

**CITY OF MIDDLETON**

Middleton, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2007

# 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, 2007, 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, 2007, 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, Kraun & Company, CP*

Madison, Wisconsin  
July 8, 2008

**CITY OF MIDDLETON**

STATEMENT OF NET ASSETS  
December 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
<b>ASSETS</b>				
Cash and investments	\$ 19,137,163	\$ 5,717,946	\$ 24,855,109	\$ 460,129
Receivables (net of allowance for uncollectibles)				
Taxes	20,321,636	-	20,321,636	-
Delinquent taxes	158,810	-	158,810	-
Accounts	706,038	732,863	1,438,901	-
Interest	152,414	80,271	232,685	6,861
Loans	1,749,262	-	1,749,262	513,195
Special assessments	2,342,977	2,204,182	4,547,159	-
Delinquent special assessments	1,740	-	1,740	-
Due from other governments	10,046	-	10,046	-
Due from primary government	-	-	-	195,418
Due from component unit	1,792,890	-	1,792,890	-
Internal balances-current	(4,308)	4,308	-	-
Internal balances-advances	1,427,174	(1,427,174)	-	-
Prepaid items	1,674	-	1,674	-
Restricted Assets				
Temporarily Restricted				
Cash and investments	-	54,000	54,000	1,792,890
Leases receivable from primary government	-	-	-	14,870,000
Other assets	54,888	446,368	501,256	42,508
Capital Assets				
Land	7,439,100	2,382,607	9,821,707	-
Right of way	18,620,870	-	18,620,870	-
Construction in progress	3,145,540	-	3,145,540	-
Capital assets being depreciated	53,547,211	44,892,018	98,439,229	-
Less: Accumulated depreciation	(11,378,133)	(9,060,044)	(20,438,177)	-
Investment in joint ventures (deficit)	(147,283)	-	(147,283)	-
Total Assets	<u>119,079,709</u>	<u>46,027,345</u>	<u>165,107,054</u>	<u>17,881,001</u>
<b>LIABILITIES</b>				
Accounts payable	2,924,431	290,370	3,214,801	1,653
Accrued liabilities	647,106	143,866	790,972	195,418
Due to other governments	12,149	-	12,149	-
Due to primary government	-	-	-	1,792,890
Due to component unit	195,418	-	195,418	-
Unearned revenue	20,212,196	-	20,212,196	-
Noncurrent Liabilities				
Due within one year	17,360,092	830,954	18,191,046	837,150
Due in more than one year	46,118,748	9,558,919	55,677,667	13,869,010
Total Liabilities	<u>87,470,140</u>	<u>10,824,109</u>	<u>98,294,249</u>	<u>16,696,121</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	25,502,361	27,885,425	53,387,786	-
Restricted for equipment replacement	-	54,000	54,000	-
Restricted for debt service	21,389	-	21,389	-
Restricted for subdivider's deposits	1,664,414	-	1,664,414	-
Restricted for park improvements	36,887	-	36,887	-
Restricted for police enforcement	19,668	-	19,668	-
Restricted for EMS	57,791	-	57,791	-
Restricted for library	244,077	-	244,077	-
Restricted for economic development	270,369	-	270,369	-
Restricted for senior citizens	72,776	-	72,776	-
Unrestricted	<u>3,719,837</u>	<u>7,263,811</u>	<u>10,983,648</u>	<u>1,184,880</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 31,609,569</u>	<u>\$ 35,203,236</u>	<u>\$ 66,812,805</u>	<u>\$ 1,184,880</u>

See accompanying notes to financial statements.

**CITY OF MIDDLETON**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government	\$ 1,673,565	\$ 131,895	\$ 38,776	\$ -	\$ (1,502,894)	\$ -	\$ (1,502,894)	\$ -
Public safety	5,845,401	842,061	83,950	-	(4,919,390)	-	(4,919,390)	-
Public works	5,148,225	560,963	1,254,940	3,217,850	(114,472)	-	(114,472)	-
Leisure activities	4,275,003	371,664	684,753	221,068	(2,997,518)	-	(2,997,518)	-
Conservation and economic development	974,133	42,334	-	-	(931,799)	-	(931,799)	-
Interest and fiscal charges	2,530,545	-	-	-	(2,530,545)	-	(2,530,545)	-
<b>Total Governmental Activities</b>	<b>20,446,872</b>	<b>1,948,917</b>	<b>2,062,419</b>	<b>3,438,918</b>	<b>(12,996,618)</b>	<b>-</b>	<b>(12,996,618)</b>	<b>-</b>
<b>Business-type Activities</b>								
Water	1,223,625	1,938,538	-	920,253	-	1,635,166	1,635,166	-
Sewer	1,483,887	1,705,956	-	602,712	-	824,781	824,781	-
Pleasant View Golf Course	1,763,948	1,823,770	-	-	-	59,822	59,822	-
<b>Total Business-type Activities</b>	<b>4,471,460</b>	<b>5,468,264</b>	<b>-</b>	<b>1,522,965</b>	<b>-</b>	<b>2,519,769</b>	<b>2,519,769</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 24,918,332</b>	<b>\$ 7,417,181</b>	<b>\$ 2,062,419</b>	<b>\$ 4,961,883</b>	<b>(12,996,618)</b>	<b>2,519,769</b>	<b>(10,476,849)</b>	<b>-</b>
<b>Component Unit</b>								
Community Development Authority	\$ 872,317	\$ 23,442	\$ -	\$ -	-	-	-	(848,875)
<b>General Revenues</b>								
<b>Taxes</b>								
Property taxes, levied for general purposes and debt service					9,717,518	-	9,717,518	-
Property taxes, levied for tax increment district					8,283,514	-	8,283,514	-
Other taxes					965,882	-	965,882	-
Cable television franchise fees					218,140	-	218,140	-
Intergovernmental revenues not restricted to specific programs					1,463,512	-	1,463,512	-
Public gifts and/or grants					56,973	-	56,973	-
Investment income					1,420,594	259,088	1,679,682	851,804
Miscellaneous					487,222	-	487,222	36,297
Transfers					293,254	(293,254)	-	-
<b>Total General Revenues and Transfers</b>					<b>22,906,609</b>	<b>(34,166)</b>	<b>22,872,443</b>	<b>888,101</b>
<b>Change in net assets</b>					<b>9,909,991</b>	<b>2,485,603</b>	<b>12,395,594</b>	<b>39,226</b>
<b>NET ASSETS - Beginning</b>					<b>21,699,578</b>	<b>32,717,633</b>	<b>54,417,211</b>	<b>1,145,654</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 31,609,569</b>	<b>\$ 35,203,236</b>	<b>\$ 66,812,805</b>	<b>\$ 1,184,880</b>

See accompanying notes to financial statements.

**CITY OF MIDDLETON**

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2007

	General	Debt Service	TIF District No. 3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 3,537,486	\$ 526,462	\$ 1,464,958	\$ 9,227,596	\$ 4,380,661	\$ 19,137,163
Receivables (net)						
Taxes	10,427,976	-	9,893,660	-	-	20,321,636
Delinquent taxes	158,810	-	-	-	-	158,810
Accounts	188,196	-	-	295,305	222,537	706,038
Interest	118,476	-	25,430	-	8,508	152,414
Loans	-	-	1,684,716	-	64,546	1,749,262
Special assessments	10,041	-	2,332,936	-	-	2,342,977
Delinquent special assessments	1,740	-	-	-	-	1,740
Due from other funds	-	-	-	106,878	4,358	111,236
Due from other governments	10,046	-	-	-	-	10,046
Due from component unit	-	-	1,792,890	-	-	1,792,890
Advances to other funds	2,563,236	-	-	-	-	2,563,236
Prepaid items	1,674	-	-	-	-	1,674
<b>TOTAL ASSETS</b>	<b>\$ 17,017,681</b>	<b>\$ 526,462</b>	<b>\$ 17,194,590</b>	<b>\$ 9,629,779</b>	<b>\$ 4,680,610</b>	<b>\$ 49,049,122</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 784,657	\$ -	\$ 234,801	\$ 1,732,600	\$ 172,373	\$ 2,924,431
Due to other governments	12,149	-	-	-	-	12,149
Due to other funds	111,186	-	-	-	4,358	115,544
Deferred revenue	10,335,402	-	11,549,910	269,863	-	22,155,175
Deferred special assessments	11,781	-	2,332,936	-	-	2,344,717
Deferred interest income	225,594	-	-	-	-	225,594
Advances from other funds	-	-	1,136,062	-	-	1,136,062
<b>Total Liabilities</b>	<b>11,480,769</b>	<b>-</b>	<b>15,253,709</b>	<b>2,002,463</b>	<b>176,731</b>	<b>28,913,672</b>
<b>Fund Balances</b>						
<b>Reserved for:</b>						
Loans receivable	-	-	1,684,716	-	-	1,684,716
Prepaid items	1,674	-	-	-	-	1,674
Delinquent personal property taxes	158,810	-	-	-	-	158,810
Advances	2,337,642	-	-	-	-	2,337,642
Debt service	-	526,462	1,608,636	-	-	2,135,098
Encumbrances	-	-	-	5,031,424	-	5,031,424
<b>Unreserved and designated, reported in:</b>						
General fund	550,000	-	-	-	-	550,000
<b>Unreserved and undesignated (deficit), reported in:</b>						
General fund	2,488,786	-	-	-	-	2,488,786
Special revenue funds	-	-	-	-	4,503,879	4,503,879
Capital projects funds	-	-	(1,352,471)	2,595,892	-	1,243,421
<b>Total Fund Balances</b>	<b>5,536,912</b>	<b>526,462</b>	<b>1,940,881</b>	<b>7,627,316</b>	<b>4,503,879</b>	<b>20,135,450</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,017,681</b>	<b>\$ 526,462</b>	<b>\$ 17,194,590</b>	<b>\$ 9,629,779</b>	<b>\$ 4,680,610</b>	

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

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	71,374,588
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.	4,513,290
Investment (deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.	(147,283)
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.	(64,266,476)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

**\$ 31,609,569**

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, 2007**

	General	Debt Service	TIF District No. 3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 10,039,209	\$ -	\$ 8,283,514	\$ -	\$ 644,191	\$ 18,966,914
Intergovernmental	2,532,286	-	600,309	120,787	21,874	3,275,256
Licenses and permits	680,667	-	-	-	88,140	768,807
Fines, forfeitures and penalties	290,914	-	-	-	1,588	292,502
Public charges for services	1,018,546	-	-	-	1,032,737	2,051,283
Intergovernmental charges for services	365,886	-	-	-	-	365,886
Special assessments	68,529	-	189,008	-	-	257,537
Investment income	1,452,495	-	402,328	226,462	51,947	2,133,232
Miscellaneous	92,559	-	371,898	13,850	91,244	569,551
<b>Total Revenues</b>	<b>16,541,091</b>	<b>-</b>	<b>9,847,057</b>	<b>361,099</b>	<b>1,931,721</b>	<b>28,680,968</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
General government	1,857,444	-	-	-	65,807	1,923,251
Public safety	5,809,136	-	-	-	9,787	5,818,923
Public works	2,790,695	-	-	-	-	2,790,695
Leisure activities	3,012,811	-	-	-	297,316	3,310,127
Conservation and economic development	353,725	-	-	-	555,075	908,800
Capital Outlay	-	-	874,953	5,748,409	-	6,623,362
<b>Debt Service</b>						
Principal retirement	-	6,443,815	815,000	-	-	7,258,815
Debt issuance costs	-	-	-	14,558	-	14,558
Interest and fiscal charges	-	1,689,732	887,716	-	-	2,577,448
<b>Total Expenditures</b>	<b>13,823,811</b>	<b>8,133,547</b>	<b>2,577,669</b>	<b>5,762,967</b>	<b>927,985</b>	<b>31,225,979</b>
Excess (deficiency) of revenues over (under) expenditures	<u>2,717,280</u>	<u>(8,133,547)</u>	<u>7,269,388</u>	<u>(5,401,868)</u>	<u>1,003,736</u>	<u>(2,545,011)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt issued	-	-	-	9,215,000	-	9,215,000
Sale of capital assets	7,734	-	-	-	-	7,734
Transfers in	293,254	8,660,009	-	313,225	290,876	9,557,364
Transfers out	<u>(3,061,358)</u>	<u>-</u>	<u>(5,644,290)</u>	<u>(226,462)</u>	<u>(332,000)</u>	<u>(9,264,110)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>(2,760,370)</u></b>	<b><u>8,660,009</u></b>	<b><u>(5,644,290)</u></b>	<b><u>9,301,763</u></b>	<b><u>(41,124)</u></b>	<b><u>9,515,988</u></b>
<b>SPECIAL ITEM</b>						
Retirement prior service	<u>(241,677)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,677)</u>
<b>Net Change in Fund Balance</b>	<b>(284,767)</b>	<b>526,462</b>	<b>1,625,098</b>	<b>3,899,895</b>	<b>962,612</b>	<b>6,729,300</b>
<b>FUND BALANCES - Beginning</b>	<b><u>5,821,679</u></b>	<b><u>-</u></b>	<b><u>315,783</u></b>	<b><u>3,727,421</u></b>	<b><u>3,541,267</u></b>	<b><u>13,406,150</u></b>
<b>FUND BALANCES - ENDING</b>	<b><u>\$ 5,536,912</u></b>	<b><u>\$ 526,462</u></b>	<b><u>\$ 1,940,881</u></b>	<b><u>\$ 7,627,316</u></b>	<b><u>\$ 4,503,879</u></b>	<b><u>\$ 20,135,450</u></b>

See accompanying notes to financial statements.

## CITY OF MIDDLETON

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2007

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Net change in fund balances - total governmental funds	\$ 6,729,300
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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	6,623,362
Less: Some items are reported as capital outlay but are not capitalized	(2,090,764)
Depreciation is reported in the government-wide statements	(1,223,024)
Capital contributions reported in the government-wide statements (infrastructure)	2,813,355
Net book value of assets retired	(146,874)

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.	(1,011,423)
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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	(9,215,000)
Debt retired	7,258,815

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.	66,681
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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	(173,411)
Debt issuance costs	(9,980)
Unfunded pension liability	286,252
Accrued interest on debt	2,702

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 9,909,991</u></b>
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See accompanying notes to financial statements.

# CITY OF MIDDLETON

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS December 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 3,665,244	\$ 2,052,702	\$ -	\$ 5,717,946
Accounts receivable, net	338,614	391,369	2,880	732,863
Interest receivable	59,454	20,817	-	80,271
Due from other funds	124,813	60,082	-	184,895
<b>Total Current Assets</b>	<u>4,188,125</u>	<u>2,524,970</u>	<u>2,880</u>	<u>6,715,975</u>
<b>Noncurrent Assets</b>				
<b>Restricted assets</b>				
Cash and investments	-	54,000	-	54,000
Special assessments receivable	-	2,204,182	-	2,204,182
<b>Other assets</b>				
Property held for future use	301,087	-	-	301,087
Preliminary engineering	139,437	-	-	139,437
Unamortized debt expenses	-	5,844	-	5,844
<b>Capital assets</b>				
Property and equipment	21,670,974	14,139,293	11,464,358	47,274,625
Less: Accumulated depreciation	<u>(5,513,592)</u>	<u>(3,058,993)</u>	<u>(487,459)</u>	<u>(9,060,044)</u>
<b>Total Capital Assets (Net of Accumulated     Depreciation)</b>	<u>16,157,382</u>	<u>11,080,300</u>	<u>10,976,899</u>	<u>38,214,581</u>
<b>Total Noncurrent Assets</b>	<u>16,597,906</u>	<u>13,344,326</u>	<u>10,976,899</u>	<u>40,919,131</u>
<b>Total Assets</b>	<u>20,786,031</u>	<u>15,869,296</u>	<u>10,979,779</u>	<u>47,635,106</u>

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 38,190	\$ 218,300	\$ 33,880	\$ 290,370
Accrued interest	18,482	10,980	114,404	143,866
Accrued compensated absences	4,891	2,409	28,654	35,954
Due to other funds	106,878	73,709	-	180,587
Current portion of long term debt	205,000	160,000	430,000	795,000
Total Current Liabilities	<u>373,441</u>	<u>465,398</u>	<u>606,938</u>	<u>1,445,777</u>
Noncurrent Liabilities				
Accrued compensated absences	12,676	6,243	-	18,919
Advances from other funds	-	-	1,427,174	1,427,174
General obligation debt	940,000	555,000	8,045,000	9,540,000
Total Noncurrent Liabilities	<u>952,676</u>	<u>561,243</u>	<u>9,472,174</u>	<u>10,986,093</u>
Total Liabilities	<u>1,326,117</u>	<u>1,026,641</u>	<u>10,079,112</u>	<u>12,431,870</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	15,012,382	10,371,144	2,501,899	27,885,425
Restricted for:				
Equipment replacement	-	54,000	-	54,000
Unrestricted (deficit)	<u>4,447,532</u>	<u>4,417,511</u>	<u>(1,601,232)</u>	<u>7,263,811</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 19,459,914</u>	<u>\$ 14,842,655</u>	<u>\$ 900,667</u>	<u>\$ 35,203,236</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, 2007

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,938,538	\$ 1,705,956	\$ 1,823,770	\$ 5,468,264
Total Operating Revenues	<u>1,938,538</u>	<u>1,705,956</u>	<u>1,823,770</u>	<u>5,468,264</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	763,793	1,226,435	1,259,926	3,250,154
Depreciation	397,536	217,504	119,500	734,540
Total Operating Expenses	<u>1,161,329</u>	<u>1,443,939</u>	<u>1,379,426</u>	<u>3,984,694</u>
Operating Income	<u>777,209</u>	<u>262,017</u>	<u>444,344</u>	<u>1,483,570</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	169,566	89,522	-	259,088
Interest expense	(62,296)	(38,038)	(384,522)	(484,856)
Amortization of debt issuance costs	-	(1,910)	-	(1,910)
Total Nonoperating Revenues (Expenses)	<u>107,270</u>	<u>49,574</u>	<u>(384,522)</u>	<u>(227,678)</u>
Income (loss) before contributions and transfers	884,479	311,591	59,822	1,255,892
Capital contributions	920,253	602,712	-	1,522,965
Transfers out	<u>(293,254)</u>	<u>-</u>	<u>-</u>	<u>(293,254)</u>
Change in Net Assets	1,511,478	914,303	59,822	2,485,603
TOTAL NET ASSETS - Beginning	<u>17,948,436</u>	<u>13,928,352</u>	<u>840,845</u>	<u>32,717,633</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 19,459,914</u>	<u>\$ 14,842,655</u>	<u>\$ 900,667</u>	<u>\$ 35,203,236</u>

See accompanying notes to financial statements.

**CITY OF MIDDLETON**

STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,603,480	\$ 1,712,424	\$ 1,821,320	\$ 5,137,224
Cash received from city for services	373,144	-	-	373,144
Cash paid to suppliers for goods and services	(489,010)	(1,125,589)	(559,545)	(2,174,144)
Cash paid to employees for services	(269,308)	(102,075)	(671,409)	(1,042,792)
Net Cash Flows From Operating Activities	<u>1,218,306</u>	<u>484,760</u>	<u>590,366</u>	<u>2,293,432</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advance from general fund	-	-	419,006	419,006
Cash paid for tax equivalent	(280,840)	-	-	(280,840)
Net Cash Flows From Noncapital Financing Activities	<u>(280,840)</u>	<u>-</u>	<u>419,006</u>	<u>138,166</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid	(195,000)	(155,000)	(390,000)	(740,000)
Interest paid	(65,720)	(40,586)	(382,475)	(488,781)
Acquisition and construction of capital assets	(737,320)	(145,417)	(932,276)	(1,815,013)
Capital contributions received	1,800	75,725	-	77,525
Special assessments received	-	23,677	-	23,677
Net Cash Flows From Capital and Related Financing Activities	<u>(996,240)</u>	<u>(241,601)</u>	<u>(1,704,751)</u>	<u>(2,942,592)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	227,762	132,362	-	360,124
Investments sold and matured	1,400,266	1,176,363	-	2,576,629
Marketable securities purchased	(2,076,937)	(911,883)	-	(2,988,820)
Net Cash Flows From Investing Activities	<u>(448,909)</u>	<u>396,842</u>	<u>-</u>	<u>(52,067)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(507,683)</b>	<b>640,001</b>	<b>(695,379)</b>	<b>(563,061)</b>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>967,236</u>	<u>69,552</u>	<u>695,379</u>	<u>1,732,167</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ <u>459,553</u></b>	<b>\$ <u>709,553</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,169,106</u></b>

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income	\$ 777,209	\$ 262,017	\$ 444,344	\$ 1,483,570
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities				
Depreciation expense	397,536	217,504	119,500	734,540
Depreciation charged to sewer utility	41,865	-	-	41,865
Changes in Noncash Components of Working Capital				
Accounts receivable	(10,853)	(12,116)	(2,450)	(25,419)
Other accounts receivable	(7,198)	-	-	(7,198)
Due from other funds	14,272	18,584	-	32,856
Accounts payable	20,482	7,800	22,712	50,994
Accrued compensated absences	(15,007)	(7,392)	6,260	(16,139)
Due to other funds	-	(1,637)	-	(1,637)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 1,218,306</u>	<u>\$ 484,760</u>	<u>\$ 590,366</u>	<u>\$ 2,293,432</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS</b>				
Cash and investments - statement of net assets - proprietary funds	\$ 3,665,244	\$ 2,052,702	\$ -	\$ 5,717,946
Restricted cash and investments - statement of net assets - proprietary funds	-	54,000	-	54,000
Less: Non-cash equivalents	<u>(3,205,691)</u>	<u>(1,397,149)</u>	<u>-</u>	<u>(4,602,840)</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 459,553</u>	<u>\$ 709,553</u>	<u>\$ -</u>	<u>\$ 1,169,106</u>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Developer financed additions to utility plant	<u>\$ 920,253</u>	<u>\$ 526,987</u>	<u>\$ -</u>	

See accompanying notes to financial statements.

**CITY OF MIDDLETON**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
December 31, 2007

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 16,828,659
Taxes receivable	11,379,637
Due from other governmental units	<u>67,593</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 28,275,889</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 84,344
Due to other governmental units	<u>28,191,545</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 28,275,889</u></b>

See accompanying notes to financial statements.

# CITY OF MIDDLETON

## INDEX TO NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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The accounting policies of the City of Middleton, Wisconsin conform to generally accepted accounting principles as applicable to governmental units. 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, 2007

---

### 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% 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% test is at least 5% 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, 2007

---

### 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

Land and Park Donations

Drug Evidence

Cable TV

Youth Commission Donations

EMS

Lost and Damaged Book

Library Gift

EMS Equipment Replacement

Library Endowment

Retirement Benefits

Airport

Economic Development Grant

Shop With a Cop

Drug Forfeitures

Federal Seizures

Senior Citizen

Tourism Commission

National Night Out

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2007

---

### 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, 2007

---

### 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, 2007

---

### 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, 2007

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### 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, 2007, 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, 2007

---

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

---

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

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

Property tax calendar – 2007 tax roll:

Lien date and levy date	December 2007
Tax bills mailed	December 2007
Payment in full, or	January 31, 2008
First installment due	January 31, 2008
Second installment due	July 31, 2008
Personal property taxes in full	January 31, 2008
Tax sale – 2007 delinquent real estate taxes	October 2010

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, 2007

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

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

##### **3. Inventories and Prepaid Items**

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction 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, 2007

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

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

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

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

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

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

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

**Fund Financial Statements**

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

**6. Other Assets**

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

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2007

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### 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 \$65,807. 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, 2007 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, 2007

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

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

##### **9. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

##### **10. Equity Classifications**

###### **Government-Wide Statements**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (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, 2007. Sewer rates are adjusted for rate changes from Madison Metropolitan Sewerage District.

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “some liabilities, including long-term debt are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$64,124,439 difference are as follows:

Bonds and notes payable	\$ 46,759,573
Compensated absences	1,849,267
Capital leases payable	14,870,000
Accrued interest	647,106
Accrued interest - due to component unit	195,418
Unamortized debt issuance costs	<u>(54,888)</u>
 Combined Adjustment for Long-Term Liabilities	 <u>\$ 64,266,476</u>

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

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#### A. BUDGETARY INFORMATION

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

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

The budgeted amounts presented include any amendments made. The city administrator may authorize transfers of budgeted amounts between departments up to \$1,000. Transfers exceeding \$1,000 between departments and changes to the overall budget must be approved by a two-thirds council action. 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, 2007

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

##### **B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The following individual funds experienced excess expenditures over appropriations.

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General Fund	\$ 13,792,197	\$ 14,065,488	\$ 273,291
Special Revenue Funds			
Subdivider's deposits	-	498,301	498,301
Land and park donations	-	26,852	26,852
Drug evidence	-	2,816	2,816
Cable TV	-	16,817	16,817
Youth commission donations	-	822	822
Lost and damaged book	-	13,411	13,411
Library gift	-	1,498	1,498
Library endowment	-	10,985	10,985
Retirement benefits	-	65,807	65,807
Shop with a cop	-	4,101	4,101
Federal seizures	-	1,554	1,554
Senior citizen	-	3,950	3,950
National night out	-	1,316	1,316

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, 2007, the following individual fund held a deficit balance:

##### ***Special Revenue Fund***

Federal seizures                      \$     4,358    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 20 (2007), 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 3.86% for the 2007 levy collected in 2008 and 2% for the 2008 levy collected in 2009. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2008 levy.

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**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	\$ 16,360,338	\$ 16,835,063	Custodial credit
Money market	780,038	780,038	Custodial credit
U.S. agencies	402,006	402,006	Credit, custodial credit, interest rate
Mutual funds	19,807,604	19,807,604	Credit, interest rate
Other external investment pool – Madison Community Foundation	199,655	199,655	Credit, interest rate
LGIP	4,187,652	4,187,652	Credit, interest rate
Petty cash	475	-	N/A
 Total Cash and Investments	 \$ 41,737,768	 \$ 42,212,018	
 Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 24,855,109		
Restricted cash and investments	54,000		
Per statement of net assets –			
Fiduciary Funds			
Agency	16,828,659		
 Total Cash and Investments	 \$ 41,737,768		

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, 2007

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

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

The Madison Community Foundation ("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, 2007, 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, 2007, \$16,285,097 of the city's total bank balances of \$16,835,063 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 16,285,097</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, 2007, the city's investments were exposed to custodial credit risk as follows:

#### U.S. Agencies

Neither insured nor registered and held by counterparty	<u>\$ 780,038</u>
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**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**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, 2007, the city's investments were rated as follows:

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

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

- Local Government Investment Pool
- Madison Community Foundation

***Interest Rate Risk***

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

As of December 31, 2007, 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>12-63</u>
U.S. agencies	\$ 402,006	\$ 2,038	\$ 99,875	\$ 399,968

The city also had \$4,187,652 invested in the local government investment pool, which had a weighted average maturity of 56 days. In addition, the city had \$199,655 in another external investment pool (Madison Community Foundation), which is made up primarily of equity securities that do not have a determinable maturity date.

See Note I.D.1. for further information on deposit and investment policies.

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**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:

	<u>General</u>	<u>TIF District No. 3</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Receivables:								
Taxes	\$ 10,427,976	\$ 9,893,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,321,636
Delinquent taxes	158,810	-	-	-	-	-	-	158,810
Accounts	378,182	-	295,305	338,614	391,369	2,880	222,537	1,628,887
Loans	-	1,684,716	-	-	-	-	64,546	1,749,262
Special assessments	10,041	2,332,936	-	-	2,204,182	-	-	4,547,159
Delinquent special assessments	1,740	-	-	-	-	-	-	1,740
Interest	118,476	25,430	-	59,454	20,817	-	8,508	232,685
Due from other governments	<u>10,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,046</u>
Gross Receivables	11,105,271	13,936,742	295,305	398,068	2,616,368	2,880	295,591	28,650,225
Less: Allowance for uncollectibles	<u>(189,986)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(189,986)</u>
Net Total Receivables	<u>\$ 10,915,285</u>	<u>\$ 13,936,742</u>	<u>\$ 295,305</u>	<u>\$ 398,068</u>	<u>\$ 2,616,368</u>	<u>\$ 2,880</u>	<u>\$ 295,591</u>	<u>\$ 28,460,239</u>
Amounts Not Expected to be Collected Within One Year	<u>\$ -</u>	<u>\$ 4,539,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,204,182</u>	<u>\$ -</u>	<u>\$ 64,546</u>	<u>\$ 6,808,622</u>

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**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>189,986</u>
Total Uncollectibles of the Current Fiscal Year	\$	<u><u>189,986</u></u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable for subsequent year	\$ -	\$ 20,212,196	\$ 20,212,196
Special assessments not yet due	2,344,717	-	2,344,717
Loan receivable	1,656,250	-	1,656,250
EMS receivable	16,866	-	16,866
Grant revenue	269,863	-	269,863
Interest income (TIF District No. 3)	<u>225,594</u>	<u>-</u>	<u>225,594</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 4,513,290</u>	<u>\$ 20,212,196</u>	<u>\$ 24,725,486</u>

For economic development loans, the city is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans that it may retain and loan to other businesses. Program income includes the principal and interest received from economic development loans repayments. Based upon its current population, the city may retain \$750,000.

At December 31, 2007, 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, 2007

**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, 2007:

	<u>2007</u>
Restricted assets replacement account	<u>\$ 54,000</u>

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 7,063,959	\$ 375,141	\$ -	\$ 7,439,100
Right of way	17,704,605	916,265	-	18,620,870
Construction in progress	-	3,145,540	-	3,145,540
Total Capital Assets Not Being Depreciated	<u>24,768,564</u>	<u>4,436,946</u>	<u>-</u>	<u>29,205,510</u>
Capital assets being depreciated				
Land improvements	5,938,873	200,395	13,753	6,125,515
Buildings	9,216,171	-	168,531	9,047,640
Machinery and equipment	3,732,881	448,608	388,476	3,793,013
Streets - infrastructure	17,210,622	1,215,965	21,659	18,404,928
Storm sewers - infrastructure	7,916,489	751,592	-	8,668,081
Traffic signals - infrastructure	894,585	-	-	894,585
Sidewalks - infrastructure	2,804,391	210,067	-	3,014,458
Bridges - infrastructure	3,034,448	82,380	-	3,116,828
Rail spur - infrastructure	482,163	-	-	482,163
Total Capital Assets Being Depreciated	<u>51,230,623</u>	<u>2,909,007</u>	<u>592,419</u>	<u>53,547,211</u>

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

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

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental Activities (cont.)</b>				
Less: Accumulated depreciation for				
Land improvements	\$ (1,053,895)	\$ (203,339)	\$ 13,753	\$ (1,243,481)
Buildings	(2,579,175)	(194,490)	7,913	(2,765,752)
Machinery and equipment	(2,171,608)	(293,772)	407,635	(2,057,745)
Streets - infrastructure	(2,038,298)	(257,304)	16,244	(2,279,358)
Storm sewers - infrastructure	(1,268,322)	(133,888)	-	(1,402,210)
Traffic signals - infrastructure	(332,960)	(32,159)	-	(365,119)
Sidewalks - infrastructure	(969,543)	(58,188)	-	(1,027,731)
Bridges - infrastructure	(159,417)	(35,419)	-	(194,836)
Rail spur - infrastructure	(27,436)	(14,465)	-	(41,901)
Total Accumulated Depreciation	<u>(10,600,654)</u>	<u>(1,223,024)</u>	<u>445,545</u>	<u>(11,378,133)</u>
 Total Capital Assets, Net of Depreciation	 <u>\$ 65,398,533</u>	 <u>\$ 6,122,929</u>	 <u>\$ 146,874</u>	 <u>\$ 71,374,588</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 24,959
Public safety	124,411
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks, bridges and rail spur	660,658
Leisure activities	<u>412,996</u>
 Total Governmental Activities Depreciation Expense	 <u>\$ 1,223,024</u>

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

#### D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water Utility</u>				
Capital assets not being depreciated				
Land and land rights	\$ 99,777	\$ -	\$ -	\$ 99,777
Capital assets being depreciated				
Source of supply	319,783	-	-	319,783
Pumping	1,677,663	8,605	500	1,685,768
Treatment	343,242	-	-	343,242
Transmission and distribution	17,658,568	1,040,271	10,300	18,688,539
Administrative and general assets	523,883	9,982	-	533,865
Total Capital Assets				
Being Depreciated	20,523,139	1,058,858	10,800	21,571,197
Total Capital Assets	20,622,916	1,058,858	10,800	21,670,974
Less: Accumulated depreciation for				
Source of supply	(239,641)	(10,553)	-	(250,194)
Pumping	(884,979)	(59,140)	500	(943,619)
Treatment	(329,116)	(1,922)	-	(331,038)
Transmission and distribution	(3,175,025)	(328,423)	10,300	(3,493,148)
Administrative and general assets	(459,697)	(35,896)	-	(495,593)
Total Accumulated Depreciation	(5,088,458)	(435,934)	10,800	(5,513,592)
Net Water Plant	\$ 15,534,458	\$ 622,924	\$ -	\$ 16,157,382

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**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	11,948,410	436,987	-	12,385,397
Collection system pumping	1,215,786	90,000	-	1,305,786
Administrative and general assets	381,280	-	-	381,280
Total Capital Assets				
Being Depreciated	<u>13,545,476</u>	<u>526,987</u>	<u>-</u>	<u>14,072,463</u>
Total Capital Assets	13,612,306	526,987	-	14,139,293
Less: Accumulated depreciation	<u>(2,841,489)</u>	<u>(217,504)</u>	<u>-</u>	<u>(3,058,993)</u>
Net Sewer Plant	<u>\$ 10,770,817</u>	<u>\$ 309,483</u>	<u>\$ -</u>	<u>\$ 11,080,300</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	<u>2,599,765</u>	<u>-</u>	<u>383,765</u>	<u>2,216,000</u>
Capital assets being depreciated				
Land improvements	7,291,981	-	-	7,291,981
Buildings	208,763	1,116,790	-	1,325,553
Equipment	431,574	199,250	-	630,824
Total Capital Assets				
Being Depreciated	<u>7,932,318</u>	<u>1,316,040</u>	<u>-</u>	<u>9,248,358</u>
Total Capital Assets	<u>10,532,083</u>	<u>1,316,040</u>	<u>383,765</u>	<u>11,464,358</u>
Less: Accumulated depreciation for				
Buildings	(60,895)	(41,980)	-	(102,875)
Land improvements	(95,624)	(19,124)	-	(114,748)
Equipment	(211,440)	(58,396)	-	(269,836)
Total Accumulated Depreciation	<u>(367,959)</u>	<u>(119,500)</u>	<u>-</u>	<u>(487,459)</u>
Net Golf Course	<u>\$ 10,164,124</u>	<u>\$ 1,196,540</u>	<u>\$ 383,765</u>	<u>\$ 10,976,899</u>
Total Net Capital Assets – Business Type Activities	<u>\$ 36,469,399</u>			<u>\$ 38,214,581</u>

## CITY OF MIDDLETON

### NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

Depreciation expense was charged to functions as follows:

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

Water	\$ 397,536
Sewer	217,504
Pleasant View Golf Course	<u>119,500</u>
Total Business-type Activities	
Depreciation Expense	<u>\$ 734,540</u>

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

#### **E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Drug forfeitures	Federal seizures	\$ 4,358
Water utility	General	51,104
Water utility	Sewer utility	73,709
Sewer utility	General	60,082
Capital projects	Water utility	<u>106,878</u>
Total – Fund Financial Statements		296,131
Less: Eliminations		<u>(291,823)</u>
Total Government-Wide Financial Statements		<u>\$ 4,308</u>

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

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

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2007

### 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, 2007 is \$225,594.

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	\$ 1,427,174	\$ 1,427,174
General fund	TIF District No. 3	<u>1,136,062</u>	<u>1,136,062</u>
Total – Fund Financial Statements		2,563,236	<u>\$ 2,563,236</u>
Less: Eliminations		<u>(1,136,062)</u>	
Total – Government-Wide Financial Statements		<u>\$ 1,427,174</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>\$ 1,792,890</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, 2007

**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	\$ 293,254	Payment in lieu of tax
EMS	General	40,000	Ambulance purchase
Retirement benefits	General	250,876	Future retirement benefits
Debt service fund	TIF District No. 3	5,331,065	Debt service
Debt service fund	General	2,770,482	Debt service
Debt service fund	Tourism commission	332,000	Debt service
Debt service fund	Capital projects	226,462	Debt service
Capital projects	TIF District No. 3	<u>313,225</u>	Capital projects
Subtotal – Fund Financial Statements		9,557,364	
Less: Fund eliminations		<u>(9,264,110)</u>	
Total Government-Wide Statement of Activities		<u>\$ 293,254</u>	
Government Activity	Business-type Activity	\$ 293,254	
Business-type Activity	Government Activity	<u>-</u>	
Total		<u>\$ 293,254</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, 2007

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

#### F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation debt	\$ 43,988,388	\$ -	\$ 6,443,815	\$ 37,544,573	\$ 6,616,152
Note anticipation notes	-	9,215,000	-	9,215,000	9,215,000
Total Bonds and Notes Payable	43,988,388	9,215,000	6,443,815	46,759,573	15,831,152
Other Liabilities:					
Unfunded pension liability	286,252	-	286,252	-	-
Vested compensated absences	1,675,856	803,432	630,021	1,849,267	678,940
Capital leases	15,685,000	-	815,000	14,870,000	850,000
Total Other Liabilities	17,647,108	803,432	1,731,273	16,719,267	1,528,940
Total Governmental Activities Long-Term Liabilities	\$ 61,635,496	\$ 10,018,432	\$ 8,175,088	\$ 63,478,840	\$ 17,360,092
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation debt	\$ 11,075,000	\$ -	\$ 740,000	\$ 10,335,000	\$ 795,000
Other Liabilities:					
Vested compensated absences	71,012	3,970	20,109	54,873	35,954
Total Business-type Activities Long-Term Liabilities	\$ 11,146,012	\$ 3,970	\$ 760,109	\$ 10,389,873	\$ 830,954

#### **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, 2007, was \$135,685,325. Total general obligation debt outstanding at year end was \$57,094,573.

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**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 12-31-07
1998 General obligation promissory notes	4-01-98	9-01-08	3.90% – 4.60%	\$ 9,675,000	\$ 800,000
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	6,800,000	2,000,000
2000 General obligation promissory notes	4-01-00	3-01-10	4.80% – 5.20%	6,800,000	4,800,000
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.40%	8,000,000	5,250,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,250,000	4,750,000
2002 State trust fund loan	11-06-02	3-15-19	5.00%	2,170,000	1,804,604
2003 General obligation promissory notes	5-01-03	9-01-13	2.00% – 3.40%	9,980,000	7,510,000
2003 State trust fund loan	1-30-03	3-15-19	5.00%	930,000	764,969
2004 General obligation refunding bond	6-15-04	3-01-12	2.00% – 4.00%	4,540,000	1,080,000
2004 General obligation promissory notes	6-15-04	3-01-14	2.50% – 4.25%	1,910,000	1,355,000
2005 General obligation promissory notes	6-01-05	12-01-11	3.25% – 3.50%	3,300,000	3,100,000
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>
<b>Total Governmental Activities – General Obligation Debt</b>					<b><u>\$ 37,544,573</u></b>

## CITY OF MIDDLETON

### NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

##### **General Obligation Debt (cont.)**

Business-type Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-07
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	\$ 500,000	\$ 115,000
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	5,575,000
2004 General obligation refunding	6-15-04	3-01-12	2.00% – 4.00%	2,040,000	1,745,000
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>\$ 10,335,000</u>

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt		Totals
	Principal	Interest	Principal	Interest	
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	5,616,032	578,827	1,000,000	211,314	7,406,173
2013 – 2017	5,288,636	469,302	4,185,000	486,067	10,429,005
2018 – 2019	<u>539,209</u>	<u>40,767</u>	-	-	<u>579,976</u>
Totals	<u>\$ 37,544,573</u>	<u>\$ 5,112,876</u>	<u>\$ 10,335,000</u>	<u>\$ 2,240,060</u>	<u>\$ 55,232,509</u>

Estimated payments of accumulated employee benefits and other commitments are not included in the above schedule. The note anticipation notes are included in the next section. 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, 2007

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

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

**Note Anticipation Notes**

Note anticipation notes at December 31, 2007, consist of the following:

<u>Governmental Activities Note Anticipation Notes</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-07</u>
Note anticipation notes – general obligation	7-10-07	7-01-08	4.00%	\$ 9,215,000	<u>\$ 9,215,000</u>

These notes were issued to finance the cost of the new fire/EMS building and were refinanced on June 2, 2008. See Note V.E. regarding this subsequent event.

**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, 2007

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

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

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2007 include the following:

##### **Governmental Activities**

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 71,374,588
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(45,872,227)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>25,502,361</u>
Restricted	
Debt service	21,389
Subdivider's deposits	1,664,414
Park improvements	36,887
Police enforcement	19,668
EMS	57,791
Library	244,077
Economic development	270,369
Senior citizens	<u>72,776</u>
Total Restricted	<u>2,387,371</u>
Unrestricted	<u>3,719,837</u>
Total Governmental Activities Net Assets	<u>\$ 31,609,569</u>

Governmental fund balances reported on the fund financial statements at December 31, 2007 include the following:

##### **Reserved**

###### Major Funds

###### General Fund

Prepaid items	\$ 1,674
Delinquent personal property taxes	158,810
Advances	<u>2,337,642</u>
Total	<u>\$ 2,498,126</u>

###### Debt Service Fund

Debt service	<u>\$ 526,462</u>
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###### TIF District No. 3 Capital Projects Fund

Reserved for loans receivable	\$ 1,684,716
Reserved for debt service	<u>1,608,636</u>
Total	<u>\$ 3,293,352</u>

###### Capital Projects Fund

Reserved for encumbrances	<u>\$ 5,031,424</u>
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**CITY OF MIDDLETON**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

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

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

**Governmental Activities (cont.)**

<b>Unreserved – Designated</b>	
General Fund	
2008 budget	<u>\$ 550,000</u>
<b>Unreserved – Undesignated (Deficit)</b>	
Major Funds	
General fund	<u>\$ 2,488,786</u>
TIF District No. 3 capital projects fund (deficit)	<u>\$(1,352,471)</u>
Capital projects fund	<u>\$ 2,595,892</u>
Non-Major Funds (Deficit)	
Special Revenue Funds	
Subdividers' deposits	\$ 1,664,414
Land and park donations	38,887
Drug evidence	3,014
Cable TV	239,369
Youth commission donations	2,095
EMS	57,791
Lost and damaged book	35,651
Library gift	41,657
EMS equipment replacement	324,280
Library endowment	202,420
Retirement benefits	1,102,471
Airport	199,063
Economic development grant	270,369
Shop with a cop	13,117
Drug forfeitures	16,654
Federal seizures	(4,358)
Senior citizen	72,776
Tourism commission	222,896
National night out	<u>1,313</u>
Total	<u>\$ 4,503,879</u>

## CITY OF MIDDLETON

### NOTES TO FINANCIAL STATEMENTS

December 31, 2007

#### **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.

	Water	Sewer	Pleasant View Golf Course	Totals
Capital assets	\$ 21,670,974	\$ 14,139,293	\$ 11,464,358	\$ 47,274,625
Accumulated depreciation	<u>(5,513,592)</u>	<u>(3,058,993)</u>	<u>(487,459)</u>	<u>(9,060,044)</u>
Sub-totals	<u>16,157,382</u>	<u>11,080,300</u>	<u>10,976,899</u>	<u>38,214,581</u>
Less:				
Current portion of capital related long-term debt	(205,000)	(160,000)	(430,000)	(795,000)
Long-term portion of capital related long-term debt	(940,000)	(555,000)	(8,045,000)	(9,540,000)
Unamortized debt issuance costs	-	5,844	-	5,844
Sub-totals	<u>(1,145,000)</u>	<u>(709,156)</u>	<u>(8,475,000)</u>	<u>(10,329,156)</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 15,012,382</u>	<u>\$ 10,371,144</u>	<u>\$ 2,501,899</u>	<u>\$ 27,885,425</u>
Restricted				
Equipment replacement	<u>\$ -</u>	<u>\$ 54,000</u>	<u>\$ -</u>	<u>\$ 54,000</u>
Unrestricted (Deficit)	<u>\$ 4,447,532</u>	<u>\$ 4,417,511</u>	<u>\$ (1,601,232)</u>	<u>\$ 7,263,811</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, 2007

**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	\$ 183,967
Debt reserve fund	<u>1,608,923</u>
Total	<u><u>\$ 1,792,890</u></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, 2007, the CDA's investments were exposed to custodial credit risk as follows:

U.S. Treasuries

Neither insured nor registered and held by counterparty	<u><u>\$ 1,692,890</u></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, 2007, 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><u>\$ 1,792,890</u></u>	<u><u>\$ 1,792,890</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF MIDDLETON**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

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

**I. COMPONENT UNIT (cont.)**

c. CDA Lease Revenue Bonds

	<u>Balance</u> 1-1-07	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 12-31-07	<u>Amounts Due</u> <u>in Less Than</u> <u>One Year</u>
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 2.60%-4.75%. Principal payments vary. Bonds mature October 1, 2020.	\$ 6,995,000	\$ -	\$ 390,000	\$ 6,605,000	\$ 405,000
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 4.3%-6.65%. Principal payments vary. Bonds mature October 1, 2020.	8,690,000	-	425,000	8,265,000	445,000
Less: Unamortized debt discounts	<u>(176,690)</u>	<u>-</u>	<u>(12,850)</u>	<u>(163,840)</u>	<u>(12,850)</u>
<b>Totals</b>	<u><b>\$ 15,508,310</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 802,150</b></u>	<u><b>\$ 14,706,160</b></u>	<u><b>\$ 837,150</b></u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	664,384	1,629,384
2012	1,010,000	617,836	1,627,836
2013 – 2017	5,885,000	2,253,128	8,138,128
2018 – 2020	<u>4,355,000</u>	<u>514,908</u>	<u>4,869,908</u>
<b>Totals</b>	<u><b>\$ 14,870,000</b></u>	<u><b>\$ 6,285,214</b></u>	<u><b>\$ 21,155,214</b></u>

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

# CITY OF MIDDLETON

## NOTES TO FINANCIAL STATEMENTS December 31, 2007

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### NOTE V – OTHER INFORMATION

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

All eligible city employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.9% of their salary (2.9% for Executives and Elected Officials, 5.0% 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, 2007 was \$6,601,173; the employer's total payroll was \$7,288,634. The total required contribution for the year ended December 31, 2007 was \$885,304 or 13.4% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2006 and 2005 were \$766,294 and \$713,812, 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.

During 2007, the city paid off its pension-related liability. The total amount of the payment was \$241,677. This is reported as a special item in the statement of revenues, expenditures and changes in fund balances – governmental funds.

#### **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, 2007

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

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#### **C. COMMITMENTS AND CONTINGENCIES**

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

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, 2007 is a deficit of \$258,392. 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 57%, which amounts to \$147,283 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, 2007

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

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#### **D. JOINT VENTURES**

##### ***Metropolitan Refuse District, Inc.***

The City of Middleton and the Villages of Shorewood Hills and Waunakee jointly operate the local sanitary landfill, which is called the Metropolitan Refuse District, Inc. The landfill stopped accepting waste in 1997. The communities share in the operation of the District based on estimated population as follows:

City of Middleton	57%
Village of Shorewood Hills	6
Village of Waunakee	37

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 \$72,675 to the District in 2007. The city has an equity interest (deficit) of \$(147,283) 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, 2007

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

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##### ***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 \$560,061 to the District in 2007 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 EVENTS***

The city issued \$6,530,000 general obligation refunding bonds, Series 2008A, to refund a portion of the 2007 note anticipation notes. The refunding bonds were dated June 2, 2008 and are due December 1, 2027 with an average interest rate of 3.917%.

The city issued \$2,000,000 general obligation promissory notes dated June 2, 2008 and are due December 1, 2017 with an average interest rate of 3.829%.

**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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 10,005,947	\$ 10,005,947	\$ 10,039,209	\$ 33,262
Intergovernmental	2,526,856	2,526,856	2,532,286	5,430
Licenses and permits	478,465	478,465	680,667	202,202
Fines, forfeitures and penalties	241,000	241,000	290,914	49,914
Public charges for services	904,600	904,600	1,018,546	113,946
Interdepartmental charges for services	302,600	302,600	365,886	63,286
Special assessments	67,000	67,000	68,529	1,529
Investment income	1,250,000	1,250,000	1,452,495	202,495
Miscellaneous	135,000	135,000	92,559	(42,441)
<b>Total Revenues</b>	<u>15,911,468</u>	<u>15,911,468</u>	<u>16,541,091</u>	<u>629,623</u>
<b>EXPENDITURES</b>				
Current				
General government	1,989,225	1,989,225	1,857,444	131,781
Public safety	5,721,248	5,721,248	5,809,136	(87,888)
Public works	2,718,452	2,718,452	2,790,695	(72,243)
Leisure activities	2,995,349	2,995,349	3,012,811	(17,462)
Conservation and development	367,923	367,923	353,725	14,198
<b>Total Expenditures</b>	<u>13,792,197</u>	<u>13,792,197</u>	<u>13,823,811</u>	<u>(31,614)</u>
Excess of revenues over expenditures	<u>2,119,271</u>	<u>2,119,271</u>	<u>2,717,280</u>	<u>598,009</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	7,734	7,734
Transfers in	295,000	295,000	293,254	(1,746)
Transfers out	(2,841,271)	(2,841,271)	(3,061,358)	(220,087)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,546,271)</u>	<u>(2,546,271)</u>	<u>(2,760,370)</u>	<u>(214,099)</u>
Net Change in Fund Balance	(427,000)	(427,000)	(43,090)	383,910
<b>SPECIAL ITEM</b>				
Retirement prior service	-	-	(241,677)	241,677
FUND BALANCE - Beginning	<u>5,821,679</u>	<u>5,821,679</u>	<u>5,821,679</u>	<u>406,473</u>
FUND BALANCE - ENDING	<u>\$ 5,394,679</u>	<u>\$ 5,394,679</u>	<u>\$ 5,536,912</u>	<u>\$ 1,032,060</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>TAXES</b>				
General property tax	\$ 9,714,837	\$ 9,714,837	\$ 9,717,518	\$ 2,681
Fees in lieu of taxes	44,110	44,110	44,110	-
Room tax	244,000	244,000	276,082	32,082
Interest on taxes	3,000	3,000	1,499	(1,501)
<b>TOTALS</b>	<u>10,005,947</u>	<u>10,005,947</u>	<u>10,039,209</u>	<u>33,262</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
Shared taxes from state	364,067	364,067	353,610	(10,457)
State aid - road allotment	1,248,631	1,248,631	1,248,542	(89)
State aid - exempt computer aid	135,000	135,000	137,289	2,289
State aid - fire insurance dues	85,000	85,000	72,099	(12,901)
State aid - miscellaneous grants	10,000	10,000	23,060	13,060
Federal and state aid - other	71,400	71,400	71,364	(36)
County aid - library	505,700	505,700	512,295	6,595
County aid - signals	6,000	6,000	2,398	(3,602)
County aid - senior citizens	45,625	45,625	46,075	450
School district payments for liaison officer	55,433	55,433	65,554	10,121
<b>TOTALS</b>	<u>2,526,856</u>	<u>2,526,856</u>	<u>2,532,286</u>	<u>5,430</u>
<b>LICENSES AND PERMITS</b>				
Liquor and malt beverage licenses	33,000	33,000	37,592	4,592
Operators' licenses	9,000	9,000	9,000	-
Contractor's licenses	6,000	6,000	5,750	(250)
Alarm licenses	6,265	6,265	6,300	35
Cigarette licenses	150	150	180	30
Bicycle licenses	100	100	114	14
Dog and cat licenses	450	450	3,042	2,592
Cable TV franchise license	130,000	130,000	130,000	-
Other miscellaneous licenses	500	500	1,217	717
Building permits	150,000	150,000	263,973	113,973
Recycling permits	4,500	4,500	3,754	(746)
Electrical permits	50,000	50,000	79,988	29,988
Plumbing permits	50,000	50,000	81,545	31,545
Erosion control permits	25,000	25,000	44,050	19,050
Park reservation permits	13,500	13,500	14,162	662
<b>TOTALS</b>	<u>478,465</u>	<u>478,465</u>	<u>680,667</u>	<u>202,202</u>
<b>FINES, FORFEITURES AND PENALTIES</b>				
Court penalties	160,000	160,000	182,412	22,412
Parking violations	32,000	32,000	43,223	11,223
Court costs	49,000	49,000	65,279	16,279
<b>TOTALS</b>	<u>241,000</u>	<u>241,000</u>	<u>290,914</u>	<u>49,914</u>

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC CHARGES FOR SERVICES</b>				
Clerk fees	\$ 10,000	\$ 10,000	\$ 16,238	\$ 6,238
Police special services	10,000	10,000	14,803	4,803
Police department fees	30,000	30,000	25,883	(4,117)
Fire false alarms	2,000	2,000	-	(2,000)
Ambulance services	415,000	415,000	445,436	30,436
EMS fixed cost abatement	65,000	65,000	77,701	12,701
Plan commission charges	15,000	15,000	33,535	18,535
Senior citizens	19,000	19,000	22,884	3,884
Swimming pool	224,250	224,250	217,905	(6,345)
Summer recreation	63,850	63,850	56,635	(7,215)
Public works charges	3,500	3,500	64,292	60,792
Other recreation	44,500	44,500	41,034	(3,466)
Zoning	2,500	2,500	2,200	(300)
<b>TOTALS</b>	<b>904,600</b>	<b>904,600</b>	<b>1,018,546</b>	<b>113,946</b>
<b>INTERDEPARTMENTAL CHARGES FOR SERVICES</b>				
Administration reimbursements - utilities	100,000	100,000	163,286	63,286
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	-
<b>TOTALS</b>	<b>302,600</b>	<b>302,600</b>	<b>365,886</b>	<b>63,286</b>
<b>SPECIAL ASSESSMENTS</b>				
Curb, gutter and sidewalks	65,000	65,000	67,411	2,411
Interest on special assessments	2,000	2,000	1,118	(882)
<b>TOTALS</b>	<b>67,000</b>	<b>67,000</b>	<b>68,529</b>	<b>1,529</b>
<b>INVESTMENT INCOME</b>				
Investment income	550,000	550,000	752,495	202,495
Interest on advances	700,000	700,000	700,000	-
<b>TOTALS</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>1,452,495</b>	<b>202,495</b>
<b>MISCELLANEOUS</b>				
Rent of city buildings and offices	60,000	60,000	26,776	(33,224)
Compensation for loss of fixed assets	-	-	15,325	15,325
Refund of prior year's expenditures	32,000	32,000	34,566	2,566
Sale of materials	3,000	3,000	892	(2,108)
Pool contribution	25,000	25,000	-	(25,000)
Miscellaneous revenue - MADC	15,000	15,000	15,000	-
<b>TOTALS</b>	<b>135,000</b>	<b>135,000</b>	<b>92,559</b>	<b>(42,441)</b>
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	-	-	7,734	7,734
Transfer in - Water Utility	295,000	295,000	293,254	(1,746)
<b>TOTALS</b>	<b>295,000</b>	<b>295,000</b>	<b>300,988</b>	<b>5,988</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 16,206,468</b>	<b>\$ 16,206,468</b>	<b>\$ 16,842,079</b>	<b>\$ 635,611</b>

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, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>GENERAL GOVERNMENT</b>				
Council	\$ 41,338	\$ 41,338	\$ 41,638	\$ (300)
Police commission	6,000	6,000	3,669	2,331
Landmarks commission	600	600	300	300
Middleton youth commission	23,935	23,935	24,371	(436)
Art committee	3,000	3,000	2,013	987
Board of review	375	375	305	70
Municipal court	73,242	73,242	73,539	(297)
General administration	585,700	585,700	634,202	(48,502)
Contracted services	-	-	500	(500)
Information technology	424,050	424,050	429,479	(5,429)
Independent auditing	33,000	33,000	37,650	(4,650)
Legal counseling	160,000	160,000	195,990	(35,990)
Special legal counsel	5,000	5,000	3,247	1,753
Buildings and grounds	126,941	126,941	124,912	2,029
Illegal taxes and tax refunds	5,000	5,000	5,000	-
Property and liability insurance	261,000	261,000	250,315	10,685
Income continuation insurance	12,000	12,000	13,225	(1,225)
Contingency	211,044	211,044	-	211,044
Group life insurance	12,000	12,000	12,877	(877)
Additional expenditures - prior years	5,000	5,000	4,212	788
<b>TOTALS</b>	<u>1,989,225</u>	<u>1,989,225</u>	<u>1,857,444</u>	<u>131,781</u>
<b>PUBLIC SAFETY</b>				
Police administration	468,254	468,254	472,227	(3,973)
Police patrol	2,868,983	2,868,983	2,945,558	(76,575)
Code compliance	84,690	84,690	75,722	8,968
Training	31,900	31,900	29,934	1,966
Police uniform allowance and equipment	24,875	24,875	18,887	5,988
School patrol	12,423	12,423	10,541	1,882
Fire suppression	563,627	563,627	560,061	3,566
Public fire protection	373,144	373,144	373,144	-
EMS	667,407	667,407	711,012	(43,605)
Building inspector	92,418	92,418	92,070	348
Electrical inspector	84,913	84,913	84,951	(38)
Plumbing inspection	64,638	64,638	68,438	(3,800)
Emergency preparedness	5,720	5,720	3,221	2,499
Sealer of weights and measures	4,600	4,600	4,400	200
Erosion control enforcement	23,000	23,000	30,340	(7,340)
Communications	350,656	350,656	328,630	22,026
<b>TOTALS</b>	<u>5,721,248</u>	<u>5,721,248</u>	<u>5,809,136</u>	<u>(87,888)</u>

See accompanying notes to required supplementary information.

**CITY OF MIDDLETON**

GENERAL FUND

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

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC WORKS</b>				
Machinery	\$ 248,034	\$ 248,034	\$ 196,073	\$ 51,961
Garage	51,500	51,500	46,041	5,459
Public works salaries and fringes	488,601	488,601	578,506	(89,905)
Protective equipment	3,300	3,300	3,082	218
Engineering	689,589	689,589	722,618	(33,029)
Street maintenance	46,000	46,000	38,139	7,861
Street cleaning	6,300	6,300	5,254	1,046
Snow and ice control	60,000	60,000	81,350	(21,350)
Traffic signals	19,400	19,400	21,950	(2,550)
Traffic signs and markings	33,000	33,000	47,452	(14,452)
Street lighting	85,000	85,000	84,334	666
Tree and brush	2,200	2,200	220	1,980
Storm sewers	10,500	10,500	5,603	4,897
Mass transit	283,603	283,603	283,598	5
Garbage collection	397,500	397,500	392,587	4,913
Sanitary landfill	72,675	72,675	72,675	-
Recycling	221,250	221,250	211,213	10,037
TOTALS	<u>2,718,452</u>	<u>2,718,452</u>	<u>2,790,695</u>	<u>(72,243)</u>
<b>LEISURE ACTIVITIES</b>				
Library	1,439,513	1,439,513	1,457,814	(18,301)
Historical society	-	-	550	(550)
Senior citizens center	358,393	358,393	326,380	32,013
Dining center	3,000	3,000	16,512	(13,512)
Recreation programs and events	55,645	55,645	65,080	(9,435)
Recreation administration	110,584	110,584	103,137	7,447
Swimming pool	261,425	261,425	261,107	318
Summer recreation	72,000	72,000	76,633	(4,633)
Parks	694,789	694,789	705,598	(10,809)
TOTALS	<u>2,995,349</u>	<u>2,995,349</u>	<u>3,012,811</u>	<u>(17,462)</u>
<b>CONSERVATION AND DEVELOPMENT</b>				
Water resources	48,800	48,800	40,644	8,156
Conservancy land commission	96,671	96,671	91,843	4,828
Planning commission	222,452	222,452	221,238	1,214
TOTALS	<u>367,923</u>	<u>367,923</u>	<u>353,725</u>	<u>14,198</u>
<b>OTHER FINANCING USES</b>				
Transfers out - debt service fund	2,841,271	2,841,271	2,770,482	70,789
Transfers out - retirement benefits fund	-	-	250,876	(250,876)
Transfers out - EMS equipment replacement fund	-	-	40,000	(40,000)
TOTALS	<u>2,841,271</u>	<u>2,841,271</u>	<u>3,061,358</u>	<u>(220,087)</u>
<b>SPECIAL ITEM</b>				
Retirement prior service	-	-	241,677	(241,677)
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES</b>				
	<u>\$ 16,633,468</u>	<u>\$ 16,633,468</u>	<u>\$ 17,126,846</u>	<u>\$ (493,378)</u>

See accompanying notes to required supplementary information.

# CITY OF MIDDLETON

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2007

### ***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 and other financing uses over appropriations are as follows:

	Original and Amended Budget	Expenditures	Excess
<u>General Fund</u>			
Current Expenditures			
Council	\$ 41,338	\$ 41,638	\$ 300
Middleton Youth Commission	23,935	24,371	436
Municipal court	73,242	73,539	297
General administration	634,202	585,700	48,502
Contracted services	-	500	500
Information technology	424,050	429,479	5,429
Independent auditing	33,000	37,650	4,650
Legal counseling	160,000	195,990	35,990
Income continuation insurance	12,000	13,225	1,225
Group life insurance	12,000	12,877	877
Police administration	468,254	472,227	3,973
Police patrol	2,868,983	2,945,558	76,575
EMS	667,407	711,012	43,605
Electrical inspector	84,913	84,951	38
Plumbing inspector	64,638	68,438	3,800
Erosion control enforcement	23,000	30,340	7,340
Public works salaries and fringes	488,601	578,506	89,905
Engineering	689,589	722,618	33,029
Snow and ice control	60,000	81,350	21,350
Traffic signals	19,400	21,950	2,550
Traffic signs and markings	33,000	47,452	14,452
Library	1,439,513	1,457,814	18,301
Historical society	-	550	550
Dining center	3,000	16,512	13,512
Recreation program and events	55,645	65,080	9,435
Summer recreation	72,000	76,633	4,633
Parks	694,789	705,598	10,809
Transfers out – retirement benefits fund	-	250,876	250,876
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, 2007

	Special Revenue Funds									
	Sub- dividers' Deposits	Land and Park Donations	Drug Evidence	Cable TV	Youth Commission Donations	EMS	Lost and Damaged Book	Library Gift	EMS Equipment Replacement	Library Endowment
<b>ASSETS</b>										
Cash and investments	\$ 1,766,350	\$ 38,887	\$ 3,014	\$ 186,391	\$ 2,095	\$ 57,791	\$ 38,466	\$ 41,657	\$ 315,772	\$ 202,420
Accounts receivable	-	-	-	52,978	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	8,508	-
Loans receivable	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,766,350</u>	<u>38,887</u>	<u>\$ 3,014</u>	<u>\$ 239,369</u>	<u>\$ 2,095</u>	<u>\$ 57,791</u>	<u>\$ 38,466</u>	<u>\$ 41,657</u>	<u>\$ 324,280</u>	<u>\$ 202,420</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Accounts payable	\$ 101,936	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,815	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>101,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,815</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>										
Unreserved										
Undesignated (deficit)	1,664,414	38,887	3,014	239,369	2,095	57,791	35,651	41,657	324,280	202,420
<b>Total Fund Balances</b>	<u>1,664,414</u>	<u>38,887</u>	<u>3,014</u>	<u>239,369</u>	<u>2,095</u>	<u>57,791</u>	<u>35,651</u>	<u>41,657</u>	<u>324,280</u>	<u>202,420</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,766,350</u>	<u>\$ 38,887</u>	<u>\$ 3,014</u>	<u>\$ 239,369</u>	<u>\$ 2,095</u>	<u>\$ 57,791</u>	<u>\$ 38,466</u>	<u>\$ 41,657</u>	<u>\$ 324,280</u>	<u>\$ 202,420</u>

**CITY OF MIDDLETON**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)  
December 31, 2007

	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	
<b>ASSETS</b>										
Cash and investments	\$ 1,102,471	\$ 198,740	\$ 206,973	\$ 13,117	\$ 12,296	\$ -	\$ 72,776	\$ 120,132	\$ 1,313	\$ 4,380,661
Accounts receivable	-	4,416	-	-	-	-	-	165,143	-	222,537
Interest receivable	-	-	-	-	-	-	-	-	-	8,508
Loans receivable	-	-	64,546	-	-	-	-	-	-	64,546
Due from other funds	-	-	-	-	4,358	-	-	-	-	4,358
<b>TOTAL ASSETS</b>	<b>\$ 1,102,471</b>	<b>\$ 203,156</b>	<b>\$ 271,519</b>	<b>\$ 13,117</b>	<b>\$ 16,654</b>	<b>\$ -</b>	<b>\$ 72,776</b>	<b>\$ 285,275</b>	<b>\$ 1,313</b>	<b>\$ 4,680,610</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Accounts payable	\$ -	\$ 4,093	\$ 1,150	\$ -	\$ -	\$ -	\$ -	\$ 62,379	\$ -	\$ 172,373
Due to other funds	-	-	-	-	-	4,358	-	-	-	4,358
<b>Total Liabilities</b>	<b>-</b>	<b>4,093</b>	<b>1,150</b>	<b>-</b>	<b>-</b>	<b>4,358</b>	<b>-</b>	<b>62,379</b>	<b>-</b>	<b>176,731</b>
<b>Fund Balances</b>										
Unreserved										
Undesignated (deficit)	1,102,471	199,063	270,369	13,117	16,654	(4,358)	72,776	222,896	1,313	4,503,879
<b>Total Fund Balances</b>	<b>1,102,471</b>	<b>199,063</b>	<b>270,369</b>	<b>13,117</b>	<b>16,654</b>	<b>(4,358)</b>	<b>72,776</b>	<b>222,896</b>	<b>1,313</b>	<b>4,503,879</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,102,471</b>	<b>\$ 203,156</b>	<b>\$ 271,519</b>	<b>\$ 13,117</b>	<b>\$ 16,654</b>	<b>\$ -</b>	<b>\$ 72,776</b>	<b>\$ 285,275</b>	<b>\$ 1,313</b>	<b>\$ 4,680,610</b>

**CITY OF MIDDLETON**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2007

	Special Revenue Funds									
	Sub- dividers' Deposits	Land and Park Donations	Drug Evidence	Cable TV	Youth Commission Donations	EMS	Lost and Damaged Book	Library Gift	EMS Equipment Replacement	Library Endowment
<b>REVENUES</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	5,000	-	-	6,674	-	-	-	-
Licenses and permits	-	-	-	88,140	-	-	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-	-	-	-
Public charges for services	889,710	-	-	-	-	-	33,206	-	-	-
Investment income	-	-	-	-	-	1,992	-	-	-	33,144
Miscellaneous	-	54,868	-	-	-	2,968	-	5,490	-	-
<b>Total Revenues</b>	<b>889,710</b>	<b>54,868</b>	<b>5,000</b>	<b>88,140</b>	<b>-</b>	<b>11,634</b>	<b>33,206</b>	<b>5,490</b>	<b>-</b>	<b>33,144</b>
<b>EXPENDITURES</b>										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	2,816	-	-	-	-	-	-	-
Leisure activities	-	26,852	-	16,817	822	-	13,411	1,498	-	10,985
Conservation and development	498,301	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>498,301</b>	<b>26,852</b>	<b>2,816</b>	<b>16,817</b>	<b>822</b>	<b>-</b>	<b>13,411</b>	<b>1,498</b>	<b>-</b>	<b>10,985</b>
Excess (deficiency) of revenues over expenditures	391,409	28,016	2,184	71,323	(822)	11,634	19,795	3,992	-	22,159
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers In	-	-	-	-	-	-	-	-	40,000	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>-</b>
Net change in fund balance	391,409	28,016	2,184	71,323	(822)	11,634	19,795	3,992	40,000	22,159
<b>FUND BALANCES (DEFICIT) - Beginning of Year</b>	<b>1,273,005</b>	<b>10,871</b>	<b>830</b>	<b>168,046</b>	<b>2,917</b>	<b>46,157</b>	<b>15,856</b>	<b>37,665</b>	<b>284,280</b>	<b>180,261</b>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 1,664,414</b>	<b>\$ 38,887</b>	<b>\$ 3,014</b>	<b>\$ 239,369</b>	<b>\$ 2,095</b>	<b>\$ 57,791</b>	<b>\$ 35,651</b>	<b>\$ 41,657</b>	<b>\$ 324,280</b>	<b>\$ 202,420</b>

**CITY OF MIDDLETON**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (cont.)  
For the Year Ended December 31, 2007

	Special Revenue Funds									Total Nonmajor Governmental Funds
	Retirement Benefits	Airport	Economic Development Grant	Shop With a Cop	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	National Night Out	
<b>REVENUES</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 644,191	\$ -	\$ 644,191
Intergovernmental	-	4,000	-	-	-	-	-	6,200	-	21,874
Licenses and permits	-	-	-	-	-	-	-	-	-	88,140
Fines, forfeitures and penalties	-	-	-	-	1,588	-	-	-	-	1,588
Public charges for services	-	109,821	-	-	-	-	-	-	-	1,032,737
Investment income	-	-	16,811	-	-	-	-	-	-	51,947
Miscellaneous	4,592	-	-	5,028	-	-	11,733	5,545	1,020	91,244
<b>Total Revenues</b>	<b>4,592</b>	<b>113,821</b>	<b>16,811</b>	<b>5,028</b>	<b>1,588</b>	<b>-</b>	<b>11,733</b>	<b>655,936</b>	<b>1,020</b>	<b>1,931,721</b>
<b>EXPENDITURES</b>										
Current:										
General government	65,807	-	-	-	-	-	-	-	-	65,807
Public safety	-	-	-	4,101	-	1,554	-	-	1,316	9,787
Leisure activities	-	-	-	-	-	-	3,950	222,981	-	297,316
Conservation and development	-	56,774	-	-	-	-	-	-	-	555,075
<b>Total Expenditures</b>	<b>65,807</b>	<b>56,774</b>	<b>-</b>	<b>4,101</b>	<b>-</b>	<b>1,554</b>	<b>3,950</b>	<b>222,981</b>	<b>1,316</b>	<b>927,985</b>
Excess (deficiency) of revenues over expenditures	(61,215)	57,047	16,811	927	1,588	(1,554)	7,783	432,955	(296)	1,003,736
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers In	250,876	-	-	-	-	-	-	-	-	290,876
Transfers Out	-	-	-	-	-	-	-	(332,000)	-	(332,000)
<b>Total Other Financing Sources (Uses)</b>	<b>250,876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(332,000)</b>	<b>-</b>	<b>(41,124)</b>
Net change in fund balance	189,661	57,047	16,811	927	1,588	(1,554)	7,783	100,955	(296)	962,612
<b>FUND BALANCES (DEFICIT) - Beginning of Year</b>	<b>912,810</b>	<b>142,016</b>	<b>253,558</b>	<b>12,190</b>	<b>15,066</b>	<b>(2,804)</b>	<b>64,993</b>	<b>121,941</b>	<b>1,609</b>	<b>3,541,267</b>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 1,102,471</b>	<b>\$ 199,063</b>	<b>\$ 270,369</b>	<b>\$ 13,117</b>	<b>\$ 16,654</b>	<b>\$ (4,358)</b>	<b>\$ 72,776</b>	<b>\$ 222,896</b>	<b>\$ 1,313</b>	<b>\$ 4,503,879</b>

## CITY OF MIDDLETON

### COMBINING STATEMENT OF FIDUCIARY NET ASSETS AGENCY FUNDS December 31, 2007

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	Tax Roll	Fire District	MPSISC	Totals
<b>ASSETS</b>				
Cash and investments	\$ 16,568,842	\$ -	\$ 259,817	\$ 16,828,659
Taxes receivable	11,379,637	-	-	11,379,637
Due from other governmental units	-	67,593	-	67,593
<b>TOTAL ASSETS</b>	<b>\$ 27,948,479</b>	<b>\$ 67,593</b>	<b>\$ 259,817</b>	<b>\$ 28,275,889</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 57,883	\$ 26,461	\$ 84,344
Due to other governmental units	27,948,479	9,710	233,356	28,191,545
<b>TOTAL LIABILITIES</b>	<b>\$ 27,948,479</b>	<b>\$ 67,593</b>	<b>\$ 259,817</b>	<b>\$ 28,275,889</b>

## CITY OF MIDDLETON

### STATEMENT OF CASH FLOWS - COMPONENT UNIT For the Year Ended December 31, 2007

	Component Unit - CDA
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from economic loan repayments	\$ 7,327
Economic and housing loans	(27,640)
Cash received from customers	59,739
Cash paid to suppliers for goods and services	(51,139)
Net Cash Flows From Operating Activities	(11,713)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	29,148
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Received from primary government	2,599
Principal paid	(815,000)
Interest paid	(812,530)
Capital lease interest received	812,530
Capital lease principal received	815,000
Net Cash Flows From Noncapital Financing Activities	2,599
<b>Net Increase in Cash and Cash Equivalents</b>	20,034
CASH AND CASH EQUIVALENTS - Beginning of Year	2,232,985
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,253,019
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 8,422
Changes in Assets and Liabilities	
Loans receivable	(20,313)
Accounts payable	178
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	\$ (11,713)
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - COMPONENT UNIT</b>	
Cash and investments - statement of net assets - component unit	\$ 460,129
Restricted cash and investments - statement of net assets - component unit	1,792,890
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,253,019

**NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:**

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