF	50,000	50,000	50,000	-
Administration reimbursements - Landfill	5,000	5,000	5,000	-
Administration reimbursements - Fire District	720	720	720	-
TOTALS	\$ 149,720	\$ 149,720	\$ 158,936	\$ 9,216
SPECIAL ASSESSMENTS				
Curb, gutter and sidewalks	\$ 21,042	\$ 21,042	\$ 69,890	\$ 48,848
Interest on special assessments	4,245	4,245	4,346	101
TOTALS	\$ 25,287	\$ 25,287	\$ 74,236	\$ 48,949
INVESTMENT INCOME				
Investment income	\$ 148,000	\$ 148,000	\$ 159,934	\$ 11,934
MISCELLANEOUS				
Rent of city buildings and offices	\$ 101,945	\$ 101,945	\$ 18,074	\$ (83,871)
Compensation for loss of fixed assets	-	-	24,126	24,126
Refund of prior year's expenditures	25,000	25,000	38,899	13,899
Sale of city property	458,339	458,339	1,563,554	1,105,215
Sale of materials	700	700	4,741	4,041
Pool contribution	25,000	25,000	25,000	-
TOTALS	\$ 610,984	\$ 610,984	\$ 1,674,394	\$ 1,063,410
OTHER FINANCING SOURCES				
Transfer In - Water Utility	\$ 295,000	\$ 295,000	\$ 312,018	\$ 17,018
Transfer In - Other	86,000	86,000	87,830	1,830
TOTALS	\$ 381,000	\$ 381,000	\$ 399,848	\$ 18,848
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 13,505,645	\$ 13,505,645	\$ 14,896,788	\$ 1,391,143

CITY OF MIDDLETON

GENERAL FUND
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET - BUDGET AND ACTUAL
 For the Year Ended December 31, 2004

CURRENT EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Council	\$ 41,338	\$ 41,338	\$ 40,255	\$ 1,083
Police commission	4,750	4,750	5,014	(264)
Landmarks commission	600	600	370	230
Middleton youth commission	20,035	20,035	19,754	281
Municipal court	64,333	64,333	65,704	(1,371)
General administration	492,666	492,666	488,512	4,154
Information technology	258,117	258,117	239,283	18,834
Independent auditing	12,000	12,000	20,155	(8,155)
Legal counseling	135,000	135,000	150,606	(15,606)
Special legal counsel	10,000	10,000	3,038	6,962
Buildings and grounds	105,734	105,734	111,612	(5,878)
Illegal taxes and tax refunds	5,000	5,000	5,148	(148)
Property and liability insurance	300,000	300,000	300,607	(607)
Board of review	375	375	266	109
Additional expenditures - prior years	5,000	5,000	-	5,000
Emergency preparedness	9,404	9,404	6,103	3,301
Income continuation insurance	16,440	16,440	2,519	13,921
Contingency	322,620	322,620	-	322,620
Group life insurance	9,600	9,600	8,616	984
TOTALS	\$ 1,813,012	\$ 1,813,012	\$ 1,467,562	\$ 345,450
PUBLIC SAFETY				
Police administration	\$ 395,280	\$ 395,280	\$ 376,782	\$ 18,498
Police patrol	2,289,325	2,289,325	2,410,006	(120,681)
Training	25,100	25,100	25,068	32
Police uniform allowance and equipment	14,375	14,375	14,942	(567)
School patrol	11,727	11,727	11,214	513
Fire suppression	420,887	420,887	428,878	(7,991)
Public fire protection	380,000	380,000	371,614	8,386
Building inspector	82,614	82,614	81,227	1,387
Electrical inspector	75,775	75,775	75,827	(52)
Plumbing inspection	46,706	46,706	43,440	3,266
Sealer of weights and measures	4,400	4,400	4,400	-
Erosion control enforcement	10,000	10,000	22,041	(12,041)
EMS	576,177	576,177	526,372	49,805
Communications	281,801	281,801	266,907	14,894
TOTALS	\$ 4,614,167	\$ 4,614,167	\$ 4,658,718	\$ (44,551)

CITY OF MIDDLETON

GENERAL FUND

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

For the Year Ended December 31, 2004

CURRENT EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC WORKS				
Public works administration	\$ 429,619	\$ 429,619	\$ 437,112	\$ (7,493)
Machinery	189,861	189,861	187,509	2,352
Garage	37,900	37,900	39,690	(1,790)
Protective equipment	2,300	2,300	2,176	124
Engineering	523,416	523,416	489,849	33,567
Street maintenance	47,707	47,707	40,356	7,351
Street cleaning	6,000	6,000	6,515	(515)
Snow and ice control	45,000	45,000	33,243	11,757
Traffic signs and markings	27,000	27,000	17,914	9,086
Traffic signals	35,300	35,300	32,048	3,252
Street lighting	62,000	62,000	71,849	(9,849)
Tree and brush	2,000	2,000	416	1,584
Storm sewers	10,500	10,500	11,050	(550)
Mass transit	194,292	194,292	196,949	(2,657)
Garbage collection	270,000	270,000	280,279	(10,279)
Sanitary landfill	50,500	50,500	50,200	300
Leaf pick-up	-	-	61	(61)
Recycling	156,300	156,300	98,126	58,174
TOTALS	\$ 2,089,695	\$ 2,089,695	\$ 1,995,342	\$ 94,353
LEISURE ACTIVITIES				
Library	\$ 1,101,065	\$ 1,101,065	\$ 1,172,829	\$ (71,764)
Senior citizens center	315,336	315,336	281,335	34,001
Recreation administration	45,645	45,645	48,712	(3,067)
Swimming pool	249,075	249,075	222,651	26,424
Summer recreation	56,000	56,000	71,711	(15,711)
Other recreation	84,910	84,910	93,914	(9,004)
Parks	514,253	514,253	526,212	(11,959)
TOTALS	\$ 2,366,284	\$ 2,366,284	\$ 2,417,364	\$ (51,080)
CONSERVATION AND DEVELOPMENT				
Forestry	\$ -	\$ -	\$ 176	\$ (176)
Water resources	22,880	22,880	14,480	8,400
Conservancy land commission	84,212	84,212	36,169	48,043
Planning commission	146,874	146,874	149,584	(2,710)
TOTALS	\$ 253,966	\$ 253,966	\$ 200,409	\$ 53,557
OTHER FINANCING USES				
Transfers out - debt service fund	\$ 2,556,021	\$ 2,556,021	\$ 2,556,021	\$ -
Transfers out - EMS equipment replacement fund	-	-	40,000	(40,000)
TOTALS	\$ 2,556,021	\$ 2,556,021	\$ 2,596,021	\$ (40,000)
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	\$ 13,693,145	\$ 13,693,145	\$ 13,335,416	\$ 357,729

CITY OF MIDDLETON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2004

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			
Police commission	\$ 4,750	\$ 5,014	\$ 264
Municipal court	64,333	65,704	1,371
Independent auditing	12,000	20,155	8,155
Legal counseling	135,000	150,606	15,606
Buildings and grounds	105,734	111,612	5,878
Illegal taxes and tax refunds	5,000	5,148	148
Property and liability insurance	300,000	300,607	607
Police patrol	2,289,325	2,410,006	120,681
Police uniform allowance and equipment	14,375	14,942	567
Fire suppression	420,887	428,878	7,991
Electrical inspector	75,775	75,827	52
Erosion control enforcement	10,000	22,041	12,041
Public works administration	429,619	437,112	7,493
Garage	37,900	39,690	1,790
Street cleaning	6,000	6,515	515
Street lighting	62,000	71,849	9,849
Storm sewers	10,500	11,050	550
Mass transit	194,292	196,949	2,657
Garbage collection	270,000	280,279	10,279
Leaf pick-up	-	61	61
Library	1,101,065	1,172,829	71,764
Recreation administration	45,645	48,712	3,067
Summer recreation	56,000	71,711	15,711
Other recreation	84,910	93,914	9,004
Parks	514,253	526,212	11,959
Forestry	-	176	176
Planning commission	146,874	149,584	2,710

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

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004

	Special Revenue Funds								
	Sub- dividers' Deposits	Land and Park Donations	Drug Evidence	Cable TV	Youth Commission Donations	EMS	Lost and Damaged Book	Library Gift	EMS Equipment Replacement
ASSETS									
Cash and investments	\$ 1,351,493	\$ 8,253	\$ 4,501	\$ 67,459	\$ 5,557	\$ 27,198	\$ 22,807	\$ 23,618	\$ 200,390
Accounts receivable	-	-	-	47,626	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	3,890
Due from other funds	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,351,493</u>	<u>8,253</u>	<u>\$ 4,501</u>	<u>\$ 115,085</u>	<u>\$ 5,557</u>	<u>\$ 27,198</u>	<u>\$ 22,807</u>	<u>\$ 23,618</u>	<u>\$ 204,280</u>
LIABILITIES AND FUND BALANCES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,274	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,274</u>	<u>-</u>	<u>-</u>
Fund Balances									
Unreserved									
Undesignated (deficit)	<u>1,351,493</u>	<u>8,253</u>	<u>4,501</u>	<u>115,085</u>	<u>5,557</u>	<u>27,198</u>	<u>18,533</u>	<u>23,618</u>	<u>204,280</u>
Total Fund Balances	<u>1,351,493</u>	<u>8,253</u>	<u>4,501</u>	<u>115,085</u>	<u>5,557</u>	<u>27,198</u>	<u>18,533</u>	<u>23,618</u>	<u>204,280</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,351,493</u>	<u>\$ 8,253</u>	<u>\$ 4,501</u>	<u>\$ 115,085</u>	<u>\$ 5,557</u>	<u>\$ 27,198</u>	<u>\$ 22,807</u>	<u>\$ 23,618</u>	<u>\$ 204,280</u>

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)
December 31, 2004

	Special Revenue Funds									Total Nonmajor Governmental Funds
	Library Endowment	Economic Develop- ment	Airport	Economic Develop- ment Grant	Alcohol Awareness	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	
ASSETS										
Cash and investments	\$ 149,387	\$ -	\$ 30,400	\$ 233,487	\$ 6,474	\$ 6,748	\$ 8,841	\$ 52,168	\$ -	\$ 2,198,781
Accounts receivable	-	-	6,416	-	-	-	-	-	97,827	151,869
Interest receivable	-	-	-	-	-	-	-	-	-	3,890
Due from other funds	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 149,387</u>	<u>\$ -</u>	<u>\$ 36,816</u>	<u>\$ 233,487</u>	<u>\$ 6,474</u>	<u>\$ 6,748</u>	<u>\$ 8,841</u>	<u>\$ 52,168</u>	<u>\$ 97,827</u>	<u>\$ 2,354,540</u>
LIABILITIES AND FUND BALANCES										
Accounts payable	\$ -	\$ -	\$ -	\$ 1,574	\$ -	\$ -	\$ -	\$ -	\$ 10,960	\$ 16,808
Due to other funds	-	-	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-	1,416,886	1,416,886
Total Liabilities	-	-	-	1,574	-	-	-	-	1,427,846	1,433,694
Fund Balances										
Unreserved										
Undesignated (deficit)	149,387	-	36,816	231,913	6,474	6,748	8,841	52,168	(1,330,019)	920,846
Total Fund Balances	<u>149,387</u>	<u>-</u>	<u>36,816</u>	<u>231,913</u>	<u>6,474</u>	<u>6,748</u>	<u>8,841</u>	<u>52,168</u>	<u>(1,330,019)</u>	<u>920,846</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 149,387</u>	<u>\$ -</u>	<u>\$ 36,816</u>	<u>\$ 233,487</u>	<u>\$ 6,474</u>	<u>\$ 6,748</u>	<u>\$ 8,841</u>	<u>\$ 52,168</u>	<u>\$ 97,827</u>	<u>\$ 2,354,540</u>

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	Special Revenue Funds								
	Sub- dividers' Deposits	Land and Park Donations	Drug Evidence	Cable TV	Youth Commission Donations	EMS	Lost and Damaged Book	Library Gift	EMS Equipment Replacement
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	3,727	-	-	-
Public charges for services	339,243	-	-	47,626	-	-	54,989	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-
Miscellaneous	-	5,617	474	-	8,352	-	-	16,276	-
Total Revenues	<u>339,243</u>	<u>5,617</u>	<u>474</u>	<u>47,626</u>	<u>8,352</u>	<u>3,727</u>	<u>54,989</u>	<u>16,276</u>	<u>-</u>
EXPENDITURES									
Current:									
Public safety	-	-	-	-	-	-	-	-	-
Leisure activities	-	5,148	-	11,220	4,603	-	-	-	-
Conservation and development	151,089	-	-	-	-	-	47,927	3,149	-
Debt service:									
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>151,089</u>	<u>5,148</u>	<u>-</u>	<u>11,220</u>	<u>4,603</u>	<u>-</u>	<u>47,927</u>	<u>3,149</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>188,154</u>	<u>469</u>	<u>474</u>	<u>36,406</u>	<u>3,749</u>	<u>3,727</u>	<u>7,062</u>	<u>13,127</u>	<u>-</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>40,000</u>
Net change in fund balance	188,154	469	474	36,406	3,749	3,727	7,062	13,127	40,000
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,163,339</u>	<u>7,784</u>	<u>4,027</u>	<u>78,679</u>	<u>1,808</u>	<u>23,471</u>	<u>11,471</u>	<u>10,491</u>	<u>164,280</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 1,351,493</u>	<u>\$ 8,253</u>	<u>\$ 4,501</u>	<u>\$ 115,085</u>	<u>\$ 5,557</u>	<u>\$ 27,198</u>	<u>\$ 18,533</u>	<u>\$ 23,618</u>	<u>\$ 204,280</u>

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	Special Revenue Funds									Capital Project Fund	Nonmajor Governmental Funds
	Library Endowment	Economic Develop- ment	Airport	Economic Development Grant	Alcohol Awareness	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	Southwest Quadrant	
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 356,122	\$ -	\$ 356,122
Intergovernmental	-	-	-	-	-	-	-	-	-	-	3,727
Public charges for services	-	-	41,028	-	-	-	-	-	-	-	482,886
Special assessments	-	-	-	-	-	-	-	-	-	15,274	15,274
Investment income	9,602	155	-	934	-	-	-	-	-	1,070	11,761
Miscellaneous	-	-	-	-	4,252	6,218	13,243	13,047	200,167	-	267,646
Total Revenues	<u>9,602</u>	<u>155</u>	<u>41,028</u>	<u>934</u>	<u>4,252</u>	<u>6,218</u>	<u>13,243</u>	<u>13,047</u>	<u>556,289</u>	<u>16,344</u>	<u>1,137,416</u>
EXPENDITURES											
Current:											
Public safety	-	-	-	-	2,115	-	7,872	-	-	-	9,987
Leisure activities	-	-	-	-	-	-	-	7,042	-	-	28,013
Conservation and development	-	2,947	9,761	-	-	-	-	-	877,859	-	1,092,732
Debt service:											
Interest and fiscal charges	-	-	-	-	-	-	-	-	42,268	-	42,268
Total Expenditures	<u>-</u>	<u>2,947</u>	<u>9,761</u>	<u>-</u>	<u>2,115</u>	<u>-</u>	<u>7,872</u>	<u>7,042</u>	<u>920,127</u>	<u>-</u>	<u>1,173,000</u>
Excess (deficiency) of revenues over expenditures	<u>9,602</u>	<u>(2,792)</u>	<u>31,267</u>	<u>934</u>	<u>2,137</u>	<u>6,218</u>	<u>5,371</u>	<u>6,005</u>	<u>(363,838)</u>	<u>16,344</u>	<u>(35,584)</u>
OTHER FINANCING SOURCES (USES)											
Transfers In	-	-	-	-	-	-	3,470	-	-	554,582	598,052
Transfers Out	(201,764)	(87,830)	-	-	-	(3,470)	-	-	-	-	(293,064)
Total Other Financing Sources (Uses)	<u>(201,764)</u>	<u>(87,830)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,470)</u>	<u>3,470</u>	<u>-</u>	<u>-</u>	<u>554,582</u>	<u>304,988</u>
Net change in fund balance	(192,162)	(90,622)	31,267	934	2,137	2,748	8,841	6,005	(363,838)	570,926	269,404
FUND BALANCES (DEFICIT) - Beginning of Year	<u>341,549</u>	<u>90,622</u>	<u>5,549</u>	<u>230,979</u>	<u>4,337</u>	<u>4,000</u>	<u>-</u>	<u>46,163</u>	<u>(966,181)</u>	<u>(570,926)</u>	<u>651,442</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 149,387</u>	<u>\$ -0-</u>	<u>\$ 36,816</u>	<u>\$ 231,913</u>	<u>\$ 6,474</u>	<u>\$ 6,748</u>	<u>\$ 8,841</u>	<u>\$ 52,168</u>	<u>\$ (1,330,019)</u>	<u>\$ -</u>	<u>\$ 920,846</u>

CITY OF MIDDLETON

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2004

	Tax Roll	Fire District Fund	MJPSISC	Totals
ASSETS				
Cash and investments	\$16,320,149	\$ -	\$ 128,063	\$ 16,448,212
Taxes receivable	8,732,375	-	-	8,732,375
Accounts receivable	-	81,324	31,236	112,560
Prepaid items	-	16,394	-	16,394
Due from other governmental units	-	-	616	616
TOTAL ASSETS	<u>\$25,052,524</u>	<u>\$ 97,718</u>	<u>\$ 159,915</u>	<u>\$ 25,310,157</u>
LIABILITIES				
Accounts payable	\$ -	\$ 80,820	\$ 159,915	\$ 240,735
Due to other funds	-	16,898	-	16,898
Due to other governmental units	25,052,524	-	-	25,052,524
TOTAL LIABILITIES	<u>\$25,052,524</u>	<u>\$ 97,718</u>	<u>\$ 159,915</u>	<u>\$ 25,310,157</u>

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS - COMPONENT UNIT For the Year Ended December 31, 2004

	Component Unit - CDA
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 66,889
Cash paid to suppliers for goods and services	<u>(36,926)</u>
Net Cash Flows From Operating Activities	<u>29,963</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Paid to primary government	(3,720,823)
Interest paid	(840,040)
Capital lease payments received	<u>846,555</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(3,714,308)</u>
 Net Decrease in Cash and Cash Equivalents	(3,684,345)
 CASH AND CASH EQUIVALENTS - Beginning of Year	<u>7,416,586</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,732,241</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (23,825)
Changes in Noncash Components of Working Capital	
Accounts payable	<u>(811)</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (24,636)</u>
 NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:	
None	