

**CITY OF MIDDLETON**

Middleton, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2005

# 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, 2005, 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, 2005, and the respective changes in financial position and, where applicable, cash flows 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 53 through 58 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council  
City of Middleton  
Middleton, Wisconsin

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

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

*Virchow, Krause & Company, LLP*

Madison, Wisconsin  
March 3, 2006

**CITY OF MIDDLETON**

STATEMENT OF NET ASSETS  
December 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
<b>ASSETS</b>				
Cash and investments	\$ 8,606,516	\$ 4,552,769	\$ 13,159,285	\$ 696,228
Receivables (net of allowance for uncollectibles)				
Taxes	17,854,312	-	17,854,312	-
Delinquent taxes	92,416	-	92,416	-
Accounts	520,121	684,427	1,204,548	-
Interest	51,176	117,957	169,133	-
Loans	1,856,749	-	1,856,749	689,071
Special assessments	3,148,667	2,227,859	5,376,526	-
Delinquent special assessments	450	-	450	-
Due from other governments	619	-	619	-
Due from primary government	-	-	-	210,010
Due from component unit	2,167,415	-	2,167,415	-
Internal balances	1,147,180	(1,147,180)	-	-
Restricted Assets				
Temporarily Restricted				
Cash and investments	1,000,201	39,600	1,039,801	2,167,415
Leases receivable from primary government	-	-	-	16,475,000
Other assets	74,850	383,179	458,029	49,176
Capital Assets				
Land	6,412,939	2,382,607	8,795,546	-
Right of ways	17,704,605	-	17,704,605	-
Construction in progress	3,233,719	-	3,233,719	-
Land Improvements	5,238,880	7,291,981	12,530,861	-
Buildings	9,216,171	208,763	9,424,934	-
Machinery and equipment	3,844,406	390,074	4,234,480	-
Infrastructure	22,648,561	33,153,345	55,801,906	-
Less: Accumulated depreciation	(9,820,938)	(7,720,570)	(17,541,508)	-
Investment in joint ventures (deficit)	(379,482)	-	(379,482)	-
Total Assets	<u>94,619,533</u>	<u>42,564,811</u>	<u>137,184,344</u>	<u>20,286,900</u>
<b>LIABILITIES</b>				
Accounts payable	679,128	247,365	926,493	27,947
Accrued liabilities	648,252	160,498	808,750	210,010
Due to other governments	12,755	-	12,755	-
Due to primary government	-	-	-	2,167,415
Due to component unit	210,010	-	210,010	-
Unearned revenue	17,705,965	-	17,705,965	675,000
Noncurrent Liabilities				
Due within one year	7,878,771	675,000	8,553,771	-
Due in more than one year	56,649,420	9,932,624	66,582,044	16,285,460
Total Liabilities	<u>83,784,301</u>	<u>11,015,487</u>	<u>94,799,788</u>	<u>19,365,832</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,080,693	25,169,314	33,250,007	-
Restricted for equipment replacement	-	39,600	39,600	-
Restricted for subdivider's deposits	1,344,831	-	1,344,831	-
Restricted for park improvements	6,758	-	6,758	-
Restricted for police enforcement	23,888	-	23,888	-
Restricted for EMS	32,241	-	32,241	-
Restricted for library	191,944	-	191,944	-
Restricted for economic development	244,041	-	244,041	-
Restricted for senior citizens	55,826	-	55,826	-
Unrestricted (deficit)	855,010	6,340,410	7,195,420	921,068
<b>TOTAL NET ASSETS</b>	<u>\$ 10,835,232</u>	<u>\$ 31,549,324</u>	<u>\$ 42,384,556</u>	<u>\$ 921,068</u>

See accompanying notes to financial statements.

**CITY OF MIDDLETON**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government	\$ 1,369,670	\$ 467,275	\$ 41,396	\$ -	\$ (860,999)	\$ -	\$ (860,999)	\$ -
Public safety	5,511,533	562,837	78,103	-	(4,870,593)	-	(4,870,593)	-
Public works	3,352,342	398,880	1,014,439	5,560,171	3,621,148	-	3,621,148	-
Leisure activities	3,696,638	384,080	656,872	25,000	(2,630,686)	-	(2,630,686)	-
Conservation and economic development	760,089	17,282	68,733	-	(674,074)	-	(674,074)	-
Interest and fiscal charges	2,639,595	-	-	-	(2,639,595)	-	(2,639,595)	-
<b>Total Governmental Activities</b>	<b>17,329,867</b>	<b>1,830,354</b>	<b>1,859,543</b>	<b>5,585,171</b>	<b>(8,054,799)</b>	<b>-</b>	<b>(8,054,799)</b>	<b>-</b>
<b>Business-type Activities</b>								
Water	1,172,200	1,921,436	-	119,060	-	868,296	868,296	-
Sewer	1,409,814	1,646,790	-	129,553	-	366,529	366,529	-
Pleasant View Golf Course	1,570,555	1,783,884	-	-	-	213,329	213,329	-
<b>Total Business-type Activities</b>	<b>4,152,569</b>	<b>5,352,110</b>	<b>-</b>	<b>248,613</b>	<b>-</b>	<b>1,448,154</b>	<b>1,448,154</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 21,482,436</b>	<b>\$ 7,182,464</b>	<b>\$ 1,859,543</b>	<b>\$ 5,833,784</b>	<b>(8,054,799)</b>	<b>1,448,154</b>	<b>(6,606,645)</b>	<b>-</b>
<b>Component Unit</b>								
Community Development Authority	\$ 932,688	\$ 20,987	\$ -	\$ -	-	-	-	(911,701)
<b>General Revenues</b>								
<b>Taxes</b>								
Property taxes, levied for general purposes and debt service					8,981,464	-	8,981,464	-
Property taxes, levied for tax increment districts					5,955,807	-	5,955,807	-
Other taxes					735,688	-	735,688	-
Cable television franchise fees					190,729	-	190,729	-
Intergovernmental revenues not restricted to specific programs					1,291,497	-	1,291,497	-
Public gifts and/or grants					13,848	-	13,848	-
Investment income					403,788	132,331	536,119	846,664
Miscellaneous					527,026	-	527,026	-
Special item - Impairment of assets					-	(321,334)	(321,334)	-
Transfers					287,359	(287,359)	-	-
<b>Total General Revenues, Special Items and Transfers</b>					<b>18,387,206</b>	<b>(476,362)</b>	<b>17,910,844</b>	<b>846,664</b>
<b>Change in net assets</b>					<b>10,332,407</b>	<b>971,792</b>	<b>11,304,199</b>	<b>(65,037)</b>
<b>NET ASSETS - Beginning (as restated)</b>					<b>502,825</b>	<b>30,577,532</b>	<b>31,080,357</b>	<b>986,105</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 10,835,232</b>	<b>\$ 31,549,324</b>	<b>\$ 42,384,556</b>	<b>\$ 921,068</b>

See accompanying notes to financial statements.

**CITY OF MIDDLETON**

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2005

	General	Debt Service	TIF District #3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 3,438,261	\$ -	\$ 956,234	\$ 2,527,063	\$ 2,685,159	\$ 9,606,717
Receivables (net)						
Taxes	9,456,788	-	8,397,524	-	-	17,854,312
Delinquent taxes	92,416	-	-	-	-	92,416
Accounts	235,568	-	-	83,687	200,866	520,121
Interest	47,286	-	-	-	3,890	51,176
Loans	-	-	1,856,749	-	-	1,856,749
Special assessments	32,920	-	3,115,747	-	-	3,148,667
Delinquent special assessments	450	-	-	-	-	450
Due from other funds	219,329	-	-	-	-	219,329
Due from other governments	619	-	-	-	-	619
Due from component unit	-	-	2,167,415	-	-	2,167,415
Advances to other funds	3,071,896	-	-	-	-	3,071,896
<b>TOTAL ASSETS</b>	<b>\$ 16,595,533</b>	<b>\$ -</b>	<b>\$ 16,493,669</b>	<b>\$ 2,610,750</b>	<b>\$ 2,889,915</b>	<b>\$ 38,589,867</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 390,959	\$ -	\$ 156,157	\$ 71,718	\$ 60,294	\$ 679,128
Due to other governments	12,755	-	-	-	-	12,755
Due to other funds	80,317	-	-	-	-	80,317
Deferred revenue	9,413,798	-	10,221,274	57,371	-	19,692,443
Deferred special assessments	33,370	-	3,115,747	-	-	3,149,117
Deferred interest income	788,128	-	-	-	-	788,128
Advances from other funds	-	-	1,698,595	-	365,133	2,063,728
Total Liabilities	10,719,327	-	15,191,773	129,089	425,427	26,465,616
<b>Fund Balances</b>						
<b>Reserved for:</b>						
Loans receivable	-	-	1,856,749	-	-	1,856,749
Delinquent personal property taxes	92,416	-	-	-	-	92,416
Advances	2,283,768	-	-	-	-	2,283,768
Debt service	-	-	1,605,257	-	-	1,605,257
<b>Unreserved and designated, reported in:</b>						
General fund	461,000	-	-	-	-	461,000
<b>Unreserved and undesignated (deficit), reported in:</b>						
General fund	3,039,022	-	-	-	-	3,039,022
Special revenue funds	-	-	-	-	2,464,488	2,464,488
Capital projects funds	-	-	(2,160,110)	2,481,661	-	321,551
Total Fund Balances	5,876,206	-	1,301,896	2,481,661	2,464,488	12,124,251
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,595,533</b>	<b>\$ -</b>	<b>\$ 16,493,669</b>	<b>\$ 2,610,750</b>	<b>\$ 2,889,915</b>	

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.	58,478,343
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.	5,923,723
Investment (deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.	(379,482)
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.	(65,311,603)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 10,835,232</b>

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, 2005

	General	Debt Service	TIF District #3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 9,236,204	\$ -	\$ 5,955,807	\$ -	\$ 480,947	\$ 15,672,958
Intergovernmental	2,264,171	-	484,360	131,348	50,657	2,930,536
Licenses and permits	563,567	-	-	-	-	563,567
Fines, forfeitures and penalties	229,778	-	-	-	-	229,778
Public charges for services	843,413	-	-	-	521,550	1,364,963
Intergovernmental charges for services	158,034	-	-	-	-	158,034
Special assessments	56,983	-	-	-	-	56,983
Investment income	352,978	1,902	95,797	-	18,576	469,253
Miscellaneous	145,303	-	125,360	225,470	81,663	577,796
<b>Total Revenues</b>	<b>13,850,431</b>	<b>1,902</b>	<b>6,661,324</b>	<b>356,818</b>	<b>1,153,393</b>	<b>22,023,868</b>
<b>EXPENDITURES</b>						
Current						
General government	1,551,257	-	-	-	-	1,551,257
Public safety	4,992,904	-	-	-	14,447	5,007,351
Public works	2,174,952	-	-	-	-	2,174,952
Leisure activities	2,550,279	-	-	-	37,348	2,587,627
Conservation and economic development	310,771	-	-	-	670,074	980,845
Capital Outlay	-	-	1,019,179	1,452,377	-	2,471,556
Debt Service						
Principal retirement	-	5,934,515	-	-	-	5,934,515
Interest and fiscal charges	-	1,832,191	908,773	-	40,675	2,781,639
<b>Total Expenditures</b>	<b>11,580,163</b>	<b>7,766,706</b>	<b>1,927,952</b>	<b>1,452,377</b>	<b>762,544</b>	<b>23,489,742</b>
Excess (deficiency) of revenues over (under) expenditures	2,270,268	(7,764,804)	4,733,372	(1,095,559)	390,849	(1,465,874)
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt issued	-	-	-	2,500,000	800,000	3,300,000
Premium on debt issued	-	-	-	36,254	-	36,254
Issuance costs	-	-	-	(33,000)	-	(33,000)
Transfers in	287,359	7,749,514	-	-	352,793	8,389,666
Transfers out	(2,978,385)	-	(5,123,922)	-	-	(8,102,307)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,691,026)</b>	<b>7,749,514</b>	<b>(5,123,922)</b>	<b>2,503,254</b>	<b>1,152,793</b>	<b>3,590,613</b>
<b>Net Change in Fund Balance</b>	<b>(420,758)</b>	<b>(15,290)</b>	<b>(390,550)</b>	<b>1,407,695</b>	<b>1,543,642</b>	<b>2,124,739</b>
FUND BALANCES - Beginning (as restated)	6,296,964	15,290	1,692,446	1,073,966	920,846	9,999,512
<b>FUND BALANCES - ENDING</b>	<b>\$ 5,876,206</b>	<b>\$ -</b>	<b>\$ 1,301,896</b>	<b>\$ 2,481,661</b>	<b>\$ 2,464,488</b>	<b>\$ 12,124,251</b>

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, 2005

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Net change in fund balances - total governmental funds	\$ 2,124,739
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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	2,471,556
Less: Some items are reported as capital outlay but are not capitalized	(1,491,961)
Depreciation is reported in the government-wide statements	(931,213)
Capital contributions reported in the government-wide statements (infrastructure)	706,969
Net book value of assets retired	(15,270)

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.	4,848,088
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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.	
Debt issued	(3,300,000)
Debt retired	5,934,515

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.	51,543
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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	(151,015)
Debt issuance costs	(9,980)
Unfunded pension liability	14,220
Accrued interest on debt	80,216

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 10,332,407</u></b>
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See accompanying notes to financial statements.

# CITY OF MIDDLETON

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS December 31, 2005

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 3,140,589	\$ 1,394,121	\$ 11,132	\$ 4,545,842
Accounts receivable, net	318,509	364,724	1,194	684,427
Interest receivable	86,360	31,597	-	117,957
Due from other funds	158,772	80,317	-	239,089
Total Current Assets	<u>3,704,230</u>	<u>1,870,759</u>	<u>12,326</u>	<u>5,587,315</u>
<b>Noncurrent Assets</b>				
Restricted Assets	-	46,527	-	46,527
Other property and investments				
Special assessments receivable	-	2,227,859	-	2,227,859
Property held for future use	301,087	-	-	301,087
Preliminary engineering	68,978	-	-	68,978
Unamortized debt expenses	3,450	9,664	-	13,114
Capital Assets				
Property and equipment	19,890,487	13,429,465	10,106,818	43,426,770
Less: accumulated depreciation	<u>(4,785,757)</u>	<u>(2,633,343)</u>	<u>(301,470)</u>	<u>(7,720,570)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>15,104,730</u>	<u>10,796,122</u>	<u>9,805,348</u>	<u>35,706,200</u>
Total Noncurrent Assets	<u>15,478,245</u>	<u>13,080,172</u>	<u>9,805,348</u>	<u>38,363,765</u>
Total Assets	<u>19,182,475</u>	<u>14,950,931</u>	<u>9,817,674</u>	<u>43,951,080</u>

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Totals</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 30,365	\$ 202,213	\$ 14,787	\$ 247,365
Accrued interest	25,121	15,913	119,464	160,498
Accrued compensated absences	8,481	4,177	17,103	29,761
Due to other funds	219,329	158,772	-	378,101
Current portion of long term debt	185,000	145,000	570,000	900,000
Total Current Liabilities	<u>468,296</u>	<u>526,075</u>	<u>721,354</u>	<u>1,715,725</u>
Noncurrent Liabilities				
Accrued compensated absences	18,669	9,194	-	27,863
Advances from other funds	-	-	1,008,168	1,008,168
General obligation debt	<u>1,340,000</u>	<u>870,000</u>	<u>7,440,000</u>	<u>9,650,000</u>
Total Noncurrent Liabilities	<u>1,358,669</u>	<u>879,194</u>	<u>8,448,168</u>	<u>10,686,031</u>
Total Liabilities	<u>1,826,965</u>	<u>1,405,269</u>	<u>9,169,522</u>	<u>12,401,756</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	13,583,180	9,790,786	1,795,348	25,169,314
Restricted for:				
Equipment replacement	-	46,527	-	46,527
Unrestricted (deficit)	<u>3,772,330</u>	<u>3,708,349</u>	<u>(1,147,196)</u>	<u>6,333,483</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 17,355,510</u>	<u>\$ 13,545,662</u>	<u>\$ 648,152</u>	<u>\$ 31,549,324</u>

**CITY OF MIDDLETON**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND  
NET ASSETS - PROPRIETARY FUNDS  
For the Year Ended December 31, 2005

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,921,436	\$ 1,646,790	\$ 1,783,884	\$ 5,352,110
Total Operating Revenues	<u>1,921,436</u>	<u>1,646,790</u>	<u>1,783,884</u>	<u>5,352,110</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	710,810	1,147,502	1,135,652	2,993,964
Depreciation	<u>376,223</u>	<u>208,562</u>	<u>54,600</u>	<u>639,385</u>
Total Operating Expenses	<u>1,087,033</u>	<u>1,356,064</u>	<u>1,190,252</u>	<u>3,633,349</u>
Operating Income	<u>834,403</u>	<u>290,726</u>	<u>593,632</u>	<u>1,718,761</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	86,195	46,136	-	132,331
Interest expense	(81,367)	(51,845)	(380,303)	(513,515)
Amortization of debt issuance costs	<u>(3,800)</u>	<u>(1,905)</u>	<u>-</u>	<u>(5,705)</u>
Total Nonoperating Revenues (Expenses)	<u>1,028</u>	<u>(7,614)</u>	<u>(380,303)</u>	<u>(386,889)</u>
Income before contributions, transfers, and special items	835,431	283,112	213,329	1,331,872
Capital contributions	119,060	129,553	-	248,613
Transfers out	(287,359)	-	-	(287,359)
Impairment of Assets	<u>(321,334)</u>	<u>-</u>	<u>-</u>	<u>(321,334)</u>
Change in Net Assets	345,798	412,665	213,329	971,792
TOTAL NET ASSETS - Beginning (as restated)	<u>17,009,712</u>	<u>13,132,997</u>	<u>434,823</u>	<u>30,577,532</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 17,355,510</u>	<u>\$ 13,545,662</u>	<u>\$ 648,152</u>	<u>\$ 31,549,324</u>

See accompanying notes to financial statements.

**CITY OF MIDDLETON**

STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND TYPES  
 For the Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,477,194	\$ 1,623,944	\$ 1,783,979	\$ 4,885,117
Cash received from city for services	373,220	-	-	373,220
Cash paid to suppliers for goods and services	(490,539)	(992,275)	(550,185)	(2,032,999)
Cash paid to employees for services	(254,146)	(104,876)	(591,480)	(950,502)
Net Cash Flows From Operating Activities	<u>1,105,729</u>	<u>526,793</u>	<u>642,314</u>	<u>2,274,836</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advance from general fund	-	-	335,535	335,535
Cash paid for tax equivalent	(313,649)	-	-	(313,649)
Net Cash Flows From Noncapital Financing Activities	<u>(313,649)</u>	<u>-</u>	<u>335,535</u>	<u>21,886</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid	(175,000)	(140,000)	(535,000)	(850,000)
Interest paid	(84,368)	(54,415)	(385,717)	(524,500)
Capital contributions received (refunded)	(22,014)	-	-	(22,014)
Acquisition and construction of capital assets	(658,647)	(13,978)	(46,000)	(718,625)
Special assessments received	-	3,184	-	3,184
Net Cash Flows From Capital and Related Financing Activities	<u>(940,029)</u>	<u>(205,209)</u>	<u>(966,717)</u>	<u>(2,111,955)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	24,785	28,687	-	53,472
Investments sold and matured	2,513,960	1,009,800	-	3,523,760
Marketable securities purchased	(2,826,647)	(1,440,648)	-	(4,267,295)
Net Cash Flows From Investing Activities	<u>(287,902)</u>	<u>(402,161)</u>	<u>-</u>	<u>(690,063)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(435,851)</b>	<b>(80,577)</b>	<b>11,132</b>	<b>(505,296)</b>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>749,793</u>	<u>80,577</u>	<u>-</u>	<u>830,370</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 313,942</b>	<b>\$ -</b>	<b>\$ 11,132</b>	<b>\$ 325,074</b>

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating income	\$ 834,403	\$ 290,726	\$ 593,632	\$ 1,718,761
Nonoperating revenue	177	-	-	177
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities				
Depreciation expense	376,223	208,562	54,600	639,385
Depreciation charged to sewer utility	46,323	-	-	46,323
Changes in Noncash Components of Working Capital				
Accounts receivable	(36,364)	(7,412)	95	(43,681)
Other accounts receivable	2,540	-	-	2,540
Due from other funds	(81,582)	(15,434)	-	(97,016)
Accounts payable	(17,576)	(23,202)	(8,048)	(48,826)
Accrued compensated absences	(16,299)	(8,029)	5,235	(19,093)
Due to other funds	(2,116)	81,582	(3,200)	76,266
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 1,105,729</b>	<b>\$ 526,793</b>	<b>\$ 642,314</b>	<b>\$ 2,274,836</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS</b>				
Cash and investments - statement of net assets - proprietary funds	\$ 3,140,589	\$ 1,394,121	\$ 11,132	\$ 4,545,842
Restricted cash and investments - statement of net assets - proprietary funds	-	46,527	-	46,527
Less: Non-cash equivalents	(2,826,647)	(1,440,648)	-	(4,267,295)
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 313,942</b>	<b>\$ -</b>	<b>\$ 11,132</b>	<b>\$ 325,074</b>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Impairment of assets	\$ (321,334)	\$ -	\$ -	
Developer financed additions to utility plant	\$ 154,264	\$ 129,553	\$ -	

See accompanying notes to financial statements.

**CITY OF MIDDLETON**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
December 31, 2005**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 15,769,290
Taxes receivable	9,599,230
Due from other governmental units	<u>58,408</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 25,426,928</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 225,882
Due to other governmental units	<u>25,201,046</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 25,426,928</u></b>

See accompanying notes to financial statements.

# CITY OF MIDDLETON

## INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2005

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# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. 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, 2005

---

### 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 enterprise 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, 2005

---

### 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 TIF or enterprise fund debt.
- Tax Incremental Financing District (TIF) #3 Capital Projects Fund – accounts for expenditures outlined in the TIF 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	Retirement Benefits
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
	National Night Out

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

---

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

---

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

##### ***Fund Financial Statements (cont.)***

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  
MPSISC

#### ***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, 2005

---

### 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, 2005

---

### 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. Agency funds follow the accrual basis of accounting and do not have a measurement basis.

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. Special assessments are recorded as receivables and contributions when levied. 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, 2005

---

### 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.

The city has adopted an investment policy that follows the state statute for allowable investments. The city is exposed to custodial credit risk and credit risk for deposits and investments, as well as interest rate risk for investments. The city's investment policy does not address these risks.

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, 2005, 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.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

---

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

---

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

##### **2. Receivables (cont.)**

Property tax calendar – 2005 tax roll:

Lien date and levy date	December 2005
Tax bills mailed	December 2005
Payment in full, or	January 31, 2006
First installment due	January 31, 2006
Second installment due	July 31, 2006
Personal property taxes in full	January 31, 2006
Tax sale – 2005 delinquent real estate taxes	October 2008

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, and other delinquent bills are generally not significant.

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.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

##### ***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 or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction or 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.

##### ***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. 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 were required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. The city has retroactively reported all of the network infrastructure acquired by its governmental fund types.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

##### **5. Capital Assets (cont.)**

###### **Government-Wide Statements (cont.)**

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.

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.

##### **6. 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.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

##### *7. 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.

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 entire cost is paid by the city. Funding for those costs is provided by transferring funds from the general fund to a special revenue fund. Total expenditures for retirees' medical premiums during the year were \$61,900. The number of participants currently eligible to receive benefits is 12.

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, 2005 are determined on the basis of current salary rates and include salary related payments.

##### *8. 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.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

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.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

##### **9. 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.

##### **10. 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, less any unspent debt proceeds.
- 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.

##### **11. Basis for Existing Rates – Proprietary Funds**

Current water rates were approved by the PSCW on February 9, 2005. Current sewer rates were approved by the public works committee on November 4, 2004 and became effective January 1, 2005. Sewer rates are adjusted annually for rate changes from Madison Metropolitan Sewerage District.

**CITY OF MIDDLETON**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2005

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

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**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 \$65,311,603 difference are as follows:

Bonds and notes payable	\$ 46,024,878
Unfunded pension liability	304,126
Compensated absences	1,724,187
Capital leases payable	16,475,000
Accrued interest	858,262
Unamortized debt issuance costs	<u>(74,850)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 65,311,603</u>

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**NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**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.

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.

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

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

**B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The following individual funds experienced excess expenditures over appropriations.

	<u>Budgeted</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	<u>Excess</u> <u>Expenditures</u> <u>Over Budget</u>
Special Revenue Funds			
Subdivider's deposits	\$ -	\$ 379,803	\$ 379,803
Tourism	179,479	231,150	51,671
Senior citizen	5,000	7,112	2,112
Lost and damaged book	20,000	45,063	25,063
Land and parks	4,500	6,598	2,098
Cable TV	15,000	20,493	5,493
Library gift	4,000	22,599	18,599
Alcohol awareness	2,500	4,452	1,952
Youth commission	-	1,669	1,669

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, 2005, the following individual funds held a deficit balance:

**Special Revenue Funds**

Tourism Commission	\$ (245,357)	Excess expenditures over revenue.
Lost and damaged book fund	(144)	Excess expenditures over revenue.

These deficits are anticipated to be funded by room taxes in future years and library charges for services, respectively.

**D. LIMITATIONS ON THE CITY'S TAX LEVY**

As part of Wisconsin's Act 25 (2005), new legislation was passed that limits the city's future tax levies. Generally, the city is limited to its prior tax levy dollar amount (excluding TIF districts). Increased by the greater of the percentage change in the city's equalized value due to new construction, or 2%. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit begins with the 2005 levy collected in 2006 and is set to expire after the 2006 levy.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The city's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 13,264,056	\$ 13,563,883	Custodial credit
Money market	859,213	859,213	Custodial credit
U.S. agencies	779,780	773,175	Credit, custodial credit, interest rate
Mutual funds	14,329,667	14,329,667	Credit, interest rate
Other external investment pool – Madison Community Foundation	158,946	158,946	Credit, interest rate
LGIP	576,289	576,289	Credit, interest rate
Petty cash	425	-	N/A
 Total Cash and Investments	 \$ 29,968,376	 \$ 30,261,173	
 Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 13,159,285		
Restricted cash and investments	1,039,801		
Per statement of net assets –			
Fiduciary Funds			
Agency	15,769,290		
 Total Cash and Investments	 \$ 29,968,376		

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 custodial credit risk.

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.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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#### A. DEPOSITS AND INVESTMENTS (cont.)

The Madison Community Foundation (“the Foundation”) is a community endowment fund. The Foundation is not registered with 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, 2005, the fair value of the Foundation’s assets was substantially equal to the city’s share as reported above.

#### ***Custodial Credit Risk***

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the city’s deposits may not be returned to the city.

As of December 31, 2005, \$14,007,838 of the city’s total bank balances of \$14,423,096 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 14,007,838</u>
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Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2005 the city’s investments were exposed to custodial credit risk as follows:

#### U.S. Agencies

Neither insured nor registered and held by counterparty	<u>\$ 773,175</u>
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**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

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

**A. DEPOSITS AND INVESTMENTS (cont.)**

***Credit Risk***

As of December 31, 2005, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's</u>	<u>Fitch Ratings</u>	<u>Moody's Investor Service</u>
U.S. agencies	AAA	N/A	AAA
Mutual fund – Federated Securities	AAA	AAA	AAA

The city also had investments in the following external pools which are not rated:

Local Government Investment Pool  
Madison Community Foundation

***Interest Rate Risk***

As of December 31, 2005, the city's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (In Months)</u>		
		<u>Less than 6</u>	<u>7-12</u>	<u>12-60</u>
U.S. agencies	<u>\$ 773,175</u>	<u>\$ 198,594</u>	<u>\$ 296,250</u>	<u>\$ 278,331</u>

The city also had \$576,289 invested in the local government investment pool, which had a weighted average maturity of 32 days and \$158,946 in another external investment pool (Madison Community Foundation), which had an average maturity of 394 days.

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

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

**B. RECEIVABLES**

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

	General	TIF District #3	Capital Projects	Water	Sewer	Pleasant View Golf Course	Nonmajor and Other Funds	Totals
Receivables:								
Taxes	\$ 9,456,788	\$ 8,397,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,854,312
Delinquent taxes	92,416	-	-	-	-	-	-	92,416
Accounts	429,211	-	83,687	318,509	364,724	1,194	200,866	1,398,191
Loans	-	1,856,749	-	-	-	-	-	1,856,749
Special assessments	32,920	3,115,747	-	-	-	-	-	3,148,667
Delinquent special assessments	450	-	-	-	-	-	-	450
Interest	47,286	-	-	86,360	31,597	-	3,890	169,133
Due from other governments	619	-	-	-	-	-	-	619
Gross Receivables	10,059,690	13,370,020	83,687	404,869	396,321	1,194	204,756	24,520,537
Less: Allowance for uncollectibles	(193,643)	-	-	-	-	-	-	(193,643)
Net Total Receivables	\$ 9,866,047	\$ 13,370,020	\$ 83,687	\$ 404,869	\$ 396,321	\$ 1,194	\$ 204,756	\$ 24,326,894
Amounts Not Expected to be Collected Within One Year	\$ 23,104	\$ 4,667,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,690,429

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**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>\$ 193,643</u>
Total Uncollectibles of the Current Fiscal Year	<u><u>\$ 193,643</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:

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ -	\$ 17,705,965	\$ 17,705,965
Special assessments not yet due	3,149,117	-	3,149,117
Loan receivable	1,823,750	-	1,823,750
EMS receivable	90,957	-	90,957
Grant revenue	71,771	-	71,771
Interest income (TIF District #3)	<u>788,128</u>	<u>-</u>	<u>788,128</u>
 Total Deferred/Unearned Revenue for Governmental Funds	 <u><u>\$ 5,923,723</u></u>	 <u><u>\$ 17,705,965</u></u>	 <u><u>\$ 23,629,688</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, 2005, 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, 2005

**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, 2005:

	<u>2005</u>
Restricted assets replacement account	<u>\$ 39,600</u>

In addition, TIF District #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, 2005 is \$1,000,201.

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 6,412,939	\$ -	\$ -	\$ 6,412,939
Right of way	17,338,287	366,318	-	17,704,605
Construction in progress	<u>6,366,946</u>	<u>741,023</u>	<u>3,874,250</u>	<u>3,233,719</u>
Total Capital Assets Not Being Depreciated	<u>30,118,172</u>	<u>1,107,341</u>	<u>3,874,250</u>	<u>27,351,263</u>
Capital assets being depreciated				
Land improvements	4,130,939	1,107,941	-	5,238,880
Buildings	9,216,171	-	-	9,216,171
Machinery and equipment	3,782,235	164,121	101,950	3,844,406
Streets - infrastructure	8,882,108	1,831,437	-	10,713,545
Storm sewers - infrastructure	5,280,591	878,924	-	6,159,515
Traffic signals - infrastructure	763,096	-	-	763,096
Sidewalks - infrastructure	2,483,167	38,675	-	2,521,842
Bridges - infrastructure	2,058,188	-	-	2,058,188
Rail spur	<u>-</u>	<u>432,375</u>	<u>-</u>	<u>432,375</u>
Total Capital Assets Being Depreciated	<u>36,596,495</u>	<u>4,453,473</u>	<u>101,950</u>	<u>40,948,018</u>

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

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

**D. CAPITAL ASSETS (cont.)**

	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities (cont.)</b>				
Less: Accumulated depreciation for				
Land improvements	\$ (866,435)	\$ (94,566)	\$ -	\$ (961,001)
Buildings	(2,212,236)	(194,490)	-	(2,406,726)
Machinery and equipment	(1,900,702)	(283,424)	86,681	(2,097,445)
Streets - infrastructure	(1,693,960)	(147,138)	-	(1,841,098)
Storm sewers - infrastructure	(1,068,286)	(91,233)	-	(1,159,519)
Traffic signals - infrastructure	(271,272)	(29,529)	-	(300,801)
Sidewalks – infrastructure	(866,231)	(50,050)	-	(916,281)
Bridges - infrastructure	(97,284)	(27,812)	-	(125,096)
Rail spur - infrastructure	-	(12,971)	-	(12,971)
Total Accumulated Depreciation	<u>(8,976,406)</u>	<u>(931,213)</u>	<u>86,681</u>	<u>(9,820,938)</u>
 Total Capital Assets, Net of Depreciation	 <u>\$ 57,738,261</u>	 <u>\$ 4,629,601</u>	 <u>\$ 3,889,519</u>	 <u>\$ 58,478,343</u>

\* as restated

Depreciation expense was charged to functions as follows:

**Governmental Activities**

General government	\$ 24,318
Public safety	97,726
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks, bridges and rail spur	510,785
Leisure activities	<u>298,384</u>
 Total Governmental Activities Depreciation Expense	 <u>\$ 931,213</u>

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**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	16,274,495	715,177	34,100	16,955,572
Administrative and general assets	479,417	22,798	7,765	494,450
Total Capital Assets Being Depreciated	19,094,600	737,975	41,865	19,790,710
Total Capital Assets	19,194,377	737,975	41,865	19,890,487
Less: Accumulated depreciation for				
Source of supply	(218,439)	(10,649)	-	(229,088)
Pumping	(757,748)	(68,253)	-	(826,001)
Treatment	(325,272)	(1,922)	-	(327,194)
Transmission and distribution	(2,709,866)	(297,644)	38,809	(2,968,701)
Administrative and general assets	(398,460)	(44,078)	7,765	(434,773)
Total Accumulated Depreciation	(4,409,785)	(422,546)	46,574	(4,785,757)
Net Water Plant	\$ 14,784,592	\$ 315,429	\$ (4,709)	\$ 15,104,730

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**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	11,647,920	129,553	-	11,777,473
Collection system pumping	1,215,786	-	-	1,215,786
Administrative and general assets	363,163	13,978	7,765	369,376
Total Capital Assets				
Being Depreciated	13,226,869	143,531	7,765	13,362,635
Total Capital Assets	13,293,699	143,531	7,765	13,429,465
Less: Accumulated depreciation	(2,432,546)	(208,562)	7,765	(2,633,343)
Net Sewer Plant	\$ 10,861,153	\$ (65,031)	\$ -	\$ 10,796,122
<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	344,074	46,000	-	390,074
Total Capital Assets				
Being Depreciated	7,844,818	46,000	-	7,890,818
Total Capital Assets	10,060,818	46,000	-	10,106,818
Less: Accumulated depreciation for				
Buildings	(50,457)	(5,219)	-	(55,676)
Land improvements	(57,374)	(19,125)	-	(76,499)
Equipment	(139,039)	(30,256)	-	(169,295)
Total Accumulated Depreciation	(246,870)	(54,600)	-	(301,470)
Net Golf Course Plant	\$ 9,813,948	\$ (8,600)	\$ -	\$ 9,805,348
Total Net Capital Assets – Business Type Activities	\$ 35,459,693			\$ 35,706,200

\* as restated

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

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

**D. CAPITAL ASSETS (cont.)**

Depreciation expense was charged to functions as follows:

**Business-type Activities**

Water	\$ 376,223
Sewer	208,562
Pleasant View Golf Course	<u>54,600</u>
Total Business-type Activities	
Depreciation Expense	<u>\$ 639,385</u>

Depreciation expense is different from additions because of joint metering, salvage cost of removal, internal allocations, and cost associated with the disposal of assets.

**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	\$ 219,329	\$ -
Sewer utility	General	80,317	-
Water utility	Sewer utility	<u>158,772</u>	-
Total – Fund Financial Statements		458,418	-
Less: Eliminations		<u>(319,406)</u>	-
Total Government-Wide Financial Statements		<u>\$ 139,012</u>	<u>\$ -</u>

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 #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, 2005 is \$788,128.

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**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	\$ 1,008,168	\$ 1,008,168
General fund	Tourism Commission	365,133	115,133
General fund	TIF District #3	<u>1,698,595</u>	<u>1,698,595</u>
Total – Fund Financial Statements		3,071,896	<u>\$ 2,821,896</u>
Less: Eliminations		<u>(2,063,728)</u>	
Total – Government-Wide Financial Statements		<u>\$ 1,008,168</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 District #3 capital projects fund	Component unit – CDA	<u>\$ 2,167,415</u>
---------------------------------------	----------------------	---------------------

This amount represents the unspent debt proceeds by the CDA that is intended to be spent on capital projects within TIF District #3.

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**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	\$ 287,359	Payment in lieu of tax
Retirement benefits	General	312,793	
EMS	General	40,000	Ambulance purchase
Debt service fund	General	2,625,592	Debt service
Debt service fund	TIF District #3	5,123,922	Debt service
Total – Fund Financial Statements		<u>\$ 8,389,666</u>	

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General	Water utility	<u>\$ 287,359</u>	<u>\$ (287,359)</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, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation debt	\$ 48,659,393	\$ 3,300,000	\$ 5,934,515	\$ 46,024,878	\$ 6,366,489
Other Liabilities:					
Unfunded pension liability	318,346	22,005	36,225	304,126	36,000
Vested compensated absences*	1,573,172	711,089	560,074	1,724,187	686,282
Capital leases	16,475,000	-	-	16,475,000	790,000
Total Other Liabilities	<u>18,366,518</u>	<u>1,045,887</u>	<u>596,299</u>	<u>18,503,313</u>	<u>1,512,282</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 67,025,911</u>	<u>\$ 4,345,887</u>	<u>\$ 6,530,814</u>	<u>\$ 64,528,191</u>	<u>\$ 7,878,771</u>

\* Beginning balance changed due to restatement. See Note IV.I.

**CITY OF MIDDLETON**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2005

**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>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation debt	\$ 11,400,000	\$ -	\$ 850,000	\$ 10,550,000	\$ 675,000
Other Liabilities:					
Vested compensated absences	<u>76,717</u>	<u>17,764</u>	<u>36,857</u>	<u>57,624</u>	<u>-</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 11,476,717</u>	<u>\$ 17,764</u>	<u>\$ 886,857</u>	<u>\$ 10,607,624</u>	<u>\$ 675,000</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, 2005, was \$116,547,310. Total general obligation debt outstanding at year end was \$56,574,878.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-05</u>
<b>Governmental Activities</b>					
<b>    General Obligation Debt</b>					
1997 General obligation promissory notes	4-01-97	3-01-12	3.90% – 5.40%	\$ 2,325,000	\$ 155,000
1998 General obligation promissory notes	4-01-98	9-01-08	3.90% – 4.60%	9,675,000	2,800,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	6,800,000	3,600,000
2000 General obligation promissory notes	4-01-00	3-01-10	4.80% – 5.20%	6,800,000	6,000,000

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

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

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

Governmental Activities General Obligation Debt (cont.)	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-05</u>
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.40%	\$ 8,000,000	\$ 6,800,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,250,000	5,425,000
2002 State trust fund loan	11-06-02	3-15-19	5.00%	2,170,000	2,015,508
2003 General obligation promissory notes	5-01-03	9-01-13	2.00% – 3.40%	9,980,000	9,300,000
2003 State trust fund loan	1-30-03	3-15-19	5.00%	930,000	854,370
2004 General obligation refunding bond	6-15-04	3-01-12	2.00% – 4.00%	4,540,000	3,865,000
2004 General obligation promissory notes	6-15-04	3-01-14	2.50% – 4.25%	1,910,000	1,910,000
2005 General obligation promissory notes	6-01-05	12-01-11	3.25% – 3.50%	3,300,000	<u>3,300,000</u>
 Total Governmental Activities – General Obligation Debt					 <u>\$ 46,024,878</u>

Business-type Activities General Obligation Debt	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-05</u>
1996 General obligation promissory notes	6-01-96	11-01-06	4.00% – 5.15%	\$ 7,875,000	\$ 335,000
1997 General obligation promissory notes	4-01-97	3-01-12	3.90% – 5.40%	4,155,000	280,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	500,000	220,000
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.80%	2,000,000	1,700,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,005,000	5,975,000
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>\$ 10,550,000</u>

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**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	
2006	\$ 6,366,489	\$ 1,766,109	\$ 675,000	\$ 489,606	\$ 9,297,204
2007	6,443,814	1,478,171	740,000	446,781	9,108,766
2008	6,216,152	1,238,543	795,000	409,358	8,659,053
2009	6,414,562	981,370	860,000	368,158	8,624,090
2010	6,293,040	724,820	870,000	325,449	8,213,309
2011 – 2015	13,262,675	1,052,991	5,775,000	683,762	20,774,428
2016 – 2020	1,028,146	131,798	835,000	19,831	2,014,775
Totals	<u>\$ 46,024,878</u>	<u>\$ 7,373,802</u>	<u>\$ 10,550,000</u>	<u>\$ 2,742,945</u>	<u>\$ 66,691,625</u>

Estimated payments of accumulated employee benefits and other commitments are not included in the above schedule. Also, the capital lease principal and interest requirements are not included. They are equal to the CDA's lease revenue bonds required payments. See Note IV.J. for the repayment schedule.

**Capital Leases**

Refer to Note IV.G.

**Other Debt Information**

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

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

**Prior-Year Defeasance of Debt**

In prior years, the city defeased certain general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the city's financial statements. At December 31, 2005, \$6,025,000 of bonds outstanding are considered defeased. Of the bonds considered defeased, \$2,845,000 are callable on October 1, 2006 and \$3,180,000 are callable on March 1, 2006.

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

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

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**G. LEASE DISCLOSURES**

**Lessee – Capital Leases**

The Tax Increment District No. 3 (TIF District #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. See Note IV.J.C. for the repayment schedule. Tax increment revenues generated by TIF District #3 are expected to be paid over to the CDA to make the debt payments.

**Lessee – Operating Leases**

The city has no material outstanding operating leases.

**Lessor – Capital Leases**

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

**Lessor – Operating Leases**

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

**H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES**

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2005 include the following:

**Governmental Activities**

Invested in capital assets, net of related debt	
Land	\$ 6,412,939
Right of ways	17,704,605
Construction in progress	3,233,719
Other capital assets, net of accumulated depreciation	31,127,080
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(50,397,650)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>8,080,693</u>
Restricted	
Subdivider's deposits	1,344,831
Park improvements	6,758
Police enforcement	23,888
EMS	32,241
Library	191,944
Economic development	244,041
Senior citizens	55,826
Total Restricted	<u>1,899,529</u>
Unrestricted (deficit)	<u>855,010</u>
Total Governmental Activities Net Assets	<u>\$ 10,835,232</u>

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

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

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

**Governmental Activities (cont.)**

Governmental fund balances reported on the fund financial statements at December 31, 2005 include the following:

<b>Reserved</b>	
Major Funds	
General Fund	
Delinquent personal property taxes	\$ 92,416
Advances	<u>2,283,768</u>
Total	<u>\$ 2,376,184</u>
TIF District #3 Capital Projects Fund	
Reserved for loans receivable	\$ 1,856,749
Reserved for debt service	<u>1,605,257</u>
Total	<u>\$ 3,462,006</u>
<b>Unreserved – Designated</b>	
General Fund	
2006 budget	<u>\$ 461,000</u>
<b>Unreserved – Undesignated (Deficit)</b>	
Major Funds	
General fund	<u>\$ 3,039,022</u>
TIF District #3 capital projects fund	<u>\$(2,160,110)</u>
Capital projects fund	<u>\$ 2,481,661</u>
Non-Major Funds (Deficit)	
Special Revenue Funds	
Subdividers' deposits	\$ 1,344,831
Land and park donations	6,758
Drug evidence	4,989
Cable TV	155,321
Youth commission donations	3,988
EMS	32,241
Lost and damaged book	(144)
Library gift	32,999
EMS equipment replacement	244,280
Library endowment	158,945
Retirement benefits	312,793
Airport	83,090

## CITY OF MIDDLETON

### NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

##### **Governmental Activities (cont.)**

##### **Unreserved – Undesignated (Deficit) (cont.)**

##### Non-Major Funds (Deficit) (cont.)

##### Special Revenue Funds (cont.)

Economic development grant	\$ 244,041
Alcohol awareness	10,169
Drug forfeitures	10,907
Federal seizures	7,992
Senior citizen	55,826
Tourism commission	(245,357)
National night out	<u>819</u>
Total	<u>\$ 2,464,488</u>

##### **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.

	Water	Sewer	Pleasant View Golf Course	Totals
Capital assets	\$ 19,890,487	\$ 13,429,465	\$ 10,106,818	\$ 43,426,770
Accumulated depreciation	(4,785,757)	(2,633,343)	(301,470)	(7,720,570)
Sub-totals	<u>15,104,730</u>	<u>10,796,122</u>	<u>9,805,348</u>	<u>35,706,200</u>
Less:				
Current portion of capital related long-term debt	185,000	145,000	570,000	900,000
Long-term portion of capital related long-term debt	1,340,000	870,000	7,440,000	9,650,000
Unamortized debt issuance costs	(3,450)	(9,664)	-	(13,114)
Sub-totals	<u>1,521,550</u>	<u>1,005,336</u>	<u>8,010,000</u>	<u>10,536,886</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 13,583,180</u>	<u>\$ 9,790,786</u>	<u>\$ 1,795,348</u>	<u>\$ 25,169,314</u>
Restricted				
Equipment replacement	<u>\$ -</u>	<u>\$ 39,600</u>	<u>\$ -</u>	<u>\$ 39,600</u>
Unrestricted (Deficit)	<u>\$ 3,772,330</u>	<u>\$ 3,715,276</u>	<u>\$ (1,147,196)</u>	<u>\$ 6,340,410</u>

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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#### ***I. RESTATEMENT OF NET ASSETS/FUND BALANCES***

Following are restatements to net assets of the governmental activities and business-type activities and fund balance of the general fund.

##### ***Governmental Activities***

Net Assets – December 31, 2004 (as reported)	\$ 1,310,746
Less: Additional depreciation related to prior years	<u>(807,921)</u>
Net Assets (Deficit) – January 1, 2005 (as restated)	<u>\$ 502,825</u>

##### ***Business-type Activities***

Net Assets – December 31, 2004 (as reported)	\$ 30,453,859
Add: Depreciation incorrectly recorded in prior years	<u>123,673</u>
Net Assets – January 1, 2005 (as restated)	<u>\$ 30,577,532</u>

##### ***General Fund***

Fund balance – December 31, 2004 (as reported)	\$ 5,984,171
Add: Retirement benefits accrued in prior years that should not be a fund liability	<u>312,793</u>
Fund Balance – January 1, 2005 (as restated)	<u>\$ 6,296,964</u>

##### ***Pleasant View Golf Course***

Net assets – December 31, 2004	\$ 311,150
Add: Depreciation incorrectly recorded in prior years	<u>123,673</u>
Net Assets – January 1, 2005 (as restated)	<u>\$ 434,823</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.

**CITY OF MIDDLETON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2005

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

**J. COMPONENT UNIT (cont.)**

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

Construction fund	\$ 562,158
Debt reserve fund	<u>1,605,257</u>
Total	<u>\$ 2,167,415</u>

Additional information on the above deposits and investments follows:

The investments of the CDA in U.S. treasuries have associated risks of custodial credit risk and interest rate risk.

***Custodial Rate Risk***

Investments – for an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the CDA will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

As of December 31, 2005, the CDA's investments were exposed to custodial credit risk as follows:

U.S. Treasuries

Neither insured nor registered and held by counterparty \$ 2,067,415

***Interest Rate Risk***

As of December 31, 2005, the CDA's investments were as follows:

Investment Type	Fair Value	Maturity (In Months)		
		Less than 6	7-12	12-60
U.S. Treasuries	<u>\$ 2,167,415</u>	<u>\$ 2,167,415</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

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

**J. COMPONENT UNIT (cont.)**

c. CDA Lease Revenue Bonds

	Balance 1-1-05	Increases	Decreases	Balance 12-31-05
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 discounts	(202,390)	-	(12,850)	(189,540)
Totals	<u>\$ 16,272,610</u>	<u>\$ -</u>	<u>\$ (12,850)</u>	<u>\$ 16,285,460</u>

Debt service requirements to maturity are as follows:

	Principal	Interest	Totals
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	920,000	707,030	1,627,030
2011 – 2015	5,320,000	2,819,324	8,139,324
2016 – 2020	6,895,000	1,230,932	8,125,932
Totals	<u>\$ 16,475,000</u>	<u>\$ 7,937,788</u>	<u>\$ 24,412,788</u>

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

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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### NOTE V – OTHER INFORMATION

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#### **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 5.6% of their salary (2.6% for Executives and Elected Officials, 4.5% for Protective Occupations with Social Security, and 3.2% 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, 2005 was \$5,624,463; the employer's total payroll was \$6,260,800. The total required contribution for the year ended December 31, 2005 was \$713,812 or 12.7 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, 2004 and 2003 were \$664,451 and \$586,167, 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, 2005 was \$304,126. 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, 2005

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### NOTE V – OTHER INFORMATION (cont.)

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#### *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.

The city is also involved in negotiations with the Wisconsin Department of Natural Resources concerning a possible permit violation. The city has responded to the Department of Natural Resources notice and met with their representatives to determine additional solutions to mitigate the problem. Further investigation is under way. The DNR has not taken any further actions subsequent to the notice of violation. In the event of such further action, a material loss is possible.

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, 2005 is a deficit of \$650,028. 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 58%, which amounts to \$379,482 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.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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### NOTE V – OTHER INFORMATION (cont.)

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#### **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	58%
Village of Shorewood Hills	6
Village of Waunakee	36

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 \$59,985 to the District in 2005. The city has an equity interest (deficit) of \$(379,482) 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.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2005

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### ***D. JOINT VENTURES (cont.)***

##### ***Middleton Fire District (cont.)***

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 \$414,787 to the District in 2005 for operating expenses. The city believes that the District will continue to provide services in the future at similar rates. In 2005, the city also contributed \$256,950 for its share of land and for a new fire truck.

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

#### ***E. ASSET IMPAIRMENT***

During 2005, the service utility of water utility property held for future use became impaired as a result of the application of GASB No. 42 – *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* as applied to capital assets that have had a decline in service utility. The financial statements include an impairment loss of \$321,334.

#### ***F. SUBSEQUENT EVENT***

##### ***Rate Adjustment***

The sewer utility has implemented a 3.3% rate increase for service beginning January 1, 2006.

**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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 9,189,154	\$ 9,189,154	\$ 9,236,204	\$ 47,050
Intergovernmental	2,281,956	2,281,956	2,264,171	(17,785)
Licenses and permits	446,850	446,850	563,567	116,717
Fines, forfeitures and penalties	211,000	211,000	229,778	18,778
Public charges for services	827,311	827,311	843,413	16,102
Interdepartmental charges for services	126,600	126,600	158,034	31,434
Special assessments	12,062	12,062	56,983	44,921
Investment income	192,000	192,000	352,978	160,978
Miscellaneous	91,000	91,000	145,303	54,303
<b>Total Revenues</b>	<b>13,377,933</b>	<b>13,377,933</b>	<b>13,850,431</b>	<b>472,498</b>
<b>EXPENDITURES</b>				
Current				
General government	1,878,587	1,757,078	1,551,257	205,821
Public safety	4,762,016	4,789,696	4,992,904	(203,208)
Public works	2,235,078	2,247,009	2,174,952	72,057
Leisure activities	2,499,405	2,528,584	2,550,279	(21,695)
Conservation and development	274,955	292,674	310,771	(18,097)
<b>Total Expenditures</b>	<b>11,650,041</b>	<b>11,615,041</b>	<b>11,580,163</b>	<b>34,878</b>
 Excess of revenues over expenditures	 <u>1,727,892</u>	 <u>1,762,892</u>	 <u>2,270,268</u>	 <u>507,376</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	327,898	327,898	287,359	(40,539)
Transfers out	(2,642,790)	(2,642,790)	(2,978,385)	(335,595)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,314,892)</b>	<b>(2,314,892)</b>	<b>(2,691,026)</b>	<b>(376,134)</b>
 Net Change in Fund Balance	 (587,000)	 (552,000)	 (420,758)	 131,242
 FUND BALANCE - Beginning (as restated)	 <u>6,296,964</u>	 <u>6,296,964</u>	 <u>6,296,964</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u>\$ 5,709,964</u>	 <u>\$ 5,744,964</u>	 <u>\$ 5,876,206</u>	 <u>\$ 131,242</u>

**CITY OF MIDDLETON**

GENERAL FUND  
 SCHEDULE OF REVENUES COMPARED TO BUDGET - BUDGET AND ACTUAL  
 For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>TAXES</b>				
General property tax	\$ 8,972,054	\$ 8,972,054	\$ 8,981,464	\$ 9,410
Fees in lieu of taxes	44,100	44,100	44,110	10
Room tax	171,000	171,000	206,120	35,120
Interest on taxes	2,000	2,000	4,510	2,510
<b>TOTALS</b>	<b>\$ 9,189,154</b>	<b>\$ 9,189,154</b>	<b>\$ 9,236,204</b>	<b>\$ 47,050</b>
<b>INTERGOVERNMENTAL REVENUES</b>				
Shared taxes from state	\$ 361,465	\$ 361,465	\$ 362,040	\$ 575
State aid - road allotment	1,007,675	1,007,675	1,007,675	-
State aid - exempt computer aid	185,000	185,000	187,372	2,372
State aid - fire insurance dues	64,876	64,876	68,250	3,374
State aid - miscellaneous grants	22,725	22,725	13,168	(9,557)
Federal and state aid - other	71,500	71,500	71,453	(47)
County aid - library	445,418	445,418	444,462	(956)
County aid - signals	10,000	10,000	6,764	(3,236)
County aid - senior citizens	47,500	47,500	47,496	(4)
County aid - ambulance	7,200	7,200	-	(7,200)
School district payments for liaison officer	58,597	58,597	55,491	(3,106)
<b>TOTALS</b>	<b>\$ 2,281,956</b>	<b>\$ 2,281,956</b>	<b>\$ 2,264,171</b>	<b>\$ (17,785)</b>
<b>LICENSES AND PERMITS</b>				
Liquor and malt beverage licenses	\$ 30,100	\$ 30,100	\$ 33,578	\$ 3,478
Operators' licenses	5,000	5,000	8,050	3,050
Contractor's licenses	5,500	5,500	7,760	2,260
Alarm licenses	9,000	9,000	5,890	(3,110)
Cigarette licenses	150	150	170	20
Bicycle licenses	200	200	68	(132)
Dog and cat licenses	450	450	343	(107)
Cable TV franchise license	130,000	130,000	130,000	-
Other miscellaneous licenses	450	450	570	120
Building permits	150,000	150,000	200,158	50,158
Recycling permits	4,500	4,500	4,710	210
Electrical permits	45,000	45,000	59,474	14,474
Plumbing permits	47,000	47,000	64,545	17,545
Erosion control permits	10,000	10,000	35,050	25,050
Park reservation permits	9,500	9,500	13,201	3,701
<b>TOTALS</b>	<b>\$ 446,850</b>	<b>\$ 446,850</b>	<b>\$ 563,567</b>	<b>\$ 116,717</b>
<b>FINES, FORFEITURES AND PENALTIES</b>				
Court penalties	\$ 140,000	\$ 140,000	\$ 145,310	\$ 5,310
Parking violations	38,000	38,000	51,358	13,358
Court costs	33,000	33,000	33,110	110
<b>TOTALS</b>	<b>\$ 211,000</b>	<b>\$ 211,000</b>	<b>\$ 229,778</b>	<b>\$ 18,778</b>

**CITY OF MIDDLETON**

GENERAL FUND  
 SCHEDULE OF REVENUES COMPARED TO BUDGET - BUDGET AND ACTUAL (cont)  
 For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC CHARGES FOR SERVICES</b>				
Clerk fees	\$ 12,000	\$ 12,000	\$ 14,328	\$ 2,328
Police special services	10,000	10,000	12,223	2,223
Police department fees	30,000	30,000	20,307	(9,693)
Fire false alarms	9,000	9,000	2,292	(6,708)
Ambulance services	361,561	361,561	348,672	(12,889)
EMS fixed cost abatement	61,500	61,500	62,095	595
Plan commission charges	5,000	5,000	7,822	2,822
Senior citizens	19,000	19,000	11,883	(7,117)
Swimming pool	224,250	224,250	240,057	15,807
Summer recreation	53,500	53,500	64,326	10,826
Public works charges	5,000	5,000	16,279	11,279
Other recreation	34,500	34,500	41,429	6,929
Zoning	2,000	2,000	1,700	(300)
<b>TOTALS</b>	<b>\$ 827,311</b>	<b>\$ 827,311</b>	<b>\$ 843,413</b>	<b>\$ 16,102</b>
<b>INTERDEPARTMENTAL CHARGES FOR SERVICES</b>				
Administration reimbursements - utilities	\$ 94,000	\$ 94,000	\$ 115,434	\$ 21,434
Administration reimbursements - TIF	25,000	25,000	25,000	-
Administration reimbursements - CDA	-	-	10,000	10,000
Administration reimbursements - Landfill	5,000	5,000	5,000	-
Administration reimbursements - Fire District	2,600	2,600	2,600	-
<b>TOTALS</b>	<b>\$ 126,600</b>	<b>\$ 126,600</b>	<b>\$ 158,034</b>	<b>\$ 31,434</b>
<b>SPECIAL ASSESSMENTS</b>				
Curb, gutter and sidewalks	\$ 10,732	\$ 10,732	\$ 53,715	\$ 42,983
Interest on special assessments	1,330	1,330	3,268	1,938
<b>TOTALS</b>	<b>\$ 12,062</b>	<b>\$ 12,062</b>	<b>\$ 56,983</b>	<b>\$ 44,921</b>
<b>INVESTMENT INCOME</b>				
Investment income	\$ 192,000	\$ 192,000	\$ 352,978	\$ 160,978
<b>MISCELLANEOUS</b>				
Rent of city buildings and offices	\$ 12,000	\$ 12,000	\$ 29,396	\$ 17,396
Compensation for loss of fixed assets	-	-	9,556	9,556
Refund of prior year's expenditures	30,000	30,000	32,634	2,634
Sale of city property	20,000	20,000	46,683	26,683
Sale of materials	4,000	4,000	2,034	(1,966)
Pool contribution	25,000	25,000	25,000	-
<b>TOTALS</b>	<b>\$ 91,000</b>	<b>\$ 91,000</b>	<b>\$ 145,303</b>	<b>\$ 54,303</b>
<b>OTHER FINANCING SOURCES</b>				
Transfer In - Water Utility	\$ 327,898	\$ 327,898	\$ 287,359	\$ (40,539)
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 13,705,831</b>	<b>\$ 13,705,831</b>	<b>\$ 14,137,790</b>	<b>\$ 431,959</b>

**CITY OF MIDDLETON**

GENERAL FUND  
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET - BUDGET AND ACTUAL  
 For the Year Ended December 31, 2005

CURRENT EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
Council	\$ 41,338	\$ 41,338	\$ 41,639	\$ (301)
Police commission	4,750	4,750	11,648	(6,898)
Landmarks commission	600	600	-	600
Middleton youth commission	23,935	23,935	24,141	(206)
Board of review	375	375	78	297
Municipal court	68,578	69,478	67,965	1,513
General administration	480,715	497,429	485,149	12,280
Information technology	313,240	313,240	310,052	3,188
Independent auditing	15,000	15,000	33,952	(18,952)
Legal counseling	146,000	146,000	157,005	(11,005)
Special legal counsel	5,000	5,000	1,511	3,489
Buildings and grounds	120,556	120,556	111,277	9,279
Illegal taxes and tax refunds	5,000	5,000	4,999	1
Property and liability insurance	330,000	330,000	280,509	49,491
Income continuation insurance	11,500	11,500	11,185	315
Contingency	296,000	156,877	-	156,877
Group life insurance	11,000	11,000	9,600	1,400
Additional expenditures - prior years	5,000	5,000	547	4,453
<b>TOTALS</b>	<b>\$ 1,878,587</b>	<b>\$ 1,757,078</b>	<b>\$ 1,551,257</b>	<b>\$ 205,821</b>
<b>PUBLIC SAFETY</b>				
Police administration	\$ 391,483	\$ 401,566	\$ 458,005	\$ (56,439)
Police patrol	2,394,228	2,396,459	2,562,292	(165,833)
Training	25,100	25,100	27,605	(2,505)
Police uniform allowance and equipment	14,375	14,375	17,915	(3,540)
School patrol	12,061	12,061	9,769	2,292
Fire suppression	459,215	459,215	414,787	44,428
Public fire protection	390,000	390,000	373,222	16,778
EMS	573,165	582,835	577,946	4,889
Building inspector	84,509	86,363	86,931	(568)
Electrical inspector	77,417	80,373	79,198	1,175
Plumbing inspection	47,149	48,035	49,274	(1,239)
Emergency preparedness	4,920	4,920	4,919	1
Sealer of weights and measures	4,400	4,400	4,400	-
Erosion control enforcement	10,000	10,000	29,418	(19,418)
Communications	273,994	273,994	297,223	(23,229)
<b>TOTALS</b>	<b>\$ 4,762,016</b>	<b>\$ 4,789,696</b>	<b>\$ 4,992,904</b>	<b>\$ (203,208)</b>

**CITY OF MIDDLETON**

GENERAL FUND

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

For the Year Ended December 31, 2005

CURRENT EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC WORKS</b>				
Machinery	\$ 204,443	\$ 204,443	\$ 177,651	\$ 26,792
Garage	48,700	48,700	44,844	3,856
Public works administration	450,004	451,633	453,729	(2,096)
Protective equipment	2,700	2,700	3,154	(454)
Engineering	591,631	601,933	607,955	(6,022)
Street maintenance	44,000	44,000	49,793	(5,793)
Street cleaning	6,500	6,500	4,795	1,705
Snow and ice control	45,000	45,000	53,168	(8,168)
Traffic signals	31,500	31,500	21,548	9,952
Traffic signs and markings	24,000	30,000	27,526	2,474
Street lighting	68,000	62,000	78,950	(16,950)
Tree and brush	2,000	2,000	836	1,164
Storm sewers	10,500	10,500	9,015	1,485
Mass transit	204,200	204,200	197,205	6,995
Garbage collection	310,000	310,000	283,097	26,903
Sanitary landfill	56,500	56,500	59,985	(3,485)
Recycling	135,400	135,400	101,701	33,699
<b>TOTALS</b>	<b>\$ 2,235,078</b>	<b>\$ 2,247,009</b>	<b>\$ 2,174,952</b>	<b>\$ 72,057</b>
<b>LEISURE ACTIVITIES</b>				
Library	\$ 1,225,508	\$ 1,242,162	\$ 1,275,228	\$ (33,066)
Museum	-	-	286	(286)
Senior citizens center	317,241	321,740	285,187	36,553
Recreation administration	45,645	45,645	52,190	(6,545)
Swimming pool	256,925	256,925	246,171	10,754
Summer recreation	56,000	56,000	64,506	(8,506)
Other recreation	87,981	89,648	98,942	(9,294)
Parks	510,105	516,464	527,769	(11,305)
<b>TOTALS</b>	<b>\$ 2,499,405</b>	<b>\$ 2,528,584</b>	<b>\$ 2,550,279</b>	<b>\$ (21,695)</b>
<b>CONSERVATION AND DEVELOPMENT</b>				
Water resources	\$ 43,800	\$ 43,800	\$ 33,867	\$ 9,933
Conservancy land commission	79,531	79,531	94,944	(15,413)
Planning commission	151,624	169,343	181,960	(12,617)
<b>TOTALS</b>	<b>\$ 274,955</b>	<b>\$ 292,674</b>	<b>\$ 310,771</b>	<b>\$ (18,097)</b>
<b>OTHER FINANCING USES</b>				
Transfers out - debt service fund	\$ 2,642,790	\$ 2,642,790	\$ 2,625,592	\$ 17,198
Transfers out - retirement benefits fund	-	-	312,793	(312,793)
Transfers out - EMS equipment replacement fund	-	-	40,000	(40,000)
<b>TOTALS</b>	<b>\$ 2,642,790</b>	<b>\$ 2,642,790</b>	<b>\$ 2,978,385</b>	<b>\$ (335,595)</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES</b>	<b>\$ 14,292,831</b>	<b>\$ 14,257,831</b>	<b>\$ 14,558,548</b>	<b>\$ (300,717)</b>

## CITY OF MIDDLETON

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2005

#### ***BUDGETARY INFORMATION***

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

Excess expenditures over appropriations are as follows:

	<u>Amended Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Current Expenditures			
Council	\$ 41,338	\$ 41,639	\$ 301
Police commission	4,750	11,648	6,898
Middleton youth commission	23,935	24,141	206
Independent auditing	15,000	33,952	18,952
Legal counseling	146,000	157,005	11,005
Police administration	401,566	458,005	56,439
Police patrol	2,396,459	2,562,292	165,833
Training	25,100	27,605	2,505
Police uniform allowance and equipment	14,375	17,915	3,540
Building inspector	86,363	86,931	568
Plumbing inspector	48,035	49,274	1,239
Erosion control enforcement	10,000	29,418	19,418
Communications	273,994	297,223	23,229
Public works administration	451,633	453,729	2,096
Engineering	601,933	607,955	6,022
Street maintenance	44,000	49,793	5,793
Snow and ice control	45,000	53,168	8,168
Street lighting	62,000	78,950	16,950
Sanitary landfill	56,500	59,985	3,485
Library	1,242,162	1,275,228	33,066
Museum	-	286	286
Recreation administration	45,645	52,190	6,545
Summer recreation	56,000	64,506	8,506
Other recreation	89,648	98,942	9,294
Parks	516,464	527,769	11,305
Conservancy land commission	79,531	94,944	15,413
Planning commission	169,343	181,960	12,617

**SUPPLEMENTARY INFORMATION**

**CITY OF MIDDLETON**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2005

	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	Library Endowment
<b>ASSETS</b>										
Cash and investments	\$ 1,367,761	\$ 6,758	\$ 4,989	\$ 106,148	\$ 3,988	\$ 32,241	\$ 3,207	\$ 32,999	\$ 240,390	\$ 158,945
Accounts receivable	-	-	-	49,173	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	3,890	-
<b>TOTAL ASSETS</b>	<b>\$ 1,367,761</b>	<b>6,758</b>	<b>\$ 4,989</b>	<b>\$ 155,321</b>	<b>\$ 3,988</b>	<b>\$ 32,241</b>	<b>\$ 3,207</b>	<b>\$ 32,999</b>	<b>\$ 244,280</b>	<b>\$ 158,945</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Accounts payable	\$ 22,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,351	\$ -	\$ -	\$ -
Advances from other funds	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>22,930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,351</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>										
Unreserved										
Undesignated (deficit)	1,344,831	6,758	4,989	155,321	3,988	32,241	(144)	32,999	244,280	158,945
<b>Total Fund Balances</b>	<b>1,344,831</b>	<b>6,758</b>	<b>4,989</b>	<b>155,321</b>	<b>3,988</b>	<b>32,241</b>	<b>(144)</b>	<b>32,999</b>	<b>244,280</b>	<b>158,945</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,367,761</b>	<b>\$ 6,758</b>	<b>\$ 4,989</b>	<b>\$ 155,321</b>	<b>\$ 3,988</b>	<b>\$ 32,241</b>	<b>\$ 3,207</b>	<b>\$ 32,999</b>	<b>\$ 244,280</b>	<b>\$ 158,945</b>

**CITY OF MIDDLETON**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)  
December 31, 2005

	Special Revenue Funds								Total Nonmajor Governmental Funds	
	Retirement Benefits	Airport	Economic Develop- ment Grant	Alcohol Awareness	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission		National Night Out
<b>ASSETS</b>										
Cash and investments	\$ 312,793	\$ 83,553	\$ 245,553	\$ 10,169	\$ 10,907	\$ 7,992	\$ 55,947	\$ -	\$ 819	\$ 2,685,159
Accounts receivable	-	-	-	-	-	-	-	151,693	-	200,866
Interest receivable	-	-	-	-	-	-	-	-	-	3,890
<b>TOTAL ASSETS</b>	<b>\$ 312,793</b>	<b>\$ 83,553</b>	<b>\$ 245,553</b>	<b>\$ 10,169</b>	<b>\$ 10,907</b>	<b>\$ 7,992</b>	<b>\$ 55,947</b>	<b>\$ 151,693</b>	<b>\$ 819</b>	<b>\$ 2,889,915</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Accounts payable	\$ -	\$ 463	\$ 1,512	\$ -	\$ -	\$ -	\$ 121	\$ 31,917	\$ -	\$ 60,294
Advances from other funds	-	-	-	-	-	-	-	365,133	-	365,133
<b>Total Liabilities</b>	<b>-</b>	<b>463</b>	<b>1,512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>397,050</b>	<b>-</b>	<b>425,427</b>
<b>Fund Balances</b>										
Unreserved										
Undesignated (deficit)	312,793	83,090	244,041	10,169	10,907	7,992	55,826	(245,357)	819	2,464,488
<b>Total Fund Balances</b>	<b>312,793</b>	<b>83,090</b>	<b>244,041</b>	<b>10,169</b>	<b>10,907</b>	<b>7,992</b>	<b>55,826</b>	<b>(245,357)</b>	<b>819</b>	<b>2,464,488</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 312,793</b>	<b>\$ 83,553</b>	<b>\$ 245,553</b>	<b>\$ 10,169</b>	<b>\$ 10,907</b>	<b>\$ 7,992</b>	<b>\$ 55,947</b>	<b>\$ 151,693</b>	<b>\$ 819</b>	<b>\$ 2,889,915</b>

**CITY OF MIDDLETON**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2005

	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	Library Endowment
<b>REVENUES</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	17,114	-	-	-	-	4,143	-	-	-	-
Public charges for services	356,027	-	-	60,729	-	-	26,386	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	6,448
Miscellaneous	-	5,103	488	-	100	900	-	31,980	-	3,110
<b>Total Revenues</b>	<b>373,141</b>	<b>5,103</b>	<b>488</b>	<b>60,729</b>	<b>100</b>	<b>5,043</b>	<b>26,386</b>	<b>31,980</b>	<b>-</b>	<b>9,558</b>
<b>EXPENDITURES</b>										
Current:										
Public safety	-	-	-	-	-	-	-	-	-	-
Leisure activities	-	6,598	-	20,493	1,669	-	-	-	-	-
Conservation and development	379,803	-	-	-	-	-	45,063	22,599	-	-
Debt service:										
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>379,803</b>	<b>6,598</b>	<b>-</b>	<b>20,493</b>	<b>1,669</b>	<b>-</b>	<b>45,063</b>	<b>22,599</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	(6,662)	(1,495)	488	40,236	(1,569)	5,043	(18,677)	9,381	-	9,558
<b>OTHER FINANCING SOURCES (USES)</b>										
Debt issued	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	40,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>-</b>
Net change in fund balance	(6,662)	(1,495)	488	40,236	(1,569)	5,043	(18,677)	9,381	40,000	9,558
FUND BALANCES (DEFICIT) - Beginning of Year (Restated)	1,351,493	8,253	4,501	115,085	5,557	27,198	18,533	23,618	204,280	149,387
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 1,344,831	\$ 6,758	\$ 4,989	\$ 155,321	\$ 3,988	\$ 32,241	\$ (144)	\$ 32,999	\$ 244,280	\$ 158,945

**CITY OF MIDDLETON**

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

	Special Revenue Funds									Nonmajor Governmental Funds
	Retirement Benefits	Airport	Economic Development Grant	Alcohol Awareness	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	National Night Out	
<b>REVENUES</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 480,947	\$ -	\$ 480,947
Intergovernmental	-	-	-	-	-	-	-	29,400	-	50,657
Public charges for services	-	78,408	-	-	-	-	-	-	-	521,550
Investment income	-	-	12,128	-	-	-	-	-	-	18,576
Miscellaneous	-	-	-	8,147	4,159	9,146	10,770	5,465	2,295	81,663
<b>Total Revenues</b>	<b>-</b>	<b>78,408</b>	<b>12,128</b>	<b>8,147</b>	<b>4,159</b>	<b>9,146</b>	<b>10,770</b>	<b>515,812</b>	<b>2,295</b>	<b>1,153,393</b>
<b>EXPENDITURES</b>										
Current:										
Public safety	-	-	-	4,452	-	9,995	-	-	-	14,447
Leisure activities	-	-	-	-	-	-	7,112	-	1,476	37,348
Conservation and development	-	32,134	-	-	-	-	-	190,475	-	670,074
Debt service:										
Interest and fiscal charges	-	-	-	-	-	-	-	40,675	-	40,675
<b>Total Expenditures</b>	<b>-</b>	<b>32,134</b>	<b>-</b>	<b>4,452</b>	<b>-</b>	<b>9,995</b>	<b>7,112</b>	<b>231,150</b>	<b>1,476</b>	<b>762,544</b>
Excess (deficiency) of revenues over expenditures	-	46,274	12,128	3,695	4,159	(849)	3,658	284,662	819	390,849
<b>OTHER FINANCING SOURCES (USES)</b>										
Debt issued	-	-	-	-	-	-	-	800,000	-	800,000
Transfers In	312,793	-	-	-	-	-	-	-	-	352,793
<b>Total Other Financing Sources (Uses)</b>	<b>312,793</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>800,000</b>	<b>-</b>	<b>1,152,793</b>
Net change in fund balance	312,793	46,274	12,128	3,695	4,159	(849)	3,658	1,084,662	819	1,543,642
FUND BALANCES (DEFICIT) - Beginning of Year	-	36,816	231,913	6,474	6,748	8,841	52,168	(1,330,019)	-	920,846
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 312,793	\$ 83,090	\$ 244,041	\$ 10,169	\$ 10,907	\$ 7,992	\$ 55,826	\$ (245,357)	\$ 819	\$ 2,464,488

**CITY OF MIDDLETON**

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 December 31, 2005

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	<u>Tax Roll</u>	<u>Fire District Fund</u>	<u>MPSISC</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and investments	\$ 15,467,314	\$ 13,027	\$ 288,949	\$ 15,769,290
Taxes receivable	9,599,230	-	-	9,599,230
Due from other governmental units	<u>-</u>	<u>58,408</u>	<u>-</u>	<u>58,408</u>
<b>TOTAL ASSETS</b>	<u><b>\$25,066,544</b></u>	<u><b>\$ 71,435</b></u>	<u><b>\$ 288,949</b></u>	<u><b>\$ 25,426,928</b></u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 71,435	\$ 154,447	\$ 225,882
Due to other governmental units	<u>25,066,544</u>	<u>-</u>	<u>134,502</u>	<u>25,201,046</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$25,066,544</b></u>	<u><b>\$ 71,435</b></u>	<u><b>\$ 288,949</b></u>	<u><b>\$ 25,426,928</b></u>

**CITY OF MIDDLETON**

STATEMENT OF CASH FLOWS - COMPONENT UNIT  
For the Year Ended December 31, 2005

	Component Unit - CDA
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 6,915
Cash paid to suppliers for goods and services	<u>(50,725)</u>
Net Cash Flows From Operating Activities	<u>(43,810)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Paid to primary government	(831,413)
Interest paid	(840,040)
Interest received	<u>846,665</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(824,788)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(868,598)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,732,241</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,863,643</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (55,477)
Changes in Noncash Components of Working Capital	
Accounts receivable	(14,072)
Accounts payable	<u>25,739</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ (43,810)</u>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - COMPONENT UNIT</b>	
Cash and investments - statement of net assets - component unit	\$ 696,228
Restricted cash and investments - statement of net assets - component unit	<u>2,167,415</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,863,643</u>
 <b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
None	