

CITY OF MIDDLETON

Middleton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2006

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, 2006, 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 as of December 31, 2006, 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 54 through 59 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.

Virehow, Krause + Company, LLP

Madison, Wisconsin
August 13, 2007

CITY OF MIDDLETON

STATEMENT OF NET ASSETS
December 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 12,863,443	\$ 5,872,716	\$ 18,736,159	\$ 442,694
Receivables (net of allowance for uncollectibles)				
Taxes	18,543,008	-	18,543,008	-
Delinquent taxes	99,208	-	99,208	-
Accounts	853,837	702,046	1,555,883	-
Interest	131,943	181,307	313,250	-
Loans	1,846,281	-	1,846,281	481,904
Special assessments	2,537,164	2,227,859	4,765,023	-
Delinquent special assessments	708	-	708	-
Due from other governments	7,422	-	7,422	-
Due from primary government	-	-	-	203,132
Due from component unit	1,790,291	-	1,790,291	-
Internal balances-current	630,562	(630,562)	-	-
Internal balances-advances	1,008,168	(1,008,168)	-	-
Restricted Assets				
Temporarily Restricted				
Cash and investments	-	50,100	50,100	1,790,291
Leases receivable from primary government	-	-	-	15,685,000
Other assets	64,870	386,385	451,255	45,842
Capital Assets				
Land	7,063,959	2,382,607	9,446,566	-
Right of ways	17,704,605	-	17,704,605	-
Construction in progress	-	383,765	383,765	-
Land Improvements	5,938,873	7,291,981	13,230,854	-
Buildings	9,216,171	208,763	9,424,934	-
Machinery and equipment	3,732,881	431,574	4,164,455	-
Infrastructure	32,342,698	34,068,615	66,411,313	-
Less: Accumulated depreciation	(10,600,654)	(8,297,906)	(18,898,560)	-
Investment in joint ventures (deficit)	(213,964)	-	(213,964)	-
Total Assets	<u>105,561,474</u>	<u>44,251,082</u>	<u>149,812,556</u>	<u>18,648,863</u>
LIABILITIES				
Accounts payable	2,946,818	239,646	3,186,464	1,476
Accrued liabilities	643,232	147,791	791,023	203,132
Due to other governments	15,906	-	15,906	-
Due to primary government	-	-	-	1,790,291
Due to component unit	203,132	-	203,132	-
Unearned revenue	18,417,312	-	18,417,312	-
Noncurrent Liabilities				
Due within one year	7,924,835	760,109	8,684,944	-
Due in more than one year	53,710,661	10,385,903	64,096,564	15,508,310
Total Liabilities	<u>83,861,896</u>	<u>11,533,449</u>	<u>95,395,345</u>	<u>17,503,209</u>
NET ASSETS				
Invested in capital assets, net of related debt	19,229,543	26,175,388	45,404,931	-
Restricted for equipment replacement	-	50,100	50,100	-
Restricted for subdivider's deposits	1,273,005	-	1,273,005	-
Restricted for park improvements	10,871	-	10,871	-
Restricted for police enforcement	15,896	-	15,896	-
Restricted for EMS	46,157	-	46,157	-
Restricted for library	217,926	-	217,926	-
Restricted for economic development	253,558	-	253,558	-
Restricted for senior citizens	64,993	-	64,993	-
Unrestricted	<u>587,629</u>	<u>6,492,145</u>	<u>7,079,774</u>	<u>1,145,654</u>
TOTAL NET ASSETS	\$ 21,699,578	\$ 32,717,633	\$ 54,417,211	\$ 1,145,654

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental Activities								
General government	\$ 1,480,082	\$ 341,624	\$ 59,370	\$ -	\$ (1,079,088)	\$ -	\$ (1,079,088)	\$ -
Public safety	6,269,072	752,485	92,240	-	(5,424,347)	-	(5,424,347)	-
Public works	4,183,934	432,254	1,161,476	3,455,199	864,995	-	864,995	-
Leisure activities	4,490,809	380,051	647,968	25,000	(3,437,790)	-	(3,437,790)	-
Conservation and economic development	569,890	55,464	68,733	-	(445,693)	-	(445,693)	-
Interest and fiscal charges	2,581,761	-	-	-	(2,581,761)	-	(2,581,761)	-
Total Governmental Activities	19,575,548	1,961,878	2,029,787	3,480,199	(12,103,684)	-	(12,103,684)	-
Business-type Activities								
Water	1,238,974	1,895,565	-	74,531	-	731,122	731,122	-
Sewer	1,392,488	1,667,285	-	31,196	-	305,993	305,993	-
Pleasant View Golf Course	1,560,491	1,551,184	-	-	-	(9,307)	(9,307)	-
Total Business-type Activities	4,191,953	5,114,034	-	105,727	-	1,027,808	1,027,808	-
Total Primary Government	\$ 23,767,501	\$ 7,075,912	\$ 2,029,787	\$ 3,585,926	(12,103,684)	1,027,808	(11,075,876)	-
Component Unit								
Community Development Authority	\$ 893,002	\$ 22,388	\$ -	\$ -	-	-	-	(870,614)
General Revenues								
Taxes								
Property taxes, levied for general purposes and debt service					9,296,092	-	9,296,092	-
Property taxes, levied for tax increment districts					7,893,581	-	7,893,581	-
Other taxes					901,803	-	901,803	-
Cable television franchise fees					204,339	-	204,339	-
Intergovernmental revenues not restricted to specific programs					1,206,030	-	1,206,030	-
Public gifts and/or grants					11,403	-	11,403	-
Investment income					1,159,264	219,341	1,378,605	886,151
Gain on the sale of capital assets					1,805,646	-	1,805,646	-
Miscellaneous					409,032	2,000	411,032	-
Transfers					80,840	(80,840)	-	-
Total General Revenues and Transfers					22,968,030	140,501	23,108,531	886,151
Change in net assets					10,864,346	1,168,309	12,032,655	15,537
NET ASSETS - Beginning (as restated)					10,835,232	31,549,324	42,384,556	1,130,117
NET ASSETS - ENDING					\$ 21,699,578	\$ 32,717,633	\$ 54,417,211	\$ 1,145,654

See accompanying notes to financial statements.

CITY OF MIDDLETON

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2006

	General	Debt Service	TIF District No. 3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 3,989,741	\$ -	\$ 1,526,242	\$ 4,031,561	\$ 3,315,899	\$ 12,863,443
Receivables (net)						
Taxes	9,876,946	-	8,666,062	-	-	18,543,008
Delinquent taxes	99,208	-	-	-	-	99,208
Accounts	234,228	-	274,763	140,862	203,984	853,837
Interest	110,664	-	13,097	-	8,182	131,943
Loans	-	-	1,772,029	-	74,252	1,846,281
Special assessments	15,220	-	2,521,944	-	-	2,537,164
Delinquent special assessments	708	-	-	-	-	708
Due from other funds	26,628	-	759,844	25,537	2,804	814,813
Due from other governments	7,422	-	-	-	-	7,422
Due from component unit	-	-	1,790,291	-	-	1,790,291
Advances to other funds	2,775,497	-	-	-	-	2,775,497
TOTAL ASSETS	\$ 17,136,262	\$ -	\$ 17,324,272	\$ 4,197,960	\$ 3,605,121	\$ 42,263,615
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 487,089	\$ -	\$ 2,050,905	\$ 375,539	\$ 34,422	\$ 2,947,955
Due to other governments	15,906	-	-	-	-	15,906
Due to other funds	154,819	-	-	-	29,432	184,251
Deferred revenue	9,783,980	-	10,668,312	95,000	-	20,547,292
Deferred special assessments	15,928	-	2,521,944	-	-	2,537,872
Deferred interest income	856,861	-	-	-	-	856,861
Advances from other funds	-	-	1,767,328	-	-	1,767,328
Total Liabilities	11,314,583	-	17,008,489	470,539	63,854	28,857,465
Fund Balances						
Reserved for:						
Loans receivable	-	-	1,772,029	-	-	1,772,029
Delinquent personal property taxes	99,208	-	-	-	-	99,208
Advances	1,918,636	-	-	-	-	1,918,636
Debt service	-	-	1,613,905	-	-	1,613,905
Unreserved and designated, reported in:						
General fund	427,000	-	-	-	-	427,000
Unreserved and undesignated (deficit), reported in:						
General fund	3,376,835	-	-	-	-	3,376,835
Special revenue funds	-	-	-	-	3,541,267	3,541,267
Capital projects funds	-	-	(3,070,151)	3,727,421	-	657,270
Total Fund Balances	5,821,679	-	315,783	3,727,421	3,541,267	13,406,150
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,136,262	\$ -	\$ 17,324,272	\$ 4,197,960	\$ 3,605,121	

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.	65,398,533
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.	5,524,713
Investment (deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.	(213,964)
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.	(62,415,854)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 21,699,578

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, 2006

	General	Debt Service	TIF District No. 3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 9,601,378	\$ -	\$ 7,893,581	\$ -	\$ 596,517	\$ 18,091,476
Intergovernmental	2,484,163	-	386,602	138,817	40,110	3,049,692
Licenses and permits	594,583	-	-	-	-	594,583
Fines, forfeitures and penalties	277,533	-	-	-	-	277,533
Public charges for services	945,663	-	-	-	356,572	1,302,235
Intergovernmental charges for services	311,546	-	-	-	-	311,546
Special assessments	76,682	-	614,404	-	-	691,086
Investment income	638,132	11,026	551,723	-	30,833	1,231,714
Miscellaneous	190,266	-	1,356,553	149,020	124,481	1,820,320
Total Revenues	15,119,946	11,026	10,802,863	287,837	1,148,513	27,370,185
EXPENDITURES						
Current						
General government	1,696,989	-	-	-	67,247	1,764,236
Public safety	5,408,482	-	-	-	14,955	5,423,437
Public works	2,386,681	-	-	-	-	2,386,681
Leisure activities	2,757,753	-	-	-	78,173	2,835,926
Conservation and economic development	309,979	-	-	-	443,968	753,947
Capital Outlay	-	-	4,433,369	3,660,012	-	8,093,381
Debt Service						
Principal retirement	-	6,366,490	790,000	-	-	7,156,490
Debt issuance costs	-	-	-	76,477	-	76,477
Interest and fiscal charges	-	1,767,137	908,773	-	-	2,675,910
Total Expenditures	12,559,884	8,133,627	6,132,142	3,736,489	604,343	31,166,485
Excess (deficiency) of revenues over (under) expenditures	2,560,062	(8,122,601)	4,670,721	(3,448,652)	544,170	(3,796,300)
OTHER FINANCING SOURCES (USES)						
Debt issued	-	-	-	4,330,000	-	4,330,000
Premium on debt issued	-	-	-	98,841	-	98,841
Sale of capital assets	568,518	-	-	-	-	568,518
Transfers in	295,142	8,122,601	-	265,571	713,397	9,396,711
Transfers out	(3,478,249)	-	(5,656,834)	-	(180,788)	(9,315,871)
Total Other Financing Sources (Uses)	(2,614,589)	8,122,601	(5,656,834)	4,694,412	532,609	5,078,199
Net Change in Fund Balance	(54,527)	-	(986,113)	1,245,760	1,076,779	1,281,899
FUND BALANCES - Beginning	5,876,206	-	1,301,896	2,481,661	2,464,488	12,124,251
FUND BALANCES - ENDING	\$ 5,821,679	\$ -	\$ 315,783	\$ 3,727,421	\$ 3,541,267	\$ 13,406,150

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, 2006

Net change in fund balances - total governmental funds	\$ 1,281,899
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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	8,093,381
Less: Some items are reported as capital outlay but are not capitalized	(3,133,751)
Depreciation is reported in the government-wide statements	(1,040,624)
Capital contributions reported in the government-wide statements (infrastructure)	3,192,040
Net book value of assets retired	(190,776)

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.	(399,010)
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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	(4,330,000)
Debt retired	7,156,490

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.	165,518
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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	48,331
Debt issuance costs	(9,980)
Unfunded pension liability	17,874
Accrued interest on debt	12,954

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 10,864,346</u>
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See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2006

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
ASSETS				
Current Assets				
Cash and investments	\$ 3,496,256	\$ 1,681,081	\$ 695,379	\$ 5,872,716
Accounts receivable, net	322,363	379,253	430	702,046
Interest receivable	117,650	63,657	-	181,307
Due from other funds	125,962	78,666	-	204,628
Total Current Assets	<u>4,062,231</u>	<u>2,202,657</u>	<u>695,809</u>	<u>6,960,697</u>
Noncurrent Assets				
Restricted Assets	-	50,100	-	50,100
Other property and investments				
Special assessments receivable	-	2,227,859	-	2,227,859
Property held for future use	301,087	-	-	301,087
Preliminary engineering	77,544	-	-	77,544
Unamortized debt expenses	-	7,754	-	7,754
Capital Assets				
Property and equipment	20,622,916	13,612,306	10,532,083	44,767,305
Less: accumulated depreciation	<u>(5,088,458)</u>	<u>(2,841,489)</u>	<u>(367,959)</u>	<u>(8,297,906)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>15,534,458</u>	<u>10,770,817</u>	<u>10,164,124</u>	<u>36,469,399</u>
Total Noncurrent Assets	<u>15,913,089</u>	<u>13,056,530</u>	<u>10,164,124</u>	<u>39,133,743</u>
Total Assets	<u>19,975,320</u>	<u>15,259,187</u>	<u>10,859,933</u>	<u>46,094,440</u>

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 17,977	\$ 210,500	\$ 11,169	\$ 239,646
Accrued interest	21,906	13,528	112,357	147,791
Accrued compensated absences	9,722	4,789	22,394	36,905
Due to other funds	614,427	220,763	-	835,190
Current portion of long term debt	195,000	155,000	390,000	740,000
Total Current Liabilities	<u>859,032</u>	<u>604,580</u>	<u>535,920</u>	<u>1,999,532</u>
Noncurrent Liabilities				
Accrued compensated absences	22,852	11,255	-	34,107
Advances from other funds	-	-	1,008,168	1,008,168
General obligation debt	1,145,000	715,000	8,475,000	10,335,000
Total Noncurrent Liabilities	<u>1,167,852</u>	<u>726,255</u>	<u>9,483,168</u>	<u>11,377,275</u>
Total Liabilities	<u>2,026,884</u>	<u>1,330,835</u>	<u>10,019,088</u>	<u>13,376,807</u>
NET ASSETS				
Invested in capital assets, net of related debt	14,194,458	9,908,571	2,072,359	26,175,388
Restricted for:				
Equipment replacement	-	50,100	-	50,100
Unrestricted (deficit)	3,753,978	3,969,681	(1,231,514)	6,492,145
TOTAL NET ASSETS	<u>\$ 17,948,436</u>	<u>\$ 13,928,352</u>	<u>\$ 840,845</u>	<u>\$ 32,717,633</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
OPERATING REVENUES				
Charges for services	\$ 1,895,565	\$ 1,667,285	\$ 1,551,184	\$ 5,114,034
Total Operating Revenues	<u>1,895,565</u>	<u>1,667,285</u>	<u>1,551,184</u>	<u>5,114,034</u>
OPERATING EXPENSES				
Operation and maintenance	774,752	1,133,900	1,131,108	3,039,760
Depreciation	<u>388,623</u>	<u>211,322</u>	<u>69,989</u>	<u>669,934</u>
Total Operating Expenses	<u>1,163,375</u>	<u>1,345,222</u>	<u>1,201,097</u>	<u>3,709,694</u>
Operating Income	<u>732,190</u>	<u>322,063</u>	<u>350,087</u>	<u>1,404,340</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	142,644	76,697	-	219,341
Interest expense	(72,149)	(45,356)	(359,394)	(476,899)
Sale of fixed assets	-	-	2,000	2,000
Amortization of debt issuance costs	<u>(3,450)</u>	<u>(1,910)</u>	<u>-</u>	<u>(5,360)</u>
Total Nonoperating Revenues (Expenses)	<u>67,045</u>	<u>29,431</u>	<u>(357,394)</u>	<u>(260,918)</u>
Income (loss) before contributions and transfers	799,235	351,494	(7,307)	1,143,422
Capital contributions	74,531	31,196	-	105,727
Transfers in	-	-	200,000	200,000
Transfers out	<u>(280,840)</u>	<u>-</u>	<u>-</u>	<u>(280,840)</u>
Change in Net Assets	592,926	382,690	192,693	1,168,309
TOTAL NET ASSETS - Beginning	<u>17,355,510</u>	<u>13,545,662</u>	<u>648,152</u>	<u>31,549,324</u>
TOTAL NET ASSETS - ENDING	<u>\$ 17,948,436</u>	<u>\$ 13,928,352</u>	<u>\$ 840,845</u>	<u>\$ 32,717,633</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,651,227	\$ 1,654,407	\$ 1,551,948	\$ 4,857,582
Cash received from city for services	373,144	-	-	373,144
Cash paid to suppliers for goods and services	(497,969)	(1,109,789)	(522,907)	(2,130,665)
Cash paid to employees for services	(275,559)	(96,577)	(606,528)	(978,664)
Net Cash Flows From Operating Activities	<u>1,250,843</u>	<u>448,041</u>	<u>422,513</u>	<u>2,121,397</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash paid for tax equivalent	(582,359)	-	-	(582,359)
Operating transfers from other funds	-	-	200,000	200,000
Net Cash Flows From Noncapital Financing Activities	<u>(582,359)</u>	<u>-</u>	<u>200,000</u>	<u>(382,359)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid	(185,000)	(145,000)	(345,000)	(675,000)
Interest paid	(75,364)	(47,741)	(366,501)	(489,606)
Proceeds from debt issued	-	-	1,200,000	1,200,000
Acquisition and construction of capital assets	(163,807)	(9,404)	(426,765)	(599,976)
Special assessments received	-	-	-	-
Net Cash Flows From Capital and Related Financing Activities	<u>(424,171)</u>	<u>(202,145)</u>	<u>61,734</u>	<u>(564,582)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	111,354	44,637	-	155,991
Investments sold and matured	2,826,647	1,440,648	-	4,267,295
Marketable securities purchased	(2,529,020)	(1,661,629)	-	(4,190,649)
Net Cash Flows From Investing Activities	<u>408,981</u>	<u>(176,344)</u>	<u>-</u>	<u>232,637</u>
Net Increase in Cash and Cash Equivalents	653,294	69,552	684,247	1,407,093
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>313,942</u>	<u>-</u>	<u>11,132</u>	<u>325,074</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 967,236	\$ 69,552	\$ 695,379	\$ 1,732,167

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 732,190	\$ 322,063	\$ 350,087	\$ 1,404,340
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities				
Depreciation expense	388,623	211,322	69,989	669,934
Depreciation charged to sewer utility	41,397	-	-	41,397
Changes in Noncash Components of Working Capital				
Accounts receivable	(1,948)	(14,529)	764	(15,713)
Other accounts receivable	(106)	-	-	(106)
Due from other funds	89,463	1,651	-	91,114
Accounts payable	(4,200)	8,287	5,291	9,378
Accrued compensated absences	5,424	2,673	(3,618)	4,479
Due to other funds	-	(83,426)	-	(83,426)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,250,843</u>	<u>\$ 448,041</u>	<u>\$ 422,513</u>	<u>\$ 2,121,397</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS				
Cash and investments - statement of net assets - proprietary funds	\$ 3,496,256	\$ 1,681,081	\$ 695,379	\$ 5,872,716
Restricted cash and investments - statement of net assets - proprietary funds	-	50,100	-	50,100
Less: Non-cash equivalents	<u>(2,529,020)</u>	<u>(1,661,629)</u>	<u>-</u>	<u>(4,190,649)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 967,236</u>	<u>\$ 69,552</u>	<u>\$ 695,379</u>	<u>\$ 1,732,167</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES				
Developer financed additions to utility plant	<u>\$ 72,731</u>	<u>\$ 31,196</u>	<u>\$ -</u>	

See accompanying notes to financial statements.

CITY OF MIDDLETON

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2006**

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 16,345,155
Taxes receivable	9,770,159
Accounts receivable	2,385
Due from other governmental units	<u>95,181</u>
TOTAL ASSETS	<u>\$ 26,212,880</u>
LIABILITIES	
Accounts payable	\$ 152,057
Due to other governmental units	<u>26,060,823</u>
TOTAL LIABILITIES	<u>\$ 26,212,880</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2006

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Middleton, Wisconsin conform to generally accepted accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

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 government-wide 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, 2006

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, 2006

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) No. 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 | Community Awareness |
| Land and Park Donations | Retirement Benefits |
| Drug Evidence | Airport |
| Cable TV | Economic Development Grant |
| Youth Commission Donations | Shop With a Cop |
| EMS | Drug Forfeitures |
| Lost and Damaged Book | Federal Seizures |
| Library Gift | Senior Citizen |
| EMS Equipment Replacement | Tourism Commission |
| Library Endowment | National Night Out |

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2006

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, 2006

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, 2006

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:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. 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.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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

1. Deposits and Investments (cont.)

- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. 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, 2006, 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 fiduciary net assets.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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

2. Receivables (cont.)

Property tax calendar – 2006 tax roll:

Lien date and levy date	December 2006
Tax bills mailed	December 2006
Payment in full, or	January 31, 2007
First installment due	January 31, 2007
Second installment due	July 31, 2007
Personal property taxes in full	January 31, 2007
Tax sale – 2006 delinquent real estate taxes	October 2009

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, 2006

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

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 and/or for 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

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. 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, 2006

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

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, 2006

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

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 \$67,247. The number of participants currently eligible to receive benefits is 14.

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, 2006 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, 2006

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

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

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

Fund Statements

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

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 28, 2005 and became effective January 1, 2006. Sewer rates are adjusted annually for rate changes from Madison Metropolitan Sewerage District.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “some liabilities, including long-term debt are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$62,415,854 difference are as follows:

Bonds and notes payable	\$ 43,988,388
Unfunded pension liability	286,252
Compensated absences	1,675,856
Capital leases payable	15,685,000
Accrued interest	642,094
Accrued interest - due to component unit	203,132
Unamortized debt issuance costs	<u>(64,868)</u>
 Combined Adjustment for Long-Term Liabilities	 <u>\$ 62,415,854</u>

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

A budget has been adopted for the general fund, debt service fund, certain special revenue funds, and capital projects funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

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. 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, 2006

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	\$ -		\$ 310,571		\$ 310,571
Land and park donations	-		9,934		9,934
Drug evidence	-		4,159		4,159
Cable TV	-		61,614		61,614
Youth commission donations	-		1,071		1,071
Lost and damaged book	-		18,679		18,679
Library gift	-		1,089		1,089
Community awareness	-		5,131		5,131
Retirement benefits	-		67,247		67,247
Shop with a cop	-		2,904		2,904
Federal seizures	-		10,796		10,796
Senior citizen	-		5,554		5,554
National night out	-		1,255		1,255

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, 2006, the following individual fund held a deficit balance:

Special Revenue Fund

Federal seizures \$ (2,804) Excess expenditures over revenues.

This deficit is anticipated to be funded by miscellaneous revenues.

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, 2006

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	\$ 14,031,078	\$ 13,763,441	Custodial credit
Money market	1,024,614	1,024,614	Custodial credit
U.S. agencies	1,079,730	1,081,148	Credit, custodial credit, interest rate
Mutual funds	16,282,358	16,282,358	Credit, interest rate
Other external investment pool – Madison Community Foundation	180,261	180,261	Credit, interest rate
LGIP	2,532,898	2,532,898	Credit, interest rate
Petty cash	481	-	N/A
Total Cash and Investments	\$ 35,131,420	\$ 34,864,720	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 18,736,165		
Restricted cash and investments	50,100		
Per statement of net assets –			
Fiduciary Funds			
Agency	16,345,155		
Total Cash and Investments	\$ 35,131,420		

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, 2006

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

A. DEPOSITS AND INVESTMENTS (cont.)

The Madison Community Foundation ("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 Foundation with respect to investment of city assets. The Foundation reports the fair value of its underlying assets annually. At December 31, 2006, 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, 2006, \$14,238,089 of the city's total bank balances of \$14,788,055 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 14,238,089</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, 2006 the city's investments were exposed to custodial credit risk as follows:

U.S. Agencies

Neither insured nor registered and held by counterparty	<u>\$ 1,081,148</u>
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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2006, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & 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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2006, 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>\$ 1,081,148</u>	<u>\$ -</u>	<u>\$ 282,830</u>	<u>\$ 798,318</u>

The city also had \$2,532,898 invested in the local government investment pool, which had a weighted average maturity of 32 days. In addition, the city had \$180,261 in another external investment pool (Madison Community Foundation), which is made up primarily of equity securities that do not have a determinable maturity date.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

B. RECEIVABLES

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

	General	TIF District No. 3	Capital Projects	Water	Sewer	Pleasant View Golf Course	Nonmajor and Other Funds	Totals
Receivables:								
Taxes	\$ 9,876,946	\$ 8,666,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,543,008
Delinquent taxes	99,208	-	-	-	-	-	-	99,208
Accounts	500,137	274,763	140,862	322,363	379,253	430	151,964	1,769,772
Loans	-	1,772,029	-	-	-	-	74,252	1,846,281
Special assessments	15,220	2,521,944	-	-	-	-	-	2,537,164
Delinquent special assessments	708	-	-	-	-	-	-	708
Interest	110,664	13,097	-	117,650	63,657	-	60,202	365,270
Due from other governments	7,422	-	-	-	-	-	-	7,422
Gross Receivables	10,610,305	13,247,895	140,862	440,013	442,910	430	286,418	25,168,833
Less: Allowance for uncollectibles	(265,909)	-	-	-	-	-	-	(265,909)
Net Total Receivables	\$ 10,344,396	\$ 13,247,895	\$ 140,862	\$ 440,013	\$ 442,910	\$ 430	\$ 286,418	\$ 24,902,924
Amounts Not Expected to be Collected Within One Year	\$ 7,685	\$ 4,207,823	\$ -	\$ -	\$ -	\$ -	\$ 64,545	4,280,053

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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>265,909</u>
Total Uncollectibles of the Current Fiscal Year	\$ <u>265,909</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	\$ -	\$ 18,417,312	\$ 18,417,312
Special assessments not yet due	2,537,872	-	2,537,872
Loan receivable	1,741,250	-	1,741,250
Unbilled receivables	260,000	-	260,000
EMS receivable	33,730	-	33,730
Grant revenue	95,000	-	95,000
Interest income (TIF District No. 3)	856,861	-	856,861
Total Deferred/Unearned Revenue for Governmental Funds	\$ 5,524,713	\$ 18,417,312	\$ 23,942,025

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, 2006, 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, 2006

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, 2006:

	2006
Restricted assets replacement account	\$ 50,100

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,412,939	\$ 651,020	\$ -	\$ 7,063,959
Right of way	17,704,605	-	-	17,704,605
Construction in progress	3,233,719	4,000,503	7,234,302	-
Total Capital Assets Not Being Depreciated	27,351,263	4,651,683	7,234,302	24,768,564
Capital assets being depreciated				
Land improvements	5,238,880	838,693	138,700	5,938,873
Buildings	9,216,171	-	-	9,216,171
Machinery and equipment	3,844,406	201,459	312,984	3,732,881
Streets - infrastructure	10,713,545	6,497,077	-	17,210,622
Storm sewers - infrastructure	6,159,515	1,756,974	-	7,916,489
Traffic signals - infrastructure	763,096	131,489	-	894,585
Sidewalks - infrastructure	2,521,842	282,549	-	2,804,391
Bridges - infrastructure	2,058,188	976,260	-	3,034,448
Rail spur - infrastructure	432,375	49,788	-	482,163
Total Capital Assets Being Depreciated	40,948,018	10,734,289	451,684	51,230,623

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Land improvements	\$ (961,001)	\$ (128,140)	\$ 35,246	\$ (1,053,895)
Buildings	(2,406,726)	(172,449)	-	(2,579,175)
Machinery and equipment	(2,097,445)	(299,825)	225,662	(2,171,608)
Streets - infrastructure	(1,841,098)	(197,200)	-	(2,038,298)
Storm sewers - infrastructure	(1,159,519)	(108,803)	-	(1,268,322)
Traffic signals - infrastructure	(300,801)	(32,159)	-	(332,960)
Sidewalks – infrastructure	(916,281)	(53,262)	-	(969,543)
Bridges - infrastructure	(125,096)	(34,321)	-	(159,417)
Rail spur - infrastructure	(12,971)	(14,465)	-	(27,436)
Total Accumulated Depreciation	(9,820,938)	(1,040,624)	260,908	(10,600,654)
 Total Capital Assets, Net of Depreciation	 \$ 58,478,343	 \$ 14,345,268	 \$ 7,425,078	 \$ 65,398,533

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 28,447
Public safety	107,528
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks, bridges and rail spur	593,938
Leisure activities	310,711
 Total Governmental Activities Depreciation Expense	 \$ 1,040,624

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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>
<u>Water Utility</u>				
Capital assets not being depreciated				
Land and land rights	\$ 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	16,955,572	785,352	82,356	17,658,568
Administrative and general assets	<u>494,450</u>	<u>57,474</u>	<u>28,041</u>	<u>523,883</u>
Total Capital Assets				
Being Depreciated	<u>19,790,710</u>	<u>842,826</u>	<u>110,397</u>	<u>20,523,139</u>
Total Capital Assets	<u>19,890,487</u>	<u>842,826</u>	<u>110,397</u>	<u>20,622,916</u>
Less: Accumulated depreciation for				
Source of supply	(229,088)	(10,553)	-	(239,641)
Pumping	(826,001)	(58,978)	-	(884,979)
Treatment	(327,194)	(1,922)	-	(329,116)
Transmission and distribution	(2,968,701)	(318,602)	112,278	(3,175,025)
Administrative and general assets	<u>(434,773)</u>	<u>(52,965)</u>	<u>28,041</u>	<u>(459,697)</u>
Total Accumulated Depreciation	<u>(4,785,757)</u>	<u>(443,020)</u>	<u>140,319</u>	<u>(5,088,458)</u>
Net Water Plant	<u>\$ 15,104,730</u>	<u>\$ 399,806</u>	<u>\$ (29,922)</u>	<u>\$ 15,534,458</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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>
<u>Sewer Utility</u>				
Capital assets not being depreciated				
Land and land rights	\$ 66,830	\$ -	\$ -	\$ 66,830
Capital assets being depreciated				
Collection system	11,777,473	173,627	2,690	11,948,410
Collection system pumping	1,215,786	-	-	1,215,786
Administrative and general assets	369,376	11,904	-	381,280
Total Capital Assets				
Being Depreciated	<u>13,362,635</u>	<u>185,531</u>	<u>2,690</u>	<u>13,545,476</u>
Total Capital Assets	13,429,465	185,531	2,690	13,612,306
Less: Accumulated depreciation	<u>(2,633,343)</u>	<u>(213,822)</u>	<u>5,676</u>	<u>(2,841,489)</u>
Net Sewer Plant	<u>\$ 10,796,122</u>	<u>\$ (28,291)</u>	<u>\$ 2,986</u>	<u>\$ 10,770,817</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Pleasant View Golf Course</u>				
Capital assets not being depreciated				
Land and land rights	\$ 2,216,000	\$ -	\$ -	\$ 2,216,000
Construction in progress	-	383,765	-	383,765
Total Capital Assets Not				
Being Depreciated	2,216,000	383,765	-	2,599,765
Capital assets being depreciated				
Land improvements	7,291,981	-	-	7,291,981
Buildings	208,763	-	-	208,763
Equipment	390,074	46,500	5,000	431,574
Total Capital Assets				
Being Depreciated	<u>7,890,818</u>	<u>46,500</u>	<u>5,000</u>	<u>7,932,318</u>
Total Capital Assets	<u>10,106,818</u>	<u>430,265</u>	<u>5,000</u>	<u>10,532,083</u>
Less: Accumulated depreciation for				
Buildings	(55,676)	(5,219)	-	(60,895)
Land improvements	(76,499)	(19,125)	-	(95,624)
Equipment	(169,295)	(45,645)	3,500	(211,440)
Total Accumulated Depreciation	<u>(301,470)</u>	<u>(69,989)</u>	<u>3,500</u>	<u>(367,959)</u>
Net Golf Course Plant	<u>\$ 9,805,348</u>	<u>\$ 360,276</u>	<u>\$ (1,500)</u>	<u>\$ 10,164,124</u>
Total Net Capital Assets – Business Type Activities	<u>\$ 35,706,200</u>			<u>\$ 36,469,399</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$	388,623
Sewer		211,322
Pleasant View Golf Course		69,989
Total Business-type Activities		
Depreciation Expense	\$	669,934

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	Tourism commission	\$ 26,628	\$ -
Water utility	General	50,616	-
Water utility	Sewer utility	75,346	-
Sewer utility	General	78,666	-
Capital projects	General	25,537	-
TIF District No. 3	Water utility	614,427	-
TIF District No. 3	Sewer utility	145,417	-
Drug forfeitures	Federal seizures	2,804	-
Total – Fund Financial Statements		1,019,441	-
Less: Eliminations		(388,879)	-
Total Government-Wide Financial Statements		\$ 630,562	\$ -

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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

The general fund advanced funds to TIF District No. 3 and is charging interest on the advance at a rate which is 2% over the city's cost of funds. No repayment schedule has been established. Interest on the interfund advance is recorded as a deferred revenue in the general fund until paid by the TIF District. Interest costs on the advance are recorded as an expenditure of the TIF District when the expenditure is incurred. Deferred interest income in the general fund at December 31, 2006 is \$856,861.

The general fund has also advanced funds to the 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.

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	TIF District No. 3	<u>1,767,328</u>	<u>1,767,328</u>
Total – Fund Financial Statements		2,775,496	<u>\$ 2,775,496</u>
Less: Eliminations		<u>(1,767,328)</u>	
Total – Government-Wide Financial Statements		<u>\$ 1,008,168</u>	

The principal purpose of these interfunds is to finance costs incurred in these funds rather than borrowing externally.

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 No. 3 capital projects fund	Component unit – CDA	<u>\$ 1,790,291</u>
--	----------------------	---------------------

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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	\$ 280,840	Payment in lieu of tax
EMS	General	40,000	Ambulance purchase
Retirement benefits	General	664,107	Future retirement benefits
General	Tourism commission	14,302	Expenditure reimbursement
Drug forfeitures	Drug evidence	4,159	Expenditure reimbursement
Shop with a cop	Community awareness	5,131	Expenditure reimbursement
Debt service fund	TIF District No. 3	5,656,834	Debt service
Debt service fund	General	2,424,142	Debt service
Debt service fund	Tourism commission	41,625	Debt service
Capital projects	Subdivider's deposits	115,571	Capital projects
Capital projects	General	150,000	Capital projects
Pleasant View Golf Course	General	200,000	Cover operating costs
Subtotal – Fund Financial Statements		<u>9,596,711</u>	
Less: Fund eliminations		<u>(9,515,871)</u>	
Total Government-Wide Statement of Activities		<u>\$ 80,840</u>	
Government Activity	Business-type Activity	\$ 280,840	
Business-type Activity	Government Activity	<u>(200,000)</u>	
Total		<u>\$ 80,840</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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt	\$ 46,024,878	\$ 4,330,000	\$ 6,366,490	\$ 43,988,388	\$ 6,443,814
Other Liabilities:					
Unfunded pension liability	304,126	20,712	38,586	286,252	36,000
Vested compensated absences	1,724,187	637,951	686,282	1,675,856	630,021
Capital leases	16,475,000	-	790,000	15,685,000	815,000
Total Other Liabilities	18,503,313	658,663	1,514,868	17,647,108	1,481,021
Total Governmental Activities Long-Term Liabilities	\$ 64,528,191	\$ 4,988,663	\$ 7,881,358	\$ 61,635,496	\$ 7,924,835
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt	\$ 10,550,000	\$ 1,200,000	\$ 675,000	\$ 11,075,000	\$ 740,000
Other Liabilities:					
Vested compensated absences	57,624	31,383	17,995	71,012	20,109
Total Business-type Activities Long-Term Liabilities	\$ 10,607,624	\$ 1,231,383	\$ 692,995	\$ 11,146,012	\$ 760,109

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. 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, 2006, was \$124,734,860. Total general obligation debt outstanding at year end was \$55,063,388.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-06
1998 General obligation promissory notes	4-01-98	9-01-08	3.90% – 4.60%	\$ 9,675,000	\$ 1,800,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	6,800,000	2,650,000
2000 General obligation promissory notes	4-01-00	3-01-10	4.80% – 5.20%	6,800,000	5,800,000
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.40%	8,000,000	5,975,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,250,000	5,150,000
2002 State trust fund loan	11-06-02	3-15-19	5.00%	2,170,000	1,912,628
2003 General obligation promissory notes	5-01-03	9-01-13	2.00% – 3.40%	9,980,000	8,355,000
2003 State trust fund loan	1-30-03	3-15-19	5.00%	930,000	810,760
2004 General obligation refunding bond	6-15-04	3-01-12	2.00% – 4.00%	4,540,000	2,450,000
2004 General obligation promissory notes	6-15-04	3-01-14	2.50% – 4.25%	1,910,000	1,555,000
2005 General obligation promissory notes	6-01-05	12-01-11	3.25% – 3.50%	3,300,000	3,200,000
2006 General obligation promissory notes	6-01-06	12-01-13	4.00% – 4.25%	2,000,000	2,000,000
2006 General obligation promissory notes	12-27-06	12-01-14	3.75% – 4.00%	2,330,000	<u>2,330,000</u>
Total Governmental Activities – General Obligation Debt					<u>\$ 43,988,388</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-06</u>
Business-type Activities General Obligation Debt					
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	500,000	\$ 170,000
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	5,965,000
2004 General obligation refunding	6-15-04	3-01-12	2.00% – 4.00%	2,040,000	2,040,000
2006 General obligation Promissory notes	12-27-06	12-01-14	3.75% – 4.00%	1,200,000	<u>1,200,000</u>
 Total Business-type Activities – General Obligation Debt					 <u>\$ 11,075,000</u>

Debt service requirements to maturity are as follows:

	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	\$ 6,443,814	\$ 1,687,551	\$ 740,000	\$ 490,781	\$ 9,362,146
2008	6,616,152	1,411,993	795,000	457,358	9,280,503
2009	6,914,562	1,139,320	860,000	416,158	9,330,040
2010	6,793,040	863,270	870,000	373,449	8,899,759
2011	5,776,942	609,397	2,625,000	295,714	9,307,053
2012 – 2016	10,654,169	797,331	5,185,000	697,381	17,333,881
2017 – 2019	<u>789,709</u>	<u>80,251</u>	<u>-</u>	<u>-</u>	<u>869,960</u>
 Totals	 <u>\$ 43,988,388</u>	 <u>\$ 6,589,113</u>	 <u>\$ 11,075,000</u>	 <u>\$ 2,730,841</u>	 <u>\$ 64,383,342</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.I. for the repayment schedule.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Capital Leases

Refer to Note IV.G.

Other Debt Information

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.

G. LEASE DISCLOSURES

Lessee – Capital Leases

The Tax Increment District No. 3 (TIF District No. 3) is leasing land and other capital assets from the Community Development Authority (CDA). The CDA borrowed \$16,475,000 in revenue bonds for these costs in 2002. The annual lease payments to be paid are the same as the CDA's annual debt service payments on the bonds. See Note IV.I.C. for the repayment schedule. Tax increment revenues generated by TIF District No. 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2006 include the following:

Governmental Activities

Invested in capital assets, net of related debt	
Land	\$ 7,063,959
Right of ways	17,704,605
Other capital assets, net of accumulated depreciation	40,629,969
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(46,168,990)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>19,229,543</u>
Restricted	
Subdivider's deposits	1,273,005
Park improvements	10,871
Police enforcement	15,896
EMS	46,157
Library	217,926
Economic development	253,558
Senior citizens	<u>64,993</u>
Total Restricted	<u>1,882,406</u>
Unrestricted	<u>587,629</u>
Total Governmental Activities Net Assets	<u>\$ 21,699,178</u>

Governmental fund balances reported on the fund financial statements at December 31, 2006 include the following:

Reserved

Major Funds	
General Fund	
Delinquent personal property taxes	\$ 99,208
Advances	<u>1,918,636</u>
Total	<u>\$ 2,017,844</u>
TIF District No. 3 Capital Projects Fund	
Reserved for loans receivable	\$ 1,772,029
Reserved for debt service	<u>1,613,905</u>
Total	<u>\$ 3,385,934</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

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

Governmental Activities (cont.)

Unreserved – Designated	
General Fund	
2007 budget	<u>\$ 427,000</u>
Unreserved – Undesignated (Deficit)	
Major Funds	
General fund	<u>\$ 3,376,835</u>
TIF District No. 3 capital projects fund (deficit)	<u>\$(3,070,151)</u>
Capital projects fund	<u>\$ 3,727,421</u>
Non-Major Funds (Deficit)	
Special Revenue Funds	
Subdividers' deposits	\$ 1,273,005
Land and park donations	10,871
Drug evidence	830
Cable TV	168,046
Youth commission donations	2,917
EMS	46,157
Lost and damaged book	15,856
Library gift	37,665
EMS equipment replacement	284,280
Library endowment	180,261
Retirement benefits	912,810
Airport	142,016
Economic development grant	253,558
Shop with a cop	12,190
Drug forfeitures	15,066
Federal seizures	(2,804)
Senior citizen	64,993
Tourism commission	121,941
National night out	<u>1,609</u>
Total	<u>\$ 3,541,267</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

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

Business-type Activities

Invested in Capital Assets, Net of Related Debt

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

	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Totals</u>
Capital assets	\$ 20,622,916	\$ 13,612,306	\$ 10,532,083	\$ 44,767,305
Accumulated depreciation	<u>(5,088,458)</u>	<u>(2,841,489)</u>	<u>(367,959)</u>	<u>(8,297,906)</u>
Sub-totals	<u>15,534,458</u>	<u>10,770,817</u>	<u>10,164,124</u>	<u>36,469,399</u>
Less:				
Current portion of capital related long-term debt	(195,000)	(155,000)	(390,000)	(740,000)
Long-term portion of capital related long-term debt	(1,145,000)	(715,000)	(8,475,000)	(10,335,000)
Unamortized debt issuance costs	-	7,754	-	7,754
Plus:				
Unspent debt proceeds	<u>-</u>	<u>-</u>	<u>773,235</u>	<u>773,235</u>
Sub-totals	<u>(1,340,000)</u>	<u>(862,246)</u>	<u>(8,091,765)</u>	<u>(10,294,011)</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 14,194,458</u>	<u>\$ 9,908,571</u>	<u>\$ 2,072,359</u>	<u>\$ 26,175,388</u>
Restricted				
Equipment replacement	<u>\$ -</u>	<u>\$ 50,100</u>	<u>\$ -</u>	<u>\$ 50,100</u>
Unrestricted (Deficit)	<u>\$ 3,753,978</u>	<u>\$ 3,969,681</u>	<u>\$ (1,231,514)</u>	<u>\$ 6,492,145</u>

I. COMPONENT UNIT

This report contains the Community Development Authority (CDA), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

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

a. Basis of Accounting/Measurement Focus

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

I. COMPONENT UNIT (cont.)

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	\$ 176,273
Debt reserve fund	<u>1,614,018</u>
 Total	 <u>\$ 1,790,291</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, 2006, the CDA's investments were exposed to custodial credit risk as follows:

U.S. Treasuries

Neither insured nor registered and held by counterparty	<u>\$ 1,690,291</u>
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Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2006, 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>\$ 1,790,291</u>	<u>\$ 1,790,291</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

I. COMPONENT UNIT (cont.)

c. CDA Lease Revenue Bonds

	Balance 1-1-06	Increases	Decreases	Balance 12-31-06
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	\$ -	\$ 380,000	\$ 6,995,000
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	-	410,000	8,690,000
Less: Unamortized debt discounts	(189,540)	-	(12,850)	(176,690)
Totals	\$ 16,285,460	\$ -	\$ 777,150	\$ 15,508,310

Debt service requirements to maturity are as follows:

	Principal	Interest	Totals
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	965,000	664,385	1,629,385
2012 – 2016	5,595,000	2,547,042	8,142,042
2017 – 2020	5,655,000	838,835	6,493,835
Totals	\$ 15,685,000	\$ 7,097,752	\$ 22,782,752

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.

d. Restatement of Net Assets

Net Assets – December 31, 2005 (as reported)	\$ 921,068
Add: To recognize the discounted land sale revenue for land sold in prior years	209,049
Net Assets – January 1, 2006 (as restated)	\$ 1,130,117

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2006

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible city employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.8% of their salary (2.8% for Executives and Elected Officials, 4.9% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for city employees covered by the system for the year ended December 31, 2006 was \$5,981,496; the employer's total payroll was \$6,667,064. The total required contribution for the year ended December 31, 2006 was \$766,294 or 12.8 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, 2005 and 2004 were \$713,812 and \$664,451, 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, 2006 was \$286,252. 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, 2006

NOTE V – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

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

The city is also involved in negotiations with the Wisconsin Department of Natural Resources (DNR) 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, 2006 is a deficit of \$368,904. 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 \$213,964 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, 2006

NOTE V – OTHER INFORMATION (cont.)

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 \$50,083 to the District in 2006. The city has an equity interest (deficit) of \$(213,964) 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2006

NOTE V – OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

Middleton Fire District

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

The governing body is made up of 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 \$518,425 to the District in 2006 for operating expenses. The city believes that the District will continue to provide services in the future at similar rates.

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. SUBSEQUENT EVENT

On July 10, 2007, the city issued \$9,215,000 of Note Anticipation Notes to finance the construction and equipping of a fire station and EMS facility for the Middleton Fire District.

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,526,366	\$ 9,526,366	\$ 9,601,378	\$ 75,012
Intergovernmental	2,423,379	2,423,379	2,484,163	60,784
Licenses and permits	450,440	450,440	594,583	144,143
Fines, forfeitures and penalties	217,000	217,000	277,533	60,533
Public charges for services	758,000	758,000	945,663	187,663
Interdepartmental charges for services	299,420	299,420	311,546	12,126
Special assessments	56,475	56,475	76,682	20,207
Investment income	245,000	245,000	638,132	393,132
Miscellaneous	79,000	79,000	190,266	111,266
Total Revenues	<u>14,055,080</u>	<u>14,055,080</u>	<u>15,119,946</u>	<u>1,064,866</u>
EXPENDITURES				
Current				
General government	1,806,882	1,806,882	1,696,989	109,893
Public safety	5,291,609	5,291,609	5,408,482	(116,873)
Public works	2,508,004	2,508,004	2,386,681	121,323
Leisure activities	2,785,599	2,785,599	2,757,753	27,846
Conservation and development	316,827	316,827	309,979	6,848
Total Expenditures	<u>12,708,921</u>	<u>12,708,921</u>	<u>12,559,884</u>	<u>149,037</u>
Excess of revenues over expenditures	<u>1,346,159</u>	<u>1,346,159</u>	<u>2,560,062</u>	<u>1,213,903</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	314,357	314,357	568,518	254,161
Transfers in	313,648	313,648	295,142	(18,506)
Transfers out	<u>(2,435,164)</u>	<u>(2,435,164)</u>	<u>(3,478,249)</u>	<u>(1,043,085)</u>
Total Other Financing Sources (Uses)	<u>(1,807,159)</u>	<u>(1,807,159)</u>	<u>(2,614,589)</u>	<u>(807,430)</u>
Net Change in Fund Balance	(461,000)	(461,000)	(54,527)	406,473
FUND BALANCE - Beginning	<u>5,876,206</u>	<u>5,876,206</u>	<u>5,876,206</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 5,415,206</u>	<u>\$ 5,415,206</u>	<u>\$ 5,821,679</u>	<u>\$ 406,473</u>

See accompanying notes to required supplementary information.

CITY OF MIDDLETON

GENERAL FUND
 SCHEDULE OF REVENUES COMPARED TO BUDGET - BUDGET AND ACTUAL
 For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
General property tax	\$ 9,300,256	\$ 9,300,256	\$ 9,296,093	\$ (4,163)
Fees in lieu of taxes	44,110	44,110	44,110	-
Room tax	180,000	180,000	255,650	75,650
Interest on taxes	2,000	2,000	5,525	3,525
TOTALS	9,526,366	9,526,366	9,601,378	75,012
INTERGOVERNMENTAL REVENUES				
Shared taxes from state	362,159	362,159	356,856	(5,303)
State aid - road allotment	1,158,826	1,158,826	1,158,826	-
State aid - exempt computer aid	145,840	145,840	143,213	(2,627)
State aid - fire insurance dues	71,000	71,000	78,055	7,055
State aid - expenditure restraint	55,770	55,770	55,770	-
State aid - miscellaneous grants	5,000	5,000	40,613	35,613
Federal and state aid - other	71,500	71,500	71,436	(64)
County aid - library	447,000	447,000	457,622	10,622
County aid - signals	4,500	4,500	2,650	(1,850)
County aid - senior citizens	47,025	47,025	47,074	49
School district payments for liaison officer	54,759	54,759	72,048	17,289
TOTALS	2,423,379	2,423,379	2,484,163	60,784
LICENSES AND PERMITS				
Liquor and malt beverage licenses	31,475	31,475	34,478	3,003
Operators' licenses	6,500	6,500	10,325	3,825
Contractor's licenses	6,000	6,000	6,440	440
Alarm licenses	6,265	6,265	5,915	(350)
Cigarette licenses	150	150	175	25
Bicycle licenses	100	100	116	16
Dog and cat licenses	450	450	2,031	1,581
Cable TV franchise license	130,000	130,000	130,000	-
Other miscellaneous licenses	500	500	747	247
Building permits	150,000	150,000	221,961	71,961
Recycling permits	4,500	4,500	4,843	343
Electrical permits	45,000	45,000	63,713	18,713
Plumbing permits	47,000	47,000	62,692	15,692
Erosion control permits	10,000	10,000	34,510	24,510
Park reservation permits	12,500	12,500	16,637	4,137
TOTALS	450,440	450,440	594,583	144,143
FINES, FORFEITURES AND PENALTIES				
Court penalties	140,000	140,000	185,633	45,633
Parking violations	44,000	44,000	49,055	5,055
Court costs	33,000	33,000	42,845	9,845
TOTALS	217,000	217,000	277,533	60,533

See accompanying notes to required supplementary information.

CITY OF MIDDLETON

GENERAL FUND
 SCHEDULE OF REVENUES COMPARED TO BUDGET - BUDGET AND ACTUAL (cont)
 For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
Clerk fees	\$ 12,000	\$ 12,000	\$ 18,340	\$ 6,340
Police special services	10,000	10,000	13,843	3,843
Police department fees	30,000	30,000	32,655	2,655
Fire false alarms	-	-	4,705	4,705
Ambulance services	300,000	300,000	414,928	114,928
EMS fixed cost abatement	63,000	63,000	63,448	448
Plan commission charges	5,000	5,000	45,324	40,324
Senior citizens	19,000	19,000	28,863	9,863
Swimming pool	224,500	224,500	211,884	(12,616)
Summer recreation	56,500	56,500	59,077	2,577
Public works charges	5,000	5,000	3,349	(1,651)
Other recreation	31,500	31,500	45,547	14,047
Zoning	1,500	1,500	3,700	2,200
TOTALS	758,000	758,000	945,663	187,663
INTERDEPARTMENTAL CHARGES FOR SERVICES				
Administration reimbursements - utilities	96,820	96,820	108,946	12,126
Administration reimbursements - TIF	195,000	195,000	195,000	-
Administration reimbursements - Landfill	5,000	5,000	5,000	-
Administration reimbursements - Fire District	2,600	2,600	2,600	-
TOTALS	299,420	299,420	311,546	12,126
SPECIAL ASSESSMENTS				
Curb, gutter and sidewalks	54,000	54,000	75,695	21,695
Interest on special assessments	2,475	2,475	987	(1,488)
TOTALS	56,475	56,475	76,682	20,207
INVESTMENT INCOME				
Investment income	245,000	245,000	638,132	393,132
MISCELLANEOUS				
Rent of city buildings and offices	18,000	18,000	47,370	29,370
Compensation for loss of fixed assets	-	-	8,443	8,443
Refund of prior year's expenditures	32,000	32,000	90,964	58,964
Sale of materials	4,000	4,000	3,489	(511)
Pool contribution	25,000	25,000	25,000	-
Miscellaneous revenue - MADC	-	-	15,000	15,000
TOTALS	79,000	79,000	190,266	111,266
OTHER FINANCING SOURCES				
Sale of capital assets	314,357	314,357	568,518	254,161
Transfer in - Water Utility	313,648	313,648	295,142	(18,506)
TOTALS	628,005	628,005	863,660	235,655
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 14,683,085	\$ 14,683,085	\$ 15,983,606	\$ 1,300,521

See accompanying notes to required supplementary information.

CITY OF MIDDLETON

GENERAL FUND SCHEDULE OF EXPENDITURES COMPARED TO BUDGET - BUDGET AND ACTUAL For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Council	\$ 41,338	\$ 41,338	\$ 41,429	\$ (91)
Police commission	6,000	6,000	3,332	2,668
Landmarks commission	600	600	87	513
Middleton youth commission	23,935	23,935	23,431	504
Board of review	375	375	136	239
Municipal court	61,705	61,705	60,242	1,463
General administration	550,338	550,338	550,239	99
Contracted services	10,000	10,000	9,050	950
Information technology	341,501	341,501	349,484	(7,983)
Independent auditing	30,000	30,000	39,157	(9,157)
Legal counseling	150,000	150,000	164,231	(14,231)
Special legal counsel	5,000	5,000	10,025	(5,025)
Buildings and grounds	124,159	124,159	109,122	15,037
Illegal taxes and tax refunds	5,000	5,000	31,256	(26,256)
Property and liability insurance	252,500	252,500	255,311	(2,811)
Income continuation insurance	12,000	12,000	12,509	(509)
Contingency	175,431	175,431	-	175,431
Group life insurance	12,000	12,000	11,750	250
Additional expenditures - prior years	5,000	5,000	26,198	(21,198)
TOTALS	<u>1,806,882</u>	<u>1,806,882</u>	<u>1,696,989</u>	<u>109,893</u>
PUBLIC SAFETY				
Police administration	436,810	436,810	433,910	2,900
Police patrol	2,676,249	2,676,249	2,772,873	(96,624)
Code compliance	36,000	36,000	36,997	(997)
Training	25,100	25,100	25,841	(741)
Police uniform allowance and equipment	24,875	24,875	22,153	2,722
School patrol	12,423	12,423	11,395	1,028
Fire suppression	501,290	501,290	518,425	(17,135)
Public fire protection	373,144	373,144	373,144	-
EMS	623,179	623,179	622,311	868
Building inspector	90,894	90,894	87,496	3,398
Electrical inspector	83,681	83,681	85,201	(1,520)
Plumbing inspection	56,401	56,401	56,283	118
Emergency preparedness	4,920	4,920	7,225	(2,305)
Sealer of weights and measures	4,400	4,400	4,400	-
Erosion control enforcement	23,000	23,000	25,441	(2,441)
Communications	319,243	319,243	325,387	(6,144)
TOTALS	<u>5,291,609</u>	<u>5,291,609</u>	<u>5,408,482</u>	<u>(116,873)</u>

CITY OF MIDDLETON

GENERAL FUND

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

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
PUBLIC WORKS				
Machinery	\$ 234,004	\$ 234,004	\$ 188,341	\$ 45,663
Garage	46,200	46,200	46,147	53
Public works salaries and fringes	473,313	473,313	502,258	(28,945)
Protective equipment	2,700	2,700	2,080	620
Engineering	640,561	640,561	591,708	48,853
Street maintenance	47,968	47,968	45,512	2,456
Street cleaning	6,500	6,500	3,538	2,962
Snow and ice control	47,000	47,000	42,886	4,114
Traffic signals	18,000	18,000	21,783	(3,783)
Traffic signs and markings	31,000	31,000	29,784	1,216
Street lighting	75,600	75,600	87,616	(12,016)
Tree and brush	2,000	2,000	1,211	789
Storm sewers	10,500	10,500	3,371	7,129
Mass transit	237,040	237,040	200,000	37,040
Garbage collection	375,000	375,000	376,279	(1,279)
Sanitary landfill	56,500	56,500	50,080	6,420
Recycling	204,118	204,118	194,087	10,031
TOTALS	<u>2,508,004</u>	<u>2,508,004</u>	<u>2,386,681</u>	<u>121,323</u>
LEISURE ACTIVITIES				
Library	1,348,539	1,348,539	1,300,325	48,214
Senior citizens center	344,490	344,490	315,590	28,900
Dining center	2,500	2,500	22,032	(19,532)
Recreation programs and events	45,645	45,645	59,420	(13,775)
Recreation administration	97,661	97,661	100,885	(3,224)
Swimming pool	256,925	256,925	239,880	17,045
Summer recreation	61,500	61,500	87,868	(26,368)
Parks	628,339	628,339	631,753	(3,414)
TOTALS	<u>2,785,599</u>	<u>2,785,599</u>	<u>2,757,753</u>	<u>27,846</u>
CONSERVATION AND DEVELOPMENT				
Water resources	48,800	48,800	20,611	28,189
Conservancy land commission	86,031	86,031	70,671	15,360
Planning commission	181,996	181,996	218,697	(36,701)
TOTALS	<u>316,827</u>	<u>316,827</u>	<u>309,979</u>	<u>6,848</u>
OTHER FINANCING USES				
Transfers out - debt service fund	2,435,164	2,435,164	2,424,142	11,022
Transfers out - retirement benefits fund	-	-	664,107	(664,107)
Transfers out - capital projects fund	-	-	150,000	(150,000)
Transfers out - golf course fund	-	-	200,000	(200,000)
Transfers out - EMS equipment replacement fund	-	-	40,000	(40,000)
TOTALS	<u>2,435,164</u>	<u>2,435,164</u>	<u>3,478,249</u>	<u>(1,043,085)</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ 15,144,085</u>	<u>\$ 15,144,085</u>	<u>\$ 16,038,133</u>	<u>\$ (894,048)</u>

See accompanying notes to required supplementary information.

CITY OF MIDDLETON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2006

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>Original and Amended Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Current Expenditures			
Council	\$ 41,338	\$ 41,429	\$ 91
Information technology	341,501	349,484	7,983
Independent auditing	30,000	39,157	9,157
Legal counseling	150,000	164,231	14,231
Special legal counsel	5,000	10,025	5,025
Illegal taxes and tax refunds	5,000	31,256	26,256
Property and liability insurance	252,500	255,311	2,811
Income continuation insurance	12,000	12,509	509
Additional expenditures – prior years	5,000	26,198	21,198
Police patrol	2,676,249	2,772,873	96,624
Code compliance	36,000	36,997	997
Training	25,100	25,841	741
Fire suppression	501,290	518,425	17,135
Electrical inspector	83,681	85,201	1,520
Emergency preparedness	4,920	7,225	2,305
Erosion control enforcement	23,000	25,441	2,441
Communications	319,243	325,387	6,144
Public works salaries and fringes	473,313	502,258	28,945
Traffic signals	18,000	21,783	3,783
Street lighting	75,600	87,616	12,016
Garbage collection	375,000	376,279	1,279
Dining center	2,500	22,032	19,532
Recreation programs and events	45,645	59,420	13,775
Recreation administration	97,661	100,885	3,224
Summer recreation	61,500	87,868	26,368
Parks	628,339	631,753	3,414
Planning commission	181,996	218,697	36,701
Transfers out – retirement benefits fund	-	664,107	664,107
Transfers out – capital projects fund	-	150,000	150,000
Transfers out – golf course fund	-	200,000	200,000
Transfers out – EMS equipment replacement fund	-	40,000	40,000

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

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006

	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
ASSETS										
Cash and investments	\$ 1,285,735	\$ 10,871	\$ 830	\$ 116,026	\$ 2,917	\$ 46,157	\$ 15,232	\$ 37,665	\$ 276,098	\$ 180,261
Accounts receivable	-	-	-	52,020	-	-	832	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	8,182	-
Loans receivable	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,285,735</u>	<u>10,871</u>	<u>\$ 830</u>	<u>\$ 168,046</u>	<u>\$ 2,917</u>	<u>\$ 46,157</u>	<u>\$ 16,064</u>	<u>\$ 37,665</u>	<u>\$ 284,280</u>	<u>\$ 180,261</u>
LIABILITIES AND FUND BALANCES										
Accounts payable	\$ 12,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>12,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances										
Unreserved										
Undesignated (deficit)	1,273,005	10,871	830	168,046	2,917	46,157	15,856	37,665	284,280	180,261
Total Fund Balances	<u>1,273,005</u>	<u>10,871</u>	<u>830</u>	<u>168,046</u>	<u>2,917</u>	<u>46,157</u>	<u>15,856</u>	<u>37,665</u>	<u>284,280</u>	<u>180,261</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,285,735</u>	<u>\$ 10,871</u>	<u>\$ 830</u>	<u>\$ 168,046</u>	<u>\$ 2,917</u>	<u>\$ 46,157</u>	<u>\$ 16,064</u>	<u>\$ 37,665</u>	<u>\$ 284,280</u>	<u>\$ 180,261</u>

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)
December 31, 2006

	Special Revenue Funds									Total Nonmajor Governmental Funds
	Retirement Benefits	Airport	Economic Develop- ment Grant	Shop With a Cop	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	National Night Out	
ASSETS										
Cash and investments	\$ 912,810	\$ 142,704	\$ 197,539	\$ 12,190	\$ 12,262	\$ -	\$ 64,993	\$ -	\$ 1,609	\$ 3,315,899
Accounts receivable	-	506	-	-	-	-	-	150,626	-	203,984
Interest receivable	-	-	-	-	-	-	-	-	-	8,182
Loans receivable	-	-	74,252	-	-	-	-	-	-	74,252
Due from other funds	-	-	-	-	2,804	-	-	-	-	2,804
TOTAL ASSETS	\$ 912,810	\$ 143,210	\$ 271,791	\$ 12,190	\$ 15,066	\$ -	\$ 64,993	\$ 150,626	\$ 1,609	\$ 3,605,121
LIABILITIES AND FUND BALANCES										
Accounts payable	\$ -	\$ 1,194	\$ 18,233	\$ -	\$ -	\$ -	\$ -	\$ 2,057	\$ -	\$ 34,422
Due to other funds	-	-	-	-	-	2,804	-	26,628	-	29,432
Total Liabilities	-	1,194	18,233	-	-	2,804	-	28,685	-	63,854
Fund Balances										
Unreserved										
Undesignated (deficit)	912,810	142,016	253,558	12,190	15,066	(2,804)	64,993	121,941	1,609	3,541,267
Total Fund Balances	912,810	142,016	253,558	12,190	15,066	(2,804)	64,993	121,941	1,609	3,541,267
TOTAL LIABILITIES AND FUND BALANCES	\$ 912,810	\$ 143,210	\$ 271,791	\$ 12,190	\$ 15,066	\$ -	\$ 64,993	\$ 150,626	\$ 1,609	\$ 3,605,121

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	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	Community Awareness
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	20,394	-	-	-	-	13,916	-	-	-	-	-
Public charges for services	218,351	-	-	-	-	-	34,679	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	21,316	-
Miscellaneous	-	14,047	-	74,339	-	-	-	5,755	-	-	-
Total Revenues	238,745	14,047	-	74,339	-	13,916	34,679	5,755	-	21,316	-
EXPENDITURES											
Current:											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Leisure activities	-	9,934	-	61,614	1,071	-	-	-	-	-	-
Conservation and development	195,000	-	-	-	-	-	18,679	1,089	-	-	-
Debt service:											
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	195,000	9,934	-	61,614	1,071	-	18,679	1,089	-	-	-
Excess (deficiency) of revenues over expenditures	43,745	4,113	-	12,725	(1,071)	13,916	16,000	4,666	-	21,316	-
OTHER FINANCING SOURCES (USES)											
Transfers In	-	-	-	-	-	-	-	-	40,000	-	-
Transfers Out	(115,571)	-	(4,159)	-	-	-	-	-	-	-	(5,131)
Total Other Financing Sources (Uses)	(115,571)	-	(4,159)	-	-	-	-	-	40,000	-	(5,131)
Net change in fund balance	(71,826)	4,113	(4,159)	12,725	(1,071)	13,916	16,000	4,666	40,000	21,316	(5,131)
FUND BALANCES (DEFICIT) - Beginning of Year	1,344,831	6,758	4,989	155,321	3,988	32,241	(144)	32,999	244,280	158,945	5,131
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 1,273,005	\$ 10,871	\$ 830	\$ 168,046	\$ 2,917	\$ 46,157	\$ 15,856	\$ 37,665	\$ 284,280	\$ 180,261	\$ -

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (cont.)
For the Year Ended December 31, 2006

	Special Revenue Funds									
	Retirement Benefits	Airport	Economic Development Grant	Shop With a Cop	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	National Night Out	Nonmajor Governmental Funds
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 596,517	\$ -	\$ 596,517
Intergovernmental	-	-	-	-	-	-	-	5,800	-	40,110
Public charges for services	-	103,542	-	-	-	-	-	-	-	356,572
Investment income	-	-	9,517	-	-	-	-	-	-	30,833
Miscellaneous	3,157	-	-	4,925	-	-	14,721	5,492	2,045	124,481
Total Revenues	3,157	103,542	9,517	4,925	-	-	14,721	607,809	2,045	1,148,513
EXPENDITURES										
Current:										
General government	67,247	-	-	-	-	-	-	-	-	67,247
Public safety	-	-	-	2,904	-	10,796	-	-	1,255	14,955
Leisure activities	-	-	-	-	-	-	5,554	-	-	78,173
Conservation and development	-	44,616	-	-	-	-	-	184,584	-	443,968
Debt service:										
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	67,247	44,616	-	2,904	-	10,796	5,554	184,584	1,255	604,343
Excess (deficiency) of revenues over expenditures	(64,090)	58,926	9,517	2,021	-	(10,796)	9,167	423,225	790	544,170
OTHER FINANCING SOURCES (USES)										
Transfers In	664,107	-	-	5,131	4,159	-	-	-	-	713,397
Transfers Out	-	-	-	-	-	-	-	(55,927)	-	(180,788)
Total Other Financing Sources (Uses)	664,107	-	-	5,131	4,159	-	-	(55,927)	-	532,609
Net change in fund balance	600,017	58,926	9,517	7,152	4,159	(10,796)	9,167	367,298	790	1,076,779
FUND BALANCES (DEFICIT) - Beginning of Year	312,793	83,090	244,041	5,038	10,907	7,992	55,826	(245,357)	819	2,464,488
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 912,810	\$ 142,016	\$ 253,558	\$ 12,190	\$ 15,066	\$ (2,804)	\$ 64,993	\$ 121,941	\$ 1,609	\$ 3,541,267

CITY OF MIDDLETON

COMBINING STATEMENT OF FIDUCIARY NET ASSETS AGENCY FUNDS December 31, 2006

	Tax Roll	Fire District	MPSISC	Totals
ASSETS				
Cash and investments	\$ 16,163,534	\$ -	\$ 181,621	\$ 16,345,155
Taxes receivable	9,770,159	-	-	9,770,159
Accounts receivable	-	-	2,385	2,385
Due from other governmental units	-	95,181	-	95,181
TOTAL ASSETS	\$ 25,933,693	\$ 95,181	\$ 184,006	\$ 26,212,880
LIABILITIES				
Accounts payable	\$ -	\$ 88,714	\$ 63,343	\$ 152,057
Due to other governmental units	25,933,693	6,467	120,663	26,060,823
TOTAL LIABILITIES	\$ 25,933,693	\$ 95,181	\$ 184,006	\$ 26,212,880

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS - COMPONENT UNIT
For the Year Ended December 31, 2006

	Component Unit - CDA
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from economic loan repayments	\$ 547
Economic and housing loans	(249,640)
Cash received from customers	23,219
Cash paid to suppliers for goods and services	(64,200)
Net Cash Flows From Operating Activities	<u>(290,074)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	42,467
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Paid to primary government	(377,124)
Principal paid	(790,000)
Interest paid	(845,967)
Capital lease interest received	840,040
Capital lease principal received	790,000
Net Cash Flows From Noncapital Financing Activities	<u>(383,051)</u>
Net Decrease in Cash and Cash Equivalents	(630,658)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,863,643</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,232,985</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (15,340)
Changes in Assets and Liabilities	
Loans receivable	(248,262)
Accounts payable	<u>(26,472)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (290,074)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - COMPONENT UNIT	
Cash and investments - statement of net assets - component unit	\$ 442,694
Restricted cash and investments - statement of net assets - component unit	<u>1,790,291</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,232,985</u>

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

The CDA has a long-term receivable with accrued interest of \$10,456.