

CITY OF MIDDLETON

Middleton, Wisconsin

FINANCIAL STATEMENTS

December 31, 2008

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, 2008, 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, 2008, 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 as listed in the table of contents 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.

Baker Tilly Virelov Krause, LLP

Madison, Wisconsin
August 7, 2009

CITY OF MIDDLETON

STATEMENT OF NET ASSETS
December 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 18,308,803	\$ 5,973,492	\$ 24,282,295	\$ 484,769
Receivables (net of allowance for uncollectibles)				
Taxes	16,845,107	-	16,845,107	-
Delinquent taxes	69,285	-	69,285	-
Accounts	627,819	685,835	1,313,654	-
Interest	388,665	-	388,665	8,997
Loans	1,648,768	-	1,648,768	435,407
Special assessments	2,156,639	2,204,182	4,360,821	-
Delinquent special assessments	3,268	-	3,268	-
Due from other governments	336	-	336	-
Due from primary government	-	-	-	186,564
Due from component unit	1,781,388	-	1,781,388	-
Internal balances-current	(114,587)	114,587	-	-
Internal balances-advances	1,701,968	(1,701,968)	-	-
Prepaid items	852,996	-	852,996	-
Restricted Assets				
Temporarily Restricted				
Cash and investments	-	1,754,000	1,754,000	1,781,388
Leases receivable from primary government	-	-	-	14,020,000
Other assets	44,910	305,021	349,931	39,174
Capital Assets				
Land	7,439,100	2,505,107	9,944,207	-
Right of way	18,751,280	-	18,751,280	-
Construction in progress	-	482,785	482,785	-
Capital assets being depreciated	57,020,412	45,416,871	102,437,283	-
Less: Accumulated depreciation	(12,290,838)	(9,808,979)	(22,099,817)	-
Investment in joint venture (deficit)	(127,347)	-	(127,347)	-
Total Assets	<u>115,107,972</u>	<u>47,930,933</u>	<u>163,038,905</u>	<u>16,956,299</u>
LIABILITIES				
Accounts payable	1,792,854	333,707	2,126,561	2,700
Accrued liabilities	604,378	130,936	735,314	186,564
Due to other governments	12,536	-	12,536	-
Due to primary government	-	-	-	1,781,388
Due to component unit	186,564	-	186,564	-
Unearned revenue	16,725,785	13,000	16,738,785	-
Noncurrent Liabilities				
Due within one year	12,087,708	2,617,303	14,705,011	872,150
Due in more than one year	49,621,756	8,707,041	58,328,797	12,996,860
Total Liabilities	<u>81,031,581</u>	<u>11,801,987</u>	<u>92,833,568</u>	<u>15,839,662</u>
NET ASSETS				
Invested in capital assets, net of related debt	27,441,980	29,059,718	56,501,698	-
Restricted for equipment replacement	-	54,000	54,000	-
Restricted for debt service	1,591,862	-	1,591,862	-
Restricted for subdivider's deposits	991,604	-	991,604	-
Restricted for park improvements	6,108	-	6,108	-
Restricted for police enforcement	12,142	-	12,142	-
Restricted for EMS	59,528	-	59,528	-
Restricted for library	221,577	-	221,577	-
Restricted for economic development	283,779	-	283,779	-
Restricted for senior citizens	93,182	-	93,182	-
Restricted for impact fees	113,930	-	113,930	-
Unrestricted	3,260,699	7,015,228	10,275,927	1,116,637
TOTAL NET ASSETS	<u>\$ 34,076,391</u>	<u>\$ 36,128,946</u>	<u>\$ 70,205,337</u>	<u>\$ 1,116,637</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary Government								
Governmental Activities								
General government	\$ 1,869,327	\$ 123,290	\$ 39,238	\$ -	\$ (1,706,799)	\$ -	\$ (1,706,799)	\$ -
Public safety	13,407,936	720,394	2,377,597	-	(10,309,945)	-	(10,309,945)	-
Public works	6,580,494	379,969	1,423,343	622,343	(4,154,839)	-	(4,154,839)	-
Leisure activities	4,502,720	407,710	842,400	407,734	(2,844,876)	-	(2,844,876)	-
Conservation and economic development	502,418	25,250	240,950	-	(236,218)	-	(236,218)	-
Interest and fiscal charges	2,506,404	-	-	-	(2,506,404)	-	(2,506,404)	-
Total Governmental Activities	<u>29,369,299</u>	<u>1,656,613</u>	<u>4,923,528</u>	<u>1,030,077</u>	<u>(21,759,081)</u>	<u>-</u>	<u>(21,759,081)</u>	<u>-</u>
Business-Type Activities								
Water	1,399,500	1,843,579	-	222,282	-	666,361	666,361	-
Sewer	1,505,546	1,591,228	-	157,894	-	243,576	243,576	-
Pleasant View Golf Course	1,786,498	1,839,315	-	-	-	52,817	52,817	-
Total Business-Type Activities	<u>4,691,544</u>	<u>5,274,122</u>	<u>-</u>	<u>380,176</u>	<u>-</u>	<u>962,754</u>	<u>962,754</u>	<u>-</u>
Total Primary Government	<u>\$ 34,060,843</u>	<u>\$ 6,930,735</u>	<u>\$ 4,923,528</u>	<u>\$ 1,410,253</u>	<u>(21,759,081)</u>	<u>962,754</u>	<u>(20,796,327)</u>	<u>-</u>
Component Unit								
Community Development Authority	\$ 820,337	\$ 20,734	\$ -	\$ -	-	-	-	(799,603)
General Revenues								
Taxes								
Property taxes, levied for general purposes and debt service					10,303,084	-	10,303,084	-
Property taxes, levied for tax increment district					9,532,656	-	9,532,656	-
Other taxes					1,074,251	-	1,074,251	-
Cable television franchise fees					197,604	-	197,604	-
Intergovernmental revenues not restricted to specific programs					841,811	-	841,811	-
Public gifts and/or grants					56,275	-	56,275	-
Investment income					1,118,929	263,227	1,382,156	686,742
Miscellaneous					796,022	5,000	801,022	44,618
Transfers					305,271	(305,271)	-	-
Total General Revenues and Transfers					<u>24,225,903</u>	<u>(37,044)</u>	<u>24,188,859</u>	<u>731,360</u>
Change in net assets					2,466,822	925,710	3,392,532	(68,243)
NET ASSETS - Beginning					<u>31,609,569</u>	<u>35,203,236</u>	<u>66,812,805</u>	<u>1,184,880</u>
NET ASSETS - ENDING					<u>\$ 34,076,391</u>	<u>\$ 36,128,946</u>	<u>\$ 70,205,337</u>	<u>\$ 1,116,637</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2008

	General	Debt Service	TIF District No. 3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 2,629,036	\$ 4,151,377	\$ 3,291,371	\$ 4,272,073	\$ 3,964,946	\$ 18,308,803
Receivables (net)						
Taxes	12,418,329	-	4,426,778	-	-	16,845,107
Delinquent taxes	69,285	-	-	-	-	69,285
Accounts	299,253	-	-	117,024	211,542	627,819
Interest	345,860	-	37,483	-	5,322	388,665
Loans	-	-	1,593,563	-	55,205	1,648,768
Special assessments	12,710	-	2,143,929	-	-	2,156,639
Delinquent special assessments	3,268	-	-	-	-	3,268
Due from other funds	17,290	-	-	-	68,552	85,842
Due from other governments	336	-	-	-	-	336
Due from component unit	-	-	1,781,388	-	-	1,781,388
Advances to other funds	2,020,541	-	-	-	-	2,020,541
Prepaid items	-	-	-	852,996	-	852,996
TOTAL ASSETS	\$ 17,815,908	\$ 4,151,377	\$ 13,274,512	\$ 5,242,093	\$ 4,305,567	\$ 44,789,457
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 618,469	\$ -	\$ 154,421	\$ 731,583	\$ 288,381	\$ 1,792,854
Due to other governments	12,536	-	-	-	-	12,536
Due to other funds	119,858	-	-	-	80,571	200,429
Deferred revenue	12,391,267	-	5,994,278	-	-	18,385,545
Deferred special assessments	15,977	-	2,143,929	-	-	2,159,906
Advances from other funds	-	-	154,794	-	163,779	318,573
Total Liabilities	<u>13,158,107</u>	<u>-</u>	<u>8,447,422</u>	<u>731,583</u>	<u>532,731</u>	<u>22,869,843</u>
Fund Balances						
Reserved for:						
Loans receivable	-	-	1,593,563	-	55,205	1,648,768
Delinquent personal property taxes	69,285	-	-	-	-	69,285
Advances	2,020,541	-	-	-	-	2,020,541
Debt service	-	4,151,377	1,594,857	-	-	5,746,234
Prepaid items	-	-	-	852,996	-	852,996
Unreserved and designated, reported in:						
General fund	610,000	-	-	-	-	610,000
Unreserved and undesignated (deficit), reported in:						
General fund	1,957,975	-	-	-	-	1,957,975
Special revenue funds	-	-	-	-	3,900,186	3,900,186
Capital projects funds (deficit)	-	-	1,638,670	3,657,514	(182,555)	5,113,629
Total Fund Balances	<u>4,657,801</u>	<u>4,151,377</u>	<u>4,827,090</u>	<u>4,510,510</u>	<u>3,772,836</u>	<u>21,919,614</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,815,908	\$ 4,151,377	\$ 13,274,512	\$ 5,242,093	\$ 4,305,567	

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.	70,919,954
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. See Note IV.B.	3,819,666
Investment (deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.	(127,347)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.	<u>(62,455,496)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 34,076,391

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, 2008

	General	Debt Service	TIF District No. 3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 10,656,683	\$ -	\$ 9,532,656	\$ -	\$ 720,652	\$ 20,909,991
Intergovernmental	2,799,938	-	435,012	444,701	10,763	3,690,414
Licenses and permits	529,767	-	-	-	108,970	638,737
Fines, forfeitures and penalties	272,849	-	-	-	-	272,849
Public charges for services	786,042	-	-	-	740,382	1,526,424
Intergovernmental charges for services	307,010	-	-	-	-	307,010
Special assessments	81,276	-	189,008	-	-	270,284
Investment income (loss)	937,598	74,524	333,441	-	(46,905)	1,298,658
Miscellaneous	100,557	-	89,900	518,219	225,425	934,101
Total Revenues	<u>16,471,720</u>	<u>74,524</u>	<u>10,580,017</u>	<u>962,920</u>	<u>1,759,287</u>	<u>29,848,468</u>
EXPENDITURES						
Current						
General government	1,962,425	-	-	-	313,891	2,276,316
Public safety	6,251,812	-	-	-	32,221	6,284,033
Public works	3,087,043	-	-	-	-	3,087,043
Leisure activities	3,231,769	-	-	-	253,351	3,485,120
Conservation and economic development	410,575	-	-	-	1,597,728	2,008,303
Capital Outlay	-	-	672,056	8,326,376	-	8,998,432
Debt Service						
Principal retirement	-	15,831,154	850,000	-	-	16,681,154
Debt issuance costs	-	61,480	-	12,142	-	73,622
Interest and fiscal charges	-	1,748,854	856,811	-	-	2,605,665
Total Expenditures	<u>14,943,624</u>	<u>17,641,488</u>	<u>2,378,867</u>	<u>8,338,518</u>	<u>2,197,191</u>	<u>45,499,688</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,528,096</u>	<u>(17,566,964)</u>	<u>8,201,150</u>	<u>(7,375,598)</u>	<u>(437,904)</u>	<u>(15,651,220)</u>
OTHER FINANCING SOURCES (USES)						
Debt issued	-	10,080,000	-	4,750,000	-	14,830,000
Premium on debt	-	191,314	-	85,267	-	276,581
Discount on debt	-	(107,300)	-	(38,000)	-	(145,300)
Sale of capital assets	7,591	-	-	-	-	7,591
Contribution from other municipalities	-	2,161,241	-	-	-	2,161,241
Transfers in	305,271	8,866,624	-	-	234,861	9,406,756
Transfers out	<u>(2,720,069)</u>	<u>-</u>	<u>(5,314,941)</u>	<u>(538,475)</u>	<u>(528,000)</u>	<u>(9,101,485)</u>
Total Other Financing Sources (Uses)	<u>(2,407,207)</u>	<u>21,191,879</u>	<u>(5,314,941)</u>	<u>4,258,792</u>	<u>(293,139)</u>	<u>17,435,384</u>
Net Change in Fund Balance	<u>(879,111)</u>	<u>3,624,915</u>	<u>2,886,209</u>	<u>(3,116,806)</u>	<u>(731,043)</u>	<u>1,784,164</u>
FUND BALANCES - Beginning	<u>5,536,912</u>	<u>526,462</u>	<u>1,940,881</u>	<u>7,627,316</u>	<u>4,503,879</u>	<u>20,135,450</u>
FUND BALANCES - ENDING	<u>\$ 4,657,801</u>	<u>\$ 4,151,377</u>	<u>\$ 4,827,090</u>	<u>\$ 4,510,510</u>	<u>\$ 3,772,836</u>	<u>\$ 21,919,614</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Net change in fund balances - total governmental funds	\$ 1,784,164
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	8,998,432
Less: Some items are reported as capital outlay but are not capitalized	(8,652,801)
Depreciation is reported in the government-wide statements	(1,272,171)
Capital contributions reported in the government-wide statements (infrastructure)	506,580
Net book value of assets retired	(34,674)

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.

	(693,624)
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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	(14,830,000)
Debt retired	16,681,154

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.

	19,936
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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	(81,778)
Debt issuance costs	(9,980)
Accrued interest on debt	51,584

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,466,822</u>
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CITY OF MIDDLETON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS December 31, 2008

ASSETS	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
Current Assets				
Cash and investments	\$ 3,635,374	\$ 2,338,118	\$ -	\$ 5,973,492
Accounts receivable, net	323,464	357,647	4,724	685,835
Due from other funds	126,251	65,397	-	191,648
Total Current Assets	<u>4,085,089</u>	<u>2,761,162</u>	<u>4,724</u>	<u>6,850,975</u>
Noncurrent Assets				
Restricted assets				
Cash and investments	-	54,000	1,700,000	1,754,000
Special assessments receivable	-	2,204,182	-	2,204,182
Other assets				
Property held for future use	301,087	-	-	301,087
Unamortized debt expenses	-	3,934	-	3,934
Capital assets				
Construction work in progress	482,785	-	-	482,785
Property and equipment	22,113,253	14,325,195	11,483,530	47,921,978
Less: Accumulated depreciation	<u>(5,917,680)</u>	<u>(3,282,421)</u>	<u>(608,878)</u>	<u>(9,808,979)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>16,678,358</u>	<u>11,042,774</u>	<u>10,874,652</u>	<u>38,112,999</u>
Total Noncurrent Assets	<u>16,979,445</u>	<u>13,304,890</u>	<u>12,574,652</u>	<u>42,858,987</u>
Total Assets	<u>21,064,534</u>	<u>16,066,052</u>	<u>12,579,376</u>	<u>49,709,962</u>

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 65,873	\$ 235,773	\$ 32,061	\$ 333,707
Accrued interest	14,815	8,226	107,895	130,936
Accrued compensated absences	12,284	6,051	38,968	57,303
Due to other funds	5,271	71,790	-	77,061
Unearned revenues	13,000	-	-	13,000
Current portion of long term debt	<u>215,000</u>	<u>175,000</u>	<u>2,170,000</u>	<u>2,560,000</u>
Total Current Liabilities	<u>326,243</u>	<u>496,840</u>	<u>2,348,924</u>	<u>3,172,007</u>
Noncurrent Liabilities				
Accrued compensated absences	18,118	8,923	-	27,041
Advances from other funds	-	-	1,701,968	1,701,968
General obligation debt	<u>725,000</u>	<u>380,000</u>	<u>7,575,000</u>	<u>8,680,000</u>
Total Noncurrent Liabilities	<u>743,118</u>	<u>388,923</u>	<u>9,276,968</u>	<u>10,409,009</u>
Total Liabilities	<u>1,069,361</u>	<u>885,763</u>	<u>11,625,892</u>	<u>13,581,016</u>
NET ASSETS				
Invested in capital assets, net of related debt	15,738,358	10,491,708	2,829,652	29,059,718
Restricted for:				
Equipment replacement	-	54,000	-	54,000
Unrestricted (deficit)	<u>4,256,815</u>	<u>4,634,581</u>	<u>(1,876,168)</u>	<u>7,015,228</u>
TOTAL NET ASSETS	<u>\$ 19,995,173</u>	<u>\$ 15,180,289</u>	<u>\$ 953,484</u>	<u>\$ 36,128,946</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, 2008

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
OPERATING REVENUES				
Charges for services	\$ 1,843,579	\$ 1,591,228	\$ 1,839,315	\$ 5,274,122
Total Operating Revenues	<u>1,843,579</u>	<u>1,591,228</u>	<u>1,839,315</u>	<u>5,274,122</u>
OPERATING EXPENSES				
Operation and maintenance	943,460	1,250,021	1,302,588	3,496,069
Depreciation	404,290	223,428	121,419	749,137
Total Operating Expenses	<u>1,347,750</u>	<u>1,473,449</u>	<u>1,424,007</u>	<u>4,245,206</u>
Operating Income	<u>495,829</u>	<u>117,779</u>	<u>415,308</u>	<u>1,028,916</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	169,169	94,058	-	263,227
Interest expense	(51,750)	(30,187)	(362,491)	(444,428)
Miscellaneous revenue	5,000	-	-	5,000
Amortization of debt issuance costs	-	(1,910)	-	(1,910)
Total Nonoperating Revenues (Expenses)	<u>122,419</u>	<u>61,961</u>	<u>(362,491)</u>	<u>(178,111)</u>
Income before contributions and transfers	618,248	179,740	52,817	850,805
Capital contributions	222,282	157,894	-	380,176
Transfers out	<u>(305,271)</u>	<u>-</u>	<u>-</u>	<u>(305,271)</u>
Change in Net Assets	535,259	337,634	52,817	925,710
TOTAL NET ASSETS - Beginning	<u>19,459,914</u>	<u>14,842,655</u>	<u>900,667</u>	<u>35,203,236</u>
TOTAL NET ASSETS - ENDING	<u>\$ 19,995,173</u>	<u>\$ 15,180,289</u>	<u>\$ 953,484</u>	<u>\$ 36,128,946</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2008

	Business-Type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,537,700	\$ 1,619,635	\$ 1,837,471	\$ 4,994,806
Cash received from city for services	373,144	-	-	373,144
Cash paid to suppliers for goods and services	(311,922)	(1,129,531)	(590,838)	(2,032,291)
Cash paid to employees for services	(611,349)	(98,614)	(703,256)	(1,413,219)
Net Cash Flows From Operating Activities	<u>987,573</u>	<u>391,490</u>	<u>543,377</u>	<u>1,922,440</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from general fund	-	-	274,794	274,794
Cash paid for tax equivalent	(298,254)	-	-	(298,254)
Net Cash Flows From Noncapital Financing Activities	<u>(298,254)</u>	<u>-</u>	<u>274,794</u>	<u>(23,460)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid	(205,000)	(160,000)	(430,000)	(795,000)
Interest paid	(55,417)	(32,941)	(369,000)	(457,358)
Debt proceeds	-	-	1,700,000	1,700,000
Acquisition and construction of capital assets	(687,395)	(28,008)	(19,171)	(734,574)
Net Cash Flows From Capital and Related Financing Activities	<u>(947,812)</u>	<u>(220,949)</u>	<u>881,829</u>	<u>(286,932)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	228,623	114,874	-	343,497
Investments sold and matured	1,659,599	1,195,095	-	2,854,694
Marketable securities purchased	(1,741,788)	(1,029,932)	-	(2,771,720)
Net Cash Flows From Investing Activities	<u>146,434</u>	<u>280,037</u>	<u>-</u>	<u>426,471</u>
Net Increase in Cash and Cash Equivalents	(112,059)	450,578	1,700,000	2,038,519
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>459,553</u>	<u>709,553</u>	<u>-</u>	<u>1,169,106</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>347,494</u>	\$ <u>1,160,131</u>	\$ <u>1,700,000</u>	\$ <u>3,207,625</u>

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 495,829	\$ 117,779	\$ 415,308	\$ 1,028,916
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities				
Depreciation expense	404,290	223,428	121,419	749,137
Depreciation charged to sewer utility	42,299	-	-	42,299
Changes in Noncash Components of Working Capital				
Accounts receivable	20,332	33,722	(1,844)	52,210
Other accounts receivable	(5,182)	-	-	(5,182)
Due from other funds	(3,184)	(5,315)	-	(8,499)
Accounts payable	7,354	17,473	(1,820)	23,007
Accrued compensated absences	12,835	6,322	10,314	29,471
Deferred revenues	13,000	-	-	13,000
Due to other funds	-	(1,919)	-	(1,919)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 987,573	\$ 391,490	\$ 543,377	\$ 1,922,440
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS				
Cash and investments - statement of net assets - proprietary funds	\$ 3,635,374	\$ 2,338,118	\$ -	\$ 5,973,492
Restricted cash and investments - statement of net assets - proprietary funds	-	54,000	1,700,000	1,754,000
Less: Non-cash equivalents	(3,287,880)	(1,231,987)	-	(4,519,867)
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 347,494	\$ 1,160,131	\$ 1,700,000	\$ 3,207,625
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES				
Developer financed additions to utility plant	\$ 222,282	\$ 157,894	\$ -	

CITY OF MIDDLETON

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 15,872,104
Taxes receivable	15,876,765
Due from other governmental units	<u>115,084</u>
TOTAL ASSETS	<u>\$ 31,863,953</u>
LIABILITIES	
Accounts payable	\$ 174,045
Due to other governmental units	<u>31,689,908</u>
TOTAL LIABILITIES	<u>\$ 31,863,953</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the City of Middleton. The reporting entity for the city consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

Discretely Presented Component Unit

Community Development Authority of the City of Middleton

The government-wide financial statements include the Community Development Authority of the City of Middleton ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA and also create a potential financial benefit to or burden on the city. As a component unit, the CDA's financial statements have been presented as a discrete column in the basic financial statements. Separately issued financial statements of the CDA are not prepared.

Other Organizations

The Middleton Area Development Corporation is a separate legal organization that is not reported in these financial statements. The corporation does not meet the definition of a component unit.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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, 2008

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	Shop With a Cop
Land and Park Donations	Drug Forfeitures
Drug Evidence	Federal Seizures
Cable TV	Senior Citizen
Youth Commission Donations	Tourism Commission
EMS	National Night Out
Lost and Damaged Book	Soccer Stadium
Library Gift	Community Awareness
EMS Equipment Replacement	Big Event
Library Endowment	Safety, Impact Fee
Retirement Benefits	EMS & Fire Impact Fee
Airport	
Economic Development Grant	

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Fund Financial Statements (cont.)

Capital Projects Funds - used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.
TIF District No. 4

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

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, 2008

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, 2008

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, 2008

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.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the city. To minimize credit risk, investments are limited to government agencies, the highest rated commercial paper, AAA rated money funds, and CD's from Wisconsin's highest rated banks.

Custodial risk is the risk that, in the event of the failure of a depository financial institution, the city will not be able to recover deposits that are in possession of an outside party. Most institutions do not offer custodial/collateral services for CD's; therefore, investments should be diversified among institutions avoiding concentrations of credit. In addition, investments should be placed only with Wisconsin banks and savings and loans with current credit information kept on file for each institution.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment resulting in losses if the investment was liquidated prior to maturity. The investment portfolio should be laddered over a three year maturity schedule. Staggered investment maturities maximize liquidity to meet ongoing operations, and also allow the opportunity for reinvestment. Continual reinvestment allows city funds to ride the yield curve, minimizing interest rate risk for any given period. Investments should be held to maturity eliminating losses and risk from early liquidation.

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

1. Deposits and Investments (cont.)

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, 2008, 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.

Property tax calendar – 2008 tax roll:

Lien date and levy date	December 2008
Tax bills mailed	December 2008
Payment in full, or	January 31, 2009
First installment due	January 31, 2009
Second installment due	July 31, 2009
Personal property taxes in full	January 31, 2009
Tax sale – 2008 delinquent real estate taxes	October 2011

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".

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

2. Receivables (cont.)

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

The city has received federal grant funds for economic development loan programs to various businesses. The city records a loan receivable when the loan has been made and funds have been disbursed.

It is the city's policy to record revenue when the initial loan is made from the federal grant funds. The net amount of the loan receivable balance is offset by a reserve for loans receivable. As loans are repaid, the reserve for loans receivable is reduced and the undesignated fund balance is increased. When new loans are made from loan repayments, the reserve for loans receivable is increased and the undesignated fund balance is decreased. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as undesignated fund balance in the governmental fund balance sheet.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

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

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 capital assets are recorded at their estimated fair value at the date of donation.

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

5. Capital Assets (cont.)

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.

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 \$54,864. The number of participants currently eligible to receive benefits is 13.

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, 2008 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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

8. Long-Term Obligations/Conduit Debt (cont.)

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.

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 debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

10. Equity Classifications (cont.)

Government-Wide Statements (cont.)

- 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, 2008

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “some liabilities, including long-term debt are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$62,448,496 difference are as follows:

Bonds and notes payable	\$ 45,758,419
Compensated absences	1,931,045
Capital leases payable	14,020,000
Accrued interest	604,372
Accrued interest - due to component unit	186,564
Unamortized debt issuance costs	<u>(44,904)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 62,455,496</u>

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

The budgeted amounts presented include any amendments made. The city administrator may authorize transfers of budgeted amounts between departments up to \$1,000. Transfers exceeding \$1,000 between departments and changes to the overall budget must be approved by a two-thirds council action. Appropriations lapse at year end unless specifically carried over. Budgets are adopted at the departmental level of expenditure.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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>
Special Revenue Funds			
Subdivider's deposits	\$ -	\$ 1,192,111	\$ 1,192,111
Land and park donations	-	10,025	10,025
Cable TV	-	73,935	73,935
Lost and damaged book	-	20,236	20,236
EMS equipment replacement	-	28,854	28,854
Library endowment	-	1,642	1,642
Retirement benefits	-	54,864	54,864
Airport	-	79,634	79,634
Shop with a cop	-	1,632	1,632
Federal seizures	-	395	395
Senior citizen	-	16,609	16,609
National night out	-	1,340	1,340
Tourism commission	735,000	853,983	118,983
Soccer stadium	-	66,611	66,611
Community awareness	-	2,537	2,537
Debt service	8,133,547	17,748,788	9,615,241
Capital Projects Funds			
TIF District No. 4	-	182,555	182,555

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, 2008, the following individual fund held a deficit balance:

Special Revenue Fund

Big event	\$ 68,552	Excess expenditures over revenues.
TIF District No. 4	182,555	Excess expenditures over revenues.

This deficit is anticipated to be funded by miscellaneous revenues.

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Other fund deficits are anticipated to be funded with future contributions, general tax revenues, long-term borrowing, or transfers from the general fund.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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.

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	\$ 16,735,255	\$ 17,937,187	Custodial credit
Money market	265,995	265,995	Custodial credit
Mutual funds	20,678,418	20,678,418	Credit, interest rate
Other external investment pool – Madison Community Foundation	139,337	139,337	Credit, interest rate
LGIP	4,088,919	4,088,919	Credit, interest rate
Petty cash	475	-	N/A
Total Cash and Investments	\$ 41,908,399	\$ 43,109,856	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 24,282,295		
Restricted cash and investments	1,754,000		
Per statement of net assets –			
Fiduciary Funds			
Agency	15,872,104		
Total Cash and Investments	\$ 41,908,399		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

A. DEPOSITS AND INVESTMENTS (cont.)

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. This coverage expired February 15, 2009.

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, 2008, 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, 2008, \$17,425,221 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 17,425,221</u>
--------------------------------	----------------------

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.

The city had no investments exposed to custodial credit risk.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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, 2008, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Fitch Ratings</u>	<u>Moody's Investor Service</u>
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

The city also had \$4,088,919 invested in the local government investment pool, which had a weighted average maturity of 80 days. In addition, the city had \$139,337 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, 2008

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

B. RECEIVABLES

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

	General	TIF District No. 3	Capital Projects	Water	Sewer	Pleasant View Golf Course	Nonmajor and Other Funds	Totals
Receivables:								
Taxes	\$ 12,418,329	\$ 4,426,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,845,107
Delinquent taxes	69,285	-	-	-	-	-	-	69,285
Accounts	511,520	-	117,024	323,624	357,647	4,724	211,542	1,526,081
Loans	-	1,593,563	-	-	-	-	55,205	1,648,768
Special assessments	12,710	2,143,929	-	-	2,204,182	-	-	4,360,821
Delinquent special assessments	3,268	-	-	-	-	-	-	3,268
Interest	345,860	37,483	-	-	-	-	5,322	388,665
Due from other governments	336	-	-	-	-	-	-	336
Gross Receivables	13,361,308	8,201,753	117,024	323,624	2,561,829	4,724	272,069	24,842,331
Less: Allowance for uncollectibles	(212,267)	-	-	-	-	-	-	(212,267)
Net Total Receivables	\$ 13,149,041	\$ 8,201,753	\$ 117,024	\$ 323,624	\$ 2,561,829	\$ 4,724	\$ 272,069	\$ 24,630,064
Amounts Not Expected to be Collected Within One Year	\$ -	\$ 3,711,429	\$ -	\$ -	\$ 2,204,182	\$ -	\$ 55,205	\$ 5,970,816

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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 \$ 206,543

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	\$ -	\$ 16,725,785	\$ 16,725,785
Special assessments not yet due	2,159,906	-	2,159,906
Loan receivable	1,567,500	-	1,567,500
EMS receivable	<u>92,260</u>	<u>-</u>	<u>92,260</u>
 Total Deferred/Unearned Revenue for Governmental Funds	 <u>\$ 3,819,666</u>	 <u>\$ 16,725,785</u>	 <u>\$ 20,545,451</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, 2008, 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, 2008

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.

Principal and Interest Account

The Pleasant View Golf Course has a debt service account to be used solely for the purpose of paying principal on bonds.

Following is a list of restricted assets at December 31, 2008:

Replacement account	\$ 54,000
Debt service account	<u>1,700,000</u>
 Total	 <u>\$ 1,754,000</u>

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 7,439,100	\$ -	\$ -	\$ 7,439,100
Right of way	18,620,870	130,410	-	18,751,280
Construction in progress	<u>3,145,540</u>	<u>-</u>	<u>3,145,540</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>29,205,510</u>	<u>130,410</u>	<u>3,145,540</u>	<u>26,190,380</u>
 Capital assets being depreciated				
Land improvements	6,125,515	477,256	6,868	6,595,903
Buildings	9,047,640	2,617,573	34,448	11,630,765
Machinery and equipment	3,793,013	204,952	352,824	3,645,141
Streets - infrastructure	18,404,928	228,839	-	18,633,767
Storm sewers - infrastructure	8,668,081	82,113	-	8,750,194
Traffic signals - infrastructure	894,585	191,390	-	1,085,975
Sidewalks - infrastructure	3,014,458	65,218	-	3,079,676
Bridges - infrastructure	3,116,828	-	-	3,116,828
Rail spur - infrastructure	<u>482,163</u>	<u>-</u>	<u>-</u>	<u>482,163</u>
Total Capital Assets Being Depreciated	<u>53,547,211</u>	<u>3,867,341</u>	<u>394,140</u>	<u>57,020,412</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Land improvements	\$ (1,243,481)	\$ (202,102)	\$ 17,202	(1,428,381)
Buildings	(2,765,752)	(256,166)	10,334	(3,011,584)
Machinery and equipment	(2,057,745)	(240,871)	331,930	(1,966,686)
Streets - infrastructure	(2,279,358)	(278,115)	-	(2,557,473)
Storm sewers - infrastructure	(1,402,210)	(142,226)	-	(1,544,436)
Traffic signals - infrastructure	(365,119)	(41,865)	-	(406,984)
Sidewalks – infrastructure	(1,027,731)	(60,943)	-	(1,088,674)
Bridges - infrastructure	(194,836)	(35,418)	-	(230,254)
Rail spur - infrastructure	(41,901)	(14,465)	-	(56,366)
Total Accumulated Depreciation	(11,378,133)	(1,272,171)	359,466	(12,290,838)
 Total Capital Assets, Net of Depreciation	 \$ 71,374,588	 \$ 2,725,580	 \$ 3,180,214	 \$ 70,919,954

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 24,729
Public safety	171,687
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks, bridges and rail spur	667,473
Leisure activities	408,282
 Total Governmental Activities Depreciation Expense	 \$ 1,272,171

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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	\$ 122,500	\$ -	\$ 222,277
Construction work in progress	-	482,785	-	482,785
Total Capital Assets Not Being Depreciated	99,777	605,285	-	705,062
Capital assets being depreciated				
Source of supply	319,783	-	-	319,783
Pumping	1,685,768	82,156	28,413	1,739,511
Treatment	343,242	-	-	343,242
Transmission and distribution	18,688,539	238,455	825	18,926,169
Administrative and general assets	533,865	41,669	13,263	562,271
Total Capital Assets Being Depreciated	21,571,197	362,280	42,501	21,890,976
Total Capital Assets	21,670,974	967,565	42,501	22,596,038
Less: Accumulated depreciation for				
Source of supply	(250,194)	(10,553)	-	(260,747)
Pumping	(943,619)	(60,377)	28,413	(975,583)
Treatment	(331,038)	(1,922)	-	(332,960)
Transmission and distribution	(3,493,148)	(341,688)	825	(3,834,011)
Administrative and general assets	(495,593)	(32,049)	13,263	(514,379)
Total Accumulated Depreciation	(5,513,592)	(446,589)	42,501	(5,917,680)
Net Water Plant	\$ 16,157,382	\$ 520,976	\$ -	\$ 16,678,358

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer Utility</u>				
Capital assets not being depreciated				
Land and land rights	\$ 66,830	\$ -	\$ -	\$ 66,830
Capital assets being depreciated				
Collection system	12,385,397	157,894	-	12,543,291
Collection system pumping	1,305,786	-	-	1,305,786
Administrative and general assets	381,280	28,008	-	409,288
Total Capital Assets Being Depreciated	14,072,463	185,902	-	14,258,365
Total Capital Assets	14,139,293	185,902	-	14,325,195
Less: Accumulated depreciation	(3,058,993)	(223,428)	-	(3,282,421)
Net Sewer Plant	\$ 11,080,300	\$ (37,526)	\$ -	\$ 11,042,774
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Pleasant View Golf Course</u>				
Capital assets not being depreciated				
Land and land rights	\$ 2,216,000	\$ -	\$ -	\$ 2,216,000
Total Capital Assets Not Being Depreciated	2,216,000	-	-	2,216,000
Capital assets being depreciated				
Land improvements	7,291,981	-	-	7,291,981
Buildings	1,325,553	-	-	1,325,553
Equipment	630,824	19,172	-	649,996
Total Capital Assets Being Depreciated	9,248,358	19,172	-	9,267,530
Total Capital Assets	11,464,358	19,172	-	11,483,530
Less: Accumulated depreciation for				
Buildings	(102,875)	(41,980)	-	(144,855)
Land improvements	(114,748)	(19,125)	-	(133,873)
Equipment	(269,836)	(60,314)	-	(330,150)
Total Accumulated Depreciation	(487,459)	(121,419)	-	(608,878)
Net Golf Course	\$ 10,976,899	\$ (102,247)	\$ -	\$ 10,874,652
Total Net Capital Assets – Business Type Activities	\$ 38,214,581			\$ 38,595,784

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 404,290
Sewer	223,428
Pleasant View Golf Course	121,419
Total Business-type Activities	
Depreciation Expense	\$ 749,137

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	Big Event	\$ 68,552
General	Tourism	12,019
General	Water utility	5,271
Water utility	General	54,461
Sewer utility	General	65,397
Water utility	Sewer utility	71,790
Total – Fund Financial Statements		277,490
Less: Eliminations		(162,903)
Total Government-Wide Financial Statements		\$ 114,587

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, 2008

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.

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.

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	\$ 1,701,968	\$ 1,701,968
General fund	TIF District No. 3	154,794	-
General fund	TIF District No. 4	<u>163,779</u>	<u>163,779</u>
Total – Fund Financial Statements		2,020,541	<u>\$ 1,865,747</u>
Less: Eliminations		<u>(318,573)</u>	
Total – Government-Wide Financial Statements		<u>\$ 1,701,968</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>\$ 1,781,388</u>
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This amount represents the unspent debt proceeds by the CDA that is intended to be spent on capital projects within TIF District No. 3 or used for debt payments.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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	\$ 305,271	Payment in lieu of tax
EMS	General	40,000	Ambulance purchase
Retirement benefits	General	194,861	Future retirement benefits
Debt service fund	TIF District No. 3	5,314,941	Debt service
Debt service fund	General	2,485,208	Debt service
Debt service fund	Tourism commission	528,000	Debt service
Debt service fund	Capital projects	<u>538,475</u>	Debt service
Subtotal – Fund Financial Statements		9,406,756	
Less: Fund eliminations		<u>(9,101,485)</u>	
Total Government-Wide Statement of Activities		<u>\$ 305,271</u>	
Government Activity	Business-type Activity	\$ 305,271	
Business-type Activity	Government Activity	<u>-</u>	
Total		<u>\$ 305,271</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, 2008

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt	\$ 37,544,573	\$ 14,830,000	\$ 6,616,154	\$ 45,758,419	\$ 10,464,562
Note anticipation notes	<u>9,215,000</u>	-	<u>9,215,000</u>	-	-
Total Bonds and Notes Payable	<u>46,759,573</u>	<u>14,830,000</u>	<u>15,831,154</u>	<u>45,758,419</u>	<u>10,464,562</u>
Other Liabilities:					
Vested compensated absences	1,849,267	760,718	678,940	1,931,045	738,146
Capital leases	<u>14,870,000</u>	-	<u>850,000</u>	<u>14,020,000</u>	<u>885,000</u>
Total Other Liabilities	<u>16,719,267</u>	<u>760,718</u>	<u>1,528,940</u>	<u>15,951,045</u>	<u>1,623,146</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 63,478,840</u>	<u>\$ 15,590,718</u>	<u>\$ 17,360,094</u>	<u>\$ 61,709,464</u>	<u>\$ 12,087,708</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt	\$ 10,335,000	\$ 1,700,000	\$ 795,000	\$ 11,240,000	\$ 2,560,000
Other Liabilities:					
Vested compensated absences	<u>54,873</u>	<u>65,425</u>	<u>35,954</u>	<u>84,344</u>	<u>57,303</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 10,389,873</u>	<u>\$ 1,765,425</u>	<u>\$ 830,954</u>	<u>\$ 11,324,344</u>	<u>\$ 2,617,303</u>

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments. 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, 2008, was \$136,621,480. Total general obligation debt outstanding at year end was \$56,998,419.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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 12-31-08
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	\$ 6,800,000	\$ 1,150,000
2000 General obligation promissory notes	4-01-00	3-01-10	4.80% – 5.20%	6,800,000	3,550,000
2001 General obligation promissory notes	3-15-01	3-11-11	4.00% – 4.40%	8,000,000	4,525,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,250,000	4,050,000
2002 State trust fund loan	11-06-02	3-15-19	5.00%	2,170,000	1,691,426
2003 General obligation promissory notes	5-01-03	9-01-13	2.00% – 3.40%	9,980,000	6,665,000
2003 State trust fund loan	1-30-03	3-15-19	5.00%	930,000	716,993
2004 General obligation refunding bond	6-15-04	3-01-12	2.00% – 4.00%	4,540,000	870,000
2004 General obligation promissory notes	6-15-04	3-01-14	2.50% – 4.25%	1,910,000	1,180,000
2005 General obligation promissory notes	6-01-05	12-01-11	3.25% – 3.50%	3,300,000	2,600,000
2006 General obligation promissory notes	6-01-06	12-01-13	4.00% – 4.25%	2,000,000	1,800,000
2006 General obligation promissory notes	12-27-06	12-01-14	3.75% – 4.00%	2,330,000	2,130,000
2008 General obligation refunding bonds	6-02-08	12-01-27	3.00% - 4.00%	6,530,000	6,530,000
2008 General obligation promissory notes	6-09-08	12-01-17	3.50% - 4.00%	2,000,000	2,000,000
2008 General obligation refunding bonds	12-30-08	9-01-21	3.50% - 4.45%	3,550,000	3,550,000
2008 General obligation promissory notes	12-30-08	12-01-17	3.00% - 4.25%	2,750,000	<u>2,750,000</u>
Total Governmental Activities – General Obligation Debt					<u><u>\$ 45,758,419</u></u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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 12-31-08
1999 General obligation promissory notes	5-15-99	3-01-09	3.50% – 4.40%	\$ 500,000	\$ 60,000
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	5,145,000
2004 General obligation refunding	6-15-04	3-01-12	2.00% – 4.00%	2,040,000	1,435,000
2006 General obligation promissory notes	12-27-06	12-01-14	3.75% – 4.00%	1,200,000	1,200,000
2008 General obligation refunding bonds	12-30-08	9-01-21	3.50% - 4.45%	1,700,000	<u>1,700,000</u>
Total Business-type Activities – General Obligation Debt					<u>\$ 11,240,000</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	
2009	\$ 10,464,562	\$ 1,794,050	\$ 2,560,000	\$ 368,884	\$ 15,187,496
2010	6,943,040	1,315,542	870,000	326,902	9,455,484
2011	6,026,944	1,075,609	925,000	283,564	8,311,117
2012	6,446,034	836,613	1,000,000	236,564	8,519,211
2013	4,451,092	632,307	660,000	197,078	5,940,477
2014 – 2018	7,430,572	1,796,505	4,125,000	510,989	13,863,066
2019 – 2023	2,181,175	611,607	1,100,000	67,975	3,960,757
2024 – 2027	<u>1,815,000</u>	<u>184,800</u>	<u>-</u>	<u>-</u>	<u>1,999,800</u>
Totals	<u>\$ 45,758,419</u>	<u>\$ 8,247,033</u>	<u>\$ 11,240,000</u>	<u>\$ 1,991,956</u>	<u>\$ 67,237,408</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, 2008

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

F. LONG-TERM OBLIGATIONS (cont.)

Current Refunding

On December 30, 2008, the city issued \$5,250,000 in general obligation bonds to refund \$1,075,000 of general obligation notes due March 1, 2010 and \$4,175,000 due March 1, 2011. The city will refund the notes on March 1, 2009.

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, 2008

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

H. GOVERNMENTAL ACTIVITIES NET ASSETS/FUND BALANCES

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2008 include the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 70,919,954
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(43,477,974)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>27,441,980</u>
Restricted	
Debt service	1,591,862
Subdivider's deposits	991,604
Park improvements	6,108
Police enforcement	12,142
EMS	59,528
Library	221,577
Economic development	283,779
Senior citizens	93,182
Impact fees	<u>113,930</u>
Total Restricted	<u>3,373,712</u>
Unrestricted	<u>3,260,699</u>
Total Governmental Activities Net Assets	<u>\$ 34,076,391</u>

Governmental fund balances reported on the fund financial statements at December 31, 2008 include the following:

Reserved

Major Funds

General Fund

Delinquent personal property taxes	\$ 69,285
Advances	<u>2,020,541</u>
Total	<u>\$ 2,089,826</u>

Debt Service Fund

Debt service	<u>\$ 4,151,377</u>
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TIF District No. 3 Capital Projects Fund

Reserved for loans receivable	\$ 1,593,563
Reserved for debt service	<u>1,594,857</u>
Total	<u>\$ 3,188,420</u>

Capital Projects Fund

Reserved for prepaid items	<u>\$ 852,996</u>
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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Governmental Activities (cont.)

Reserved (cont.)

Non-Major Funds

Economic Development Grant Special Revenue Fund	
Reserved for loans receivable	<u>\$ 55,205</u>

Unreserved – Designated

General Fund

2009 budget	<u>\$ 610,000</u>
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Unreserved – Undesignated (Deficit)

Major Funds

General fund	<u>\$ 1,957,975</u>
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TIF District No. 3 capital projects fund	<u>\$ 1,638,670</u>
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Capital projects fund	<u>\$ 3,657,514</u>
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Non-Major Funds

Special Revenue Funds

Subdividers' deposits	\$ 991,604
Land and park donations	6,108
Drug evidence	9,150
Cable TV	233,038
Youth commission donations	2,095
EMS	59,528
Lost and damaged book	54,835
Library gift	66,317
EMS equipment replacement	335,426
Library endowment	155,260
Retirement benefits	1,259,613
Airport	233,486
Economic development grant	228,574
Shop with a cop	18,321
Drug forfeitures	2,992
Federal seizures	2,774
Senior citizen	93,182
Tourism commission	91,729
National night out	473
Soccer stadium	10,188
Community awareness	115
Big event (deficit)	(68,552)
Safety impact fee	66,811
EMS and fire impact fee	<u>47,119</u>

Total	<u>\$ 3,900,186</u>
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Capital Projects Fund

TIF District No. 4 (deficit)	<u>\$ (182,555)</u>
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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

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

Business-Type Activities

Invested in Capital Assets, Net of Related Debt

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

	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Totals</u>
Capital assets	\$ 22,596,038	\$ 14,325,195	\$ 11,483,530	\$ 48,404,763
Accumulated depreciation	<u>(5,917,680)</u>	<u>(3,282,421)</u>	<u>(608,878)</u>	<u>(9,808,979)</u>
Sub-totals	<u>16,678,358</u>	<u>11,042,774</u>	<u>10,874,652</u>	<u>38,595,784</u>
Less:				
Current portion of capital related long-term debt	(215,000)	(175,000)	(2,170,000)	(2,560,000)
Long-term portion of capital related long-term debt	(725,000)	(380,000)	(7,575,000)	(8,680,000)
Unamortized debt issuance costs	-	3,934	-	3,934
Unspent bond proceeds	-	-	1,700,000	1,700,000
Sub-totals	<u>(940,000)</u>	<u>(551,066)</u>	<u>(8,045,000)</u>	<u>(9,536,066)</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 15,738,358</u>	<u>\$ 10,491,708</u>	<u>\$ 2,829,652</u>	<u>\$ 29,059,718</u>
Restricted				
Equipment replacement	\$ -	\$ 54,000	\$ -	\$ 54,000
Total Restricted	<u>\$ -</u>	<u>\$ 54,000</u>	<u>\$ -</u>	<u>\$ 54,000</u>
Unrestricted (Deficit)	<u>\$ 4,256,815</u>	<u>\$ 4,634,581</u>	<u>\$ (1,876,168)</u>	<u>\$ 7,015,228</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, 2008

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	\$	186,522
Debt reserve fund		<u>1,594,866</u>
 Total		 <u>\$ 1,781,388</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, 2008, the CDA's investments were exposed to custodial credit risk as follows:

U.S. Treasuries

Neither insured nor registered and held by counterparty	\$	<u>1,531,388</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, 2008, the CDA's investments were as follows:

Investment Type	Fair Value	Maturity (In Months)		
		Less than 6	7-12	12-60
U.S. Treasuries	<u>\$ 1,781,388</u>	<u>\$ 1,781,388</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

I. COMPONENT UNIT (cont.)

c. CDA Lease Revenue Bonds

	Balance 1-1-08	Increases	Decreases	Balance 12-31-08	Amounts Due in Less Than One Year
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 2.60%-4.75%. Principal payments vary. Bonds mature October 1, 2020.	\$ 6,605,000	\$ -	\$ 405,000	\$ 6,200,000	\$ 415,000
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 4.3%-6.65%. Principal payments vary. Bonds mature October 1, 2020.	8,265,000	-	445,000	7,820,000	470,000
Less: Unamortized debt discounts	(163,840)	-	(12,850)	(150,990)	(12,850)
Totals	\$ 14,706,160	\$ -	\$ 837,150	\$ 13,869,010	\$ 872,150

Debt service requirements to maturity are as follows:

	Principal	Interest	Totals
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	1,060,000	567,720	1,627,720
2014 – 2018	6,195,000	1,936,972	8,131,972
2019 – 2020	2,985,000	263,344	3,248,344
Totals	\$ 14,020,000	\$ 5,503,544	\$ 19,523,544

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, 2008

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible city employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 3.4% for Protective Occupations with Social Security, and 5.1% 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, 2008 was \$7,144,589 the employer's total payroll was \$7,865,008. The total required contribution for the year ended December 31, 2008 was \$882,965 or 12.4% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2007 and 2006 were \$885,304 and \$766,294, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials, 54 for protective occupation employees with less than 25 years of service, and 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The city has no pension-related liability.

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, 2008

NOTE V – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city's legal counsel that the likelihood is remote that most of such claims or proceedings will not have a material adverse effect on the city's financial position or results of operations.

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, 2008 is a deficit of \$223,415. 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 \$127,347 of the District's net deficit. The city's share of the net deficit has been reported in the government-wide statement of net assets. See also Note V.D.

D. JOINT VENTURES

Metropolitan Refuse District, Inc.

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

City of Middleton	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 \$61,560 to the District in 2008. The city has an equity interest (deficit) of \$(127,347) at year end. The city will continue to support the District's postclosure care costs in the future.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE V – OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

Metropolitan Refuse District, Inc. (cont.)

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. Separately issued financial statements of the District are not prepared.

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. Separately issued financial statements of the commission can be obtained from the City of Middleton's city hall at 7426 Hubbard Avenue, Middleton, WI 53562.

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

Middleton Fire District

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

The governing body is made up of elected officials from each community. Local representatives are appointed by the municipalities. The governing body has authority to adopt its own budget and control the financial affairs of the District. The city has made payments totaling \$556,567 to the District in 2008 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. Separately issued financial statements of the District are not prepared.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE V – OTHER INFORMATION (cont.)

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Application of these standards may restate portions of these financial statements. GASB No. 51 is effective for the year ending December 31, 2010. GASB No. 53 is effective for the year ending December 31, 2010.

F. SUBSEQUENT EVENT

On June 16, 2009, the City of Middleton issued \$10,000,000 Note Anticipation Notes dated July 1, 2009 with interest at 4%. The notes are due July 1, 2010.

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,665,281	\$ 10,665,281	\$ 10,656,683	\$ (8,598)
Intergovernmental	2,698,413	2,698,413	2,799,938	101,525
Licenses and permits	555,865	555,865	529,767	(26,098)
Fines, forfeitures and penalties	281,000	281,000	272,849	(8,151)
Public charges for services	1,000,200	1,000,200	786,042	(214,158)
Interdepartmental charges for services	302,600	302,600	307,010	4,410
Special assessments	56,500	56,500	81,276	24,776
Investment income	610,000	610,000	937,598	327,598
Miscellaneous	60,000	60,000	100,557	40,557
Total Revenues	<u>16,229,859</u>	<u>16,229,859</u>	<u>16,471,720</u>	<u>241,861</u>
EXPENDITURES				
Current				
General government	2,107,843	2,107,843	1,962,425	145,418
Public safety	6,378,694	6,378,694	6,251,812	126,882
Public works	2,968,405	2,968,405	3,087,043	(118,638)
Leisure activities	3,195,199	3,195,199	3,231,769	(36,570)
Conservation and development	445,168	445,168	410,575	34,593
Total Expenditures	<u>15,095,309</u>	<u>15,095,309</u>	<u>14,943,624</u>	<u>151,685</u>
Excess of revenues over expenditures	<u>1,134,550</u>	<u>1,134,550</u>	<u>1,528,096</u>	<u>393,546</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	5,000	5,000	7,591	2,591
TIF No. 3 repayment	1,070,000	1,070,000	-	(1,070,000)
Transfers in	295,000	295,000	305,271	10,271
Transfers out	(3,054,550)	(3,054,550)	(2,720,069)	334,481
Total Other Financing Sources (Uses)	<u>(1,684,550)</u>	<u>(1,684,550)</u>	<u>(2,407,207)</u>	<u>(722,657)</u>
Net Change in Fund Balance	(550,000)	(550,000)	(879,111)	(329,111)
FUND BALANCE - Beginning	<u>5,536,912</u>	<u>5,536,912</u>	<u>5,536,912</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,986,912</u>	<u>\$ 4,986,912</u>	<u>\$ 4,657,801</u>	<u>\$ (329,111)</u>

See independent auditors' report and 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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
General property tax	\$ 10,303,171	\$ 10,303,171	\$ 10,303,084	\$ (87)
Fees in lieu of taxes	44,110	44,110	44,110	-
Room tax	315,000	315,000	308,851	(6,149)
Interest on taxes	3,000	3,000	638	(2,362)
TOTALS	<u>10,665,281</u>	<u>10,665,281</u>	<u>10,656,683</u>	<u>(8,598)</u>
INTERGOVERNMENTAL REVENUES				
Shared taxes from state	362,802	362,802	353,287	(9,515)
State aid - road allotment	1,396,671	1,396,671	1,395,718	(953)
State aid - exempt computer aid	145,000	145,000	140,582	(4,418)
State aid - fire insurance dues	78,000	78,000	74,411	(3,589)
State aid - law enforcement	-	-	16,462	16,462
State aid - miscellaneous grants	-	-	20,143	20,143
Federal and state aid - other	77,500	77,500	92,837	15,337
Federal aid - FEMA grant	-	-	39,519	39,519
County aid - library	532,285	532,285	552,767	20,482
County aid - signals	2,500	2,500	3,067	567
County aid - senior citizens	44,901	44,901	46,690	1,789
School district payments for liaison officer	58,754	58,754	64,455	5,701
TOTALS	<u>2,698,413</u>	<u>2,698,413</u>	<u>2,799,938</u>	<u>101,525</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	33,700	33,700	39,908	6,208
Operators' licenses	9,000	9,000	9,485	485
Contractor's licenses	6,000	6,000	6,625	625
Alarm licenses	6,265	6,265	7,138	873
Cigarette licenses	150	150	165	15
Bicycle licenses	100	100	74	(26)
Dog and cat licenses	450	450	1,978	1,528
Cable TV franchise license	130,000	130,000	130,000	-
Other miscellaneous licenses	1,200	1,200	1,630	430
Building permits	200,000	200,000	189,289	(10,711)
Recycling permits	5,000	5,000	2,448	(2,552)
Electrical permits	60,000	60,000	45,506	(14,494)
Plumbing permits	60,000	60,000	47,486	(12,514)
Erosion control permits	30,000	30,000	35,400	5,400
Park reservation permits	14,000	14,000	12,635	(1,365)
TOTALS	<u>555,865</u>	<u>555,865</u>	<u>529,767</u>	<u>(26,098)</u>
FINES, FORFEITURES AND PENALTIES				
Court penalties	180,000	180,000	157,594	(22,406)
Parking violations	42,000	42,000	50,220	8,220
Court costs	59,000	59,000	65,035	6,035
TOTALS	<u>281,000</u>	<u>281,000</u>	<u>272,849</u>	<u>(8,151)</u>

CITY OF MIDDLETON

GENERAL FUND
 SCHEDULE OF REVENUES COMPARED TO BUDGET - BUDGET AND ACTUAL (cont)
 For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
Clerk fees	\$ 10,000	\$ 10,000	\$ 14,877	\$ 4,877
Police special services	10,000	10,000	14,420	4,420
Police department fees	30,000	30,000	22,160	(7,840)
Ambulance services	509,200	509,200	254,891	(254,309)
EMS fixed cost abatement	75,000	75,000	78,081	3,081
Plan commission charges	15,000	15,000	13,825	(1,175)
Senior citizens	16,000	16,000	30,324	14,324
Swimming pool	224,000	224,000	231,108	7,108
Summer recreation	62,000	62,000	63,856	1,856
Public works charges	3,500	3,500	14,699	11,199
Other recreation	43,000	43,000	43,001	1
Zoning	2,500	2,500	4,800	2,300
TOTALS	1,000,200	1,000,200	786,042	(214,158)
INTERDEPARTMENTAL CHARGES FOR SERVICES				
Administration reimbursements - utilities	100,000	100,000	104,410	4,410
Administration reimbursements - TIF	195,000	195,000	195,000	-
Administration reimbursements - Landfill	5,000	5,000	5,000	-
Administration reimbursements - Fire District	2,600	2,600	2,600	-
TOTALS	302,600	302,600	307,010	4,410
SPECIAL ASSESSMENTS				
Curb, gutter and sidewalks	56,000	56,000	80,542	24,542
Interest on special assessments	500	500	734	234
TOTALS	56,500	56,500	81,276	24,776
INVESTMENT INCOME				
Investment income	610,000	610,000	643,271	33,271
Interest on advances	-	-	294,327	294,327
TOTALS	610,000	610,000	937,598	327,598
MISCELLANEOUS				
Rent of city buildings and offices	28,000	28,000	27,238	(762)
Compensation for loss of fixed assets	-	-	11,403	11,403
Refund of prior year's expenditures	30,000	30,000	25,323	(4,677)
Sale of materials	2,000	2,000	1,593	(407)
Contribution from cell phone company	-	-	20,000	20,000
Miscellaneous revenue - MADC	-	-	15,000	15,000
TOTALS	60,000	60,000	100,557	40,557
OTHER FINANCING SOURCES				
Sale of capital assets	5,000	5,000	7,591	2,591
TIF No. 3 repayment	1,070,000	1,070,000	-	(1,070,000)
Transfer in - Water Utility	295,000	295,000	305,271	10,271
TOTALS	1,370,000	1,370,000	312,862	(1,057,138)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 17,599,859	\$ 17,599,859	\$ 16,784,582	\$ (815,277)

See independent auditors' report and 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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Council	\$ 51,073	\$ 51,073	\$ 48,759	\$ 2,314
Police commission	9,000	9,000	12,845	(3,845)
Landmarks commission	600	600	16,469	(15,869)
Middleton youth commission	24,935	24,935	21,786	3,149
Art committee	3,000	3,000	3,609	(609)
Board of review	375	375	130	245
Municipal court	74,092	74,092	79,119	(5,027)
General administration	648,688	648,688	661,030	(12,342)
Information technology	458,868	458,868	397,895	60,973
Independent auditing	39,000	39,000	39,647	(647)
Legal counseling	165,000	165,000	209,548	(44,548)
Special legal counsel	5,000	5,000	-	5,000
Buildings and grounds	131,698	131,698	119,569	12,129
Illegal taxes and tax refunds	5,000	5,000	5,000	-
Property and liability insurance	250,000	250,000	320,320	(70,320)
Income continuation insurance	12,000	12,000	13,508	(1,508)
Contingency	212,514	212,514	-	212,514
Group life insurance	12,000	12,000	13,191	(1,191)
Additional expenditures - prior years	5,000	5,000	-	5,000
TOTALS	2,107,843	2,107,843	1,962,425	145,418
PUBLIC SAFETY				
Police administration	514,487	514,487	500,880	13,607
Police patrol	3,225,704	3,225,704	3,177,553	48,151
Code compliance	80,013	80,013	73,727	6,286
Training	41,800	41,800	57,242	(15,442)
Police uniform allowance and equipment	24,875	24,875	25,667	(792)
School patrol	10,830	10,830	12,231	(1,401)
Fire suppression	642,653	642,653	556,567	86,086
Public fire protection	373,144	373,144	373,144	-
EMS	780,436	780,436	811,996	(31,560)
Building inspector	100,180	100,180	99,784	396
Electrical inspector	89,264	89,264	87,787	1,477
Plumbing inspection	66,867	66,867	61,015	5,852
Emergency preparedness	6,120	6,120	7,411	(1,291)
Sealer of weights and measures	5,000	5,000	4,400	600
Erosion control enforcement	27,000	27,000	35,689	(8,689)
Special projects	1,400	1,400	1,432	(32)
Communications	388,921	388,921	365,287	23,634
TOTALS	6,378,694	6,378,694	6,251,812	126,882

CITY OF MIDDLETON

GENERAL FUND

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

For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC WORKS				
Machinery	\$ 261,395	\$ 261,395	\$ 372,773	\$ (111,378)
Garage	51,200	51,200	59,549	(8,349)
Public works salaries and fringes	579,436	579,436	642,463	(63,027)
Protective equipment	3,300	3,300	3,348	(48)
Engineering	718,338	718,338	711,237	7,101
Street maintenance	30,050	30,050	27,617	2,433
Street cleaning	6,300	6,300	6,230	70
Snow and ice control	60,000	60,000	76,037	(16,037)
Traffic signals	21,600	21,600	16,288	5,312
Traffic signs and markings	34,000	34,000	34,937	(937)
Street lighting	95,000	95,000	100,441	(5,441)
Tree and brush	2,200	2,200	460	1,740
Storm sewers	10,500	10,500	6,788	3,712
Mass transit	397,836	397,836	347,118	50,718
Garbage collection	408,000	408,000	409,781	(1,781)
Sanitary landfill	61,650	61,650	61,560	90
Recycling	227,600	227,600	210,416	17,184
TOTALS	<u>2,968,405</u>	<u>2,968,405</u>	<u>3,087,043</u>	<u>(118,638)</u>
LEISURE ACTIVITIES				
Library	1,548,526	1,548,526	1,552,980	(4,454)
Historical society	-	-	10,970	(10,970)
Senior citizens center	377,213	377,213	369,264	7,949
Dining center	3,000	3,000	14,358	(11,358)
Recreation programs and events	55,645	55,645	46,698	8,947
Recreation administration	110,522	110,522	110,522	-
Swimming pool	268,425	268,425	260,468	7,957
Summer recreation	77,000	77,000	90,183	(13,183)
Parks	754,868	754,868	776,326	(21,458)
TOTALS	<u>3,195,199</u>	<u>3,195,199</u>	<u>3,231,769</u>	<u>(36,570)</u>
CONSERVATION AND DEVELOPMENT				
Water resources	48,800	48,800	46,822	1,978
Conservancy land commission	117,621	117,621	88,324	29,297
Planning commission	278,747	278,747	275,027	3,720
Other conservation and development	-	-	402	(402)
TOTALS	<u>445,168</u>	<u>445,168</u>	<u>410,575</u>	<u>34,995</u>
OTHER FINANCING USES				
Transfers out - debt service fund	3,054,550	3,054,550	2,485,208	569,342
Transfers out - retirement benefits fund	-	-	194,861	(194,861)
Transfers out - EMS equipment replacement fund	-	-	40,000	(40,000)
TOTALS	<u>3,054,550</u>	<u>3,054,550</u>	<u>2,720,069</u>	<u>334,481</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES				
	<u>\$ 18,149,859</u>	<u>\$ 18,149,859</u>	<u>\$ 17,663,693</u>	<u>\$ 486,568</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF MIDDLETON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2008

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:

	<u>Original and Amended Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Current Expenditures			
Police commission	\$ 9,000	\$ 12,845	\$ 3,845
Landmarks Commission	600	16,469	15,869
Art committee	3,000	3,609	609
Municipal court	74,092	79,119	5,027
General administration	648,688	661,030	12,342
Independent auditing	39,000	39,647	647
Legal counseling	165,000	209,548	44,548
Property and liability insurance	250,000	320,320	70,320
Income continuation insurance	12,000	13,508	1,508
Group life insurance	12,000	13,191	1,191
Training	41,800	57,242	15,442
Police uniform allowance and equipment	24,875	25,667	792
School patrol	10,830	12,231	1,401
EMS	780,436	811,996	31,560
Emergency preparedness	6,120	7,411	1,291
Special projects	1,400	1,432	32
Erosion control enforcement	27,000	35,689	8,689
Machinery	261,395	372,773	111,378
Garage	51,200	59,549	8,349
Public works salaries and fringes	579,436	642,463	63,027
Protective equipment	3,300	3,348	48
Snow and ice control	60,000	76,037	16,037
Traffic signs and markings	34,000	34,937	937
Street lighting	95,000	100,441	5,441
Garbage collection	408,000	409,781	1,781
Library	1,548,526	1,522,980	4,454
Historical society	-	10,970	10,970
Dining center	3,000	14,358	11,358
Summer recreation	77,000	90,183	13,183
Parks	754,868	776,326	21,458
Other conservation and development	-	402	402
Transfers out - retirement benefits fund	-	194,861	194,861
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, 2008

	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	Retirement Benefits	Airport	Economic Develop- ment Grant
ASSETS													
Cash and investments	\$ 1,186,172	\$ 6,108	\$ 9,150	\$ 182,845	\$ 2,095	\$ 59,528	\$ 55,412	\$ 66,317	\$ 261,552	\$ 155,260	\$ 1,259,613	\$ 245,525	\$ 228,574
Accounts receivable	-	-	-	50,193	-	-	-	-	-	-	-	4,290	-
Interest receivable	-	-	-	-	-	-	-	-	5,322	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	55,205
Due from other funds	-	-	-	-	-	-	-	-	68,552	-	-	-	-
TOTAL ASSETS	\$ 1,186,172	6,108	\$ 9,150	\$ 233,038	\$ 2,095	\$ 59,528	\$ 55,412	\$ 66,317	\$ 335,426	\$ 155,260	\$ 1,259,613	\$ 249,815	\$ 283,779
LIABILITIES AND FUND BALANCES													
Accounts payable	194,568	-	-	-	-	-	577	-	-	-	-	16,329	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	194,568	-	-	-	-	-	577	-	-	-	-	16,329	-
Fund Balances													
Reserved for loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	55,205
Unreserved													
Undesignated (deficit)	991,604	6,108	9,150	233,038	2,095	59,528	54,835	66,317	335,426	155,260	1,259,613	233,486	228,574
Total Fund Balances	991,604	6,108	9,150	233,038	2,095	59,528	54,835	66,317	335,426	155,260	1,259,613	233,486	283,779
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,186,172	\$ 6,108	\$ 9,150	\$ 233,038	\$ 2,095	\$ 59,528	\$ 55,412	\$ 66,317	\$ 335,426	\$ 155,260	\$ 1,259,613	\$ 249,815	\$ 283,779

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)
December 31, 2008

	Special Revenue Funds											Capital	Total	
	Shop With a Cop	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	National Night Out	Soccer Stadium	Community Awareness	Big Event	Safety Impact Fee	EMS & Fire Impact Fee	TIF District No. 4	Projects Fund	Nonmajor Governmental Funds
ASSETS														
Cash and investments	\$ 18,321	\$ 2,992	\$ 2,774	\$ 94,002	\$ -	\$ 473	\$ 14,188	\$ 115	\$ -	\$ 66,811	\$ 47,119	\$ -	\$ -	\$ 3,964,946
Accounts receivable	-	-	-	-	157,059	-	-	-	-	-	-	-	-	211,542
Interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	5,322
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	55,205
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	68,552
TOTAL ASSETS	\$ 18,321	\$ 2,992	\$ 2,774	\$ 94,002	\$ 157,059	\$ 473	\$ 14,188	\$ 115	\$ -0-	\$ 66,811	\$ 47,119	\$ -	\$ -	\$ 4,305,567
LIABILITIES AND FUND BALANCES														
Accounts payable	-	-	-	820	53,311	-	4,000	-	-	-	-	18,776	-	288,381
Due to other funds	-	-	-	-	12,019	-	-	-	68,552	-	-	-	-	80,571
Advance from other funds	-	-	-	-	-	-	-	-	-	-	-	163,779	-	163,779
Total Liabilities	-	-	-	820	65,330	-	4,000	-	68,552	-	-	182,555	-	532,731
Fund Balances														
Reserved for loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	55,205
Unreserved														
Undesignated (deficit)	18,321	2,992	2,774	93,182	91,729	473	10,188	115	(68,552)	66,811	47,119	(182,555)	-	3,717,631
Total Fund Balances	18,321	2,992	2,774	93,182	91,729	473	10,188	115	(68,552)	66,811	47,119	(182,555)	-	3,772,836
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,321	\$ 2,992	\$ 2,774	\$ 94,002	\$ 157,059	\$ 473	\$ 14,188	\$ 115	\$ -	\$ 66,811	\$ 47,119	\$ -	\$ -	\$ 4,305,567

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	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	Retirement Benefits	Airport	Economic Development Grant
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	6,696	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-
Public charges for services	519,301	-	-	67,604	-	-	39,420	-	-	-	-	114,057	-
Investment income (loss)	-	-	-	-	-	-	-	-	-	(60,318)	-	-	13,413
Miscellaneous	-	14,245	-	-	-	-	-	24,660	-	14,800	17,145	-	-
Total Revenues	<u>519,301</u>	<u>14,245</u>	<u>-</u>	<u>67,604</u>	<u>-</u>	<u>6,696</u>	<u>39,420</u>	<u>24,660</u>	<u>-</u>	<u>(45,518)</u>	<u>17,145</u>	<u>114,057</u>	<u>13,413</u>
EXPENDITURES													
Current:													
General government	-	-	-	73,935	-	-	-	-	-	-	54,864	-	-
Public safety	-	-	-	-	-	-	-	-	28,854	-	-	-	-
Leisure activities	-	10,025	-	-	-	-	20,236	-	-	1,642	-	-	-
Conservation and development	1,192,111	-	-	-	-	-	-	-	-	-	-	79,634	-
Total Expenditures	<u>1,192,111</u>	<u>10,025</u>	<u>-</u>	<u>73,935</u>	<u>-</u>	<u>-</u>	<u>20,236</u>	<u>-</u>	<u>28,854</u>	<u>1,642</u>	<u>54,864</u>	<u>79,634</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(672,810)</u>	<u>4,220</u>	<u>-</u>	<u>(6,331)</u>	<u>-</u>	<u>6,696</u>	<u>19,184</u>	<u>24,660</u>	<u>(28,854)</u>	<u>(47,160)</u>	<u>(37,719)</u>	<u>34,423</u>	<u>13,413</u>
OTHER FINANCING SOURCES (USES)													
Transfers In	-	-	-	-	-	-	-	-	40,000	-	194,861	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>194,861</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(672,810)	4,220	-	(6,331)	-	6,696	19,184	24,660	11,146	(47,160)	157,142	34,423	13,413
FUND BALANCES - Beginning of Year	1,664,414	1,888	9,150	239,369	2,095	52,832	35,651	41,657	324,280	202,420	1,102,471	199,063	270,366
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 991,604</u>	<u>\$ 6,108</u>	<u>\$ 9,150</u>	<u>\$ 233,038</u>	<u>\$ 2,095</u>	<u>\$ 59,528</u>	<u>\$ 54,835</u>	<u>\$ 66,317</u>	<u>\$ 335,426</u>	<u>\$ 155,260</u>	<u>\$ 1,259,613</u>	<u>\$ 233,486</u>	<u>\$ 283,779</u>

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (cont.)
For the Year Ended December 31, 2008

	Special Revenue Funds											Capital	Total
	Shop With a Cop	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	National Night Out	Soccer Stadium	Community Awareness	Big Event	Safety Impact Fee	EMS & Fire Impact Fee	Projects	Nonmajor
												TIF District No. 4	Funds Governmental
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 720,652	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 720,652
Intergovernmental	4,067	-	-	-	-	-	-	-	-	-	-	-	10,763
Licenses and permits	-	-	-	-	-	-	-	-	63,843	45,127	-	-	108,970
Public charges for services	-	-	-	-	-	-	-	-	-	-	-	-	740,382
Investment income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	(46,905)
Miscellaneous	5,420	-	-	37,315	2,164	500	39,800	-	69,376	-	-	-	225,425
Total Revenues	9,487	-	-	37,315	722,816	500	39,800	-	69,376	63,843	45,127	-	1,759,287
EXPENDITURES													
Current:													
General government	-	-	-	-	-	-	-	2,537	-	-	-	182,555	313,891
Public safety	1,632	-	395	-	-	1,340	-	-	-	-	-	-	32,221
Leisure activities	-	-	-	16,909	-	-	66,611	-	137,928	-	-	-	253,351
Conservation and development	-	-	-	-	325,983	-	-	-	-	-	-	-	1,597,728
Total Expenditures	1,632	-	395	16,909	325,983	1,340	66,611	2,537	137,928	-	-	182,555	2,197,191
Excess (deficiency) of revenues over expenditures	7,855	-	(395)	20,406	396,833	(840)	(26,811)	(2,537)	(68,552)	63,843	45,127	(182,555)	(437,904)
OTHER FINANCING SOURCES (USES)													
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	234,861
Transfers Out	-	-	-	-	(528,000)	-	-	-	-	-	-	-	(528,000)
Total Other Financing Sources (Uses)	-	-	-	-	(528,000)	-	-	-	-	-	-	-	(293,139)
Net change in fund balance	7,855	-	(395)	20,406	(131,167)	(840)	(26,811)	(2,537)	(68,552)	63,843	45,127	(182,555)	(731,043)
FUND BALANCES - Beginning of Year	10,466	2,992	3,169	72,776	222,896	1,313	36,999	2,652	-	2,968	1,992	-	4,503,879
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 18,321	\$ 2,992	\$ 2,774	\$ 93,182	\$ 91,729	\$ 473	\$ 10,188	\$ 115	\$ (68,552)	\$ 66,811	\$ 47,119	\$ (182,555)	\$ 3,772,836

CITY OF MIDDLETON

COMBINING STATEMENT OF FIDUCIARY NET ASSETS AGENCY FUNDS December 31, 2008

	<u>Tax Roll</u>	<u>Fire District</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 15,813,143	\$ 58,961	\$ 15,872,104
Taxes receivable	15,876,765	-	15,876,765
Due from other governmental units	<u>-</u>	<u>115,084</u>	<u>115,084</u>
TOTAL ASSETS	<u>\$ 31,689,908</u>	<u>\$ 174,045</u>	<u>\$ 31,863,953</u>
LIABILITIES			
Accounts payable	\$ -	\$ 174,045	\$ 174,045
Due to other governmental units	<u>31,689,908</u>	<u>-</u>	<u>31,689,908</u>
TOTAL LIABILITIES	<u>\$ 31,689,908</u>	<u>\$ 174,045</u>	<u>\$ 31,863,953</u>

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS - COMPONENT UNIT For the Year Ended December 31, 2008

	<u>Component Unit - CDA</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from economic loan repayments	\$ 7,124
Economic and housing loans	(43,000)
Cash received from customers	65,352
Cash paid to suppliers for goods and services	<u>(30,288)</u>
Net Cash Flows From Operating Activities	<u>(812)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	25,452
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Paid to primary government	(11,502)
Principal paid	(850,000)
Interest paid	(781,672)
Capital lease interest received	781,672
Capital lease principal received	<u>850,000</u>
Net Cash Flows From Noncapital Financing Activities	<u>(11,502)</u>
Net Increase in Cash and Cash Equivalents	13,138
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,253,019</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,266,157</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ 34,017
Changes in Assets and Liabilities	
Loans receivable	(35,876)
Accounts payable	<u>1,047</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (812)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - COMPONENT UNIT	
Cash and investments - statement of net assets - component unit	\$ 484,769
Restricted cash and investments - statement of net assets - component unit	<u>1,781,388</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,266,157</u>

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

The CDA has a long-term receivable with accrued interest of \$11,527.

CDA loans receivable were adjusted for loans that were collected in prior years totaling \$125,191.