

CITY OF MIDDLETON

Middleton, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

Year Ended December 31, 2009

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, 2009, 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, 2009, 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 Virchow Krause, LLP

Madison, Wisconsin
May 18, 2010

CITY OF MIDDLETON

STATEMENT OF NET ASSETS
December 31, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 12,668,468	\$ 6,092,803	\$ 18,761,271	\$ 270,721
Receivables (net of allowance for uncollectibles)				
Taxes	20,917,777	-	20,917,777	-
Delinquent taxes	29,578	-	29,578	-
Accounts	1,005,873	712,364	1,718,237	-
Interest	104,779	98,169	202,948	396
Loans	1,543,747	-	1,543,747	495,620
Special assessments	1,967,629	2,204,182	4,171,811	-
Delinquent special assessments	4,205	-	4,205	-
Due from other governments	54,607	-	54,607	-
Due from primary government	-	-	-	176,758
Due from component unit	1,775,678	-	1,775,678	-
Internal balances-current	222,866	(222,866)	-	-
Internal balances-advances	1,969,074	(1,969,074)	-	-
Prepaid items	7,111	-	7,111	-
Restricted Assets				
Temporarily Restricted				
Cash and investments	-	54,000	54,000	1,775,678
Leases receivable from primary government	-	-	-	13,135,000
Other assets	34,930	301,087	336,017	35,840
Capital Assets				
Land	7,439,100	2,505,107	9,944,207	154,000
Right of way	18,751,280	-	18,751,280	-
Construction in progress	7,324,743	1,008,886	8,333,629	-
Capital assets being depreciated	55,328,655	45,668,528	100,997,183	2,874,692
Less: Accumulated depreciation	(12,921,279)	(10,556,921)	(23,478,200)	(546,679)
Investment in joint venture (deficit)	(81,208)	-	(81,208)	-
Total Assets	<u>118,147,613</u>	<u>45,896,265</u>	<u>164,043,878</u>	<u>18,372,026</u>
LIABILITIES				
Accounts payable	2,413,448	386,494	2,799,942	2,520
Accrued liabilities	438,562	116,867	555,429	176,758
Due to other governments	7,227	-	7,227	-
Due to primary government	-	-	-	1,775,678
Due to component unit	176,758	-	176,758	-
Unearned revenue	20,794,423	16,583	20,811,006	-
Noncurrent Liabilities				
Due within one year	18,680,800	907,556	19,588,356	907,150
Due in more than one year	43,723,096	7,879,823	51,602,919	12,089,710
Total Liabilities	<u>86,234,314</u>	<u>9,307,323</u>	<u>95,541,637</u>	<u>14,951,816</u>
NET ASSETS				
Invested in capital assets, net of related debt	26,390,247	29,945,600	56,335,847	2,482,013
Restricted for equipment replacement	-	54,000	54,000	-
Restricted for subdivider's deposits	1,090,645	-	1,090,645	-
Restricted for park improvements	3,301	-	3,301	-
Restricted for police enforcement	12,563	-	12,563	-
Restricted for EMS	66,236	-	66,236	-
Restricted for drug enforcement	2,156	-	2,156	-
Restricted for library	230,755	-	230,755	-
Restricted for economic development	289,518	-	289,518	-
Restricted for senior citizens	99,359	-	99,359	-
Restricted for impact fees	87,751	-	87,751	-
Unrestricted	<u>3,640,768</u>	<u>6,589,342</u>	<u>10,230,110</u>	<u>938,197</u>
TOTAL NET ASSETS	<u>\$ 31,913,299</u>	<u>\$ 36,588,942</u>	<u>\$ 68,502,241</u>	<u>\$ 3,420,210</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental Activities								
General government	\$ 2,402,174	\$ 110,889	\$ 53,728	\$ -	\$ (2,237,557)	\$ -	\$ (2,237,557)	\$ -
Public safety	7,927,957	1,123,061	232,904	136,191	(6,435,801)	-	(6,435,801)	-
Public works	4,855,110	336,935	1,520,425	267,729	(2,730,021)	-	(2,730,021)	-
Leisure activities	5,491,187	550,115	1,021,178	78,289	(3,841,605)	-	(3,841,605)	-
Conservation and economic development	2,074,865	19,176	-	-	(2,055,689)	-	(2,055,689)	-
Interest and fiscal charges	2,268,167	-	-	-	(2,268,167)	-	(2,268,167)	-
Total Governmental Activities	25,019,460	2,140,176	2,828,235	482,209	(19,568,840)	-	(19,568,840)	-
Business-type Activities								
Water	1,439,828	1,864,871	-	24,547	-	449,590	449,590	-
Sewer	1,555,245	1,607,782	-	-	-	52,537	52,537	-
Pleasant View Golf Course	1,761,637	1,860,503	-	-	-	98,866	98,866	-
Total Business-type Activities	4,756,710	5,333,156	-	24,547	-	600,993	600,993	-
Total Primary Government	\$ 29,776,170	\$ 7,473,332	\$ 2,828,235	\$ 506,756	(19,568,840)	600,993	(18,967,847)	-
Component Unit								
Community Development Authority	\$ 986,132	\$ 26,253	\$ -	\$ -	-	-	-	(959,879)
General Revenues								
Taxes								
Property taxes, levied for general purposes and debt service					12,249,406	-	12,249,406	-
Property taxes, levied for tax increment district					4,079,004	-	4,079,004	-
Other taxes					874,231	-	874,231	-
Cable television franchise fees					194,844	-	194,844	-
Intergovernmental revenues not restricted to specific programs					919,207	-	919,207	-
Public gifts and/or grants					90,036	-	90,036	-
Investment income					707,445	204,844	912,289	763,072
Miscellaneous					446,115	-	446,115	-
Transfers					345,840	(345,840)	-	-
Total General Revenues and Transfers					19,906,128	(140,996)	19,765,132	763,072
Change in net assets					337,288	459,997	797,285	(196,807)
NET ASSETS - Beginning (restated)					31,576,011	36,128,945	67,704,956	3,617,017
NET ASSETS - ENDING					\$ 31,913,299	\$ 36,588,942	\$ 68,502,241	\$ 3,420,210

See accompanying notes to financial statements.

CITY OF MIDDLETON

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2009

	General	Debt Service	TIF District No. 3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 1,741,050	\$ 75,843	\$ 899,101	\$ 6,109,282	\$ 3,843,192	\$ 12,668,468
Receivables (net)						
Taxes	12,222,426	-	8,695,351	-	-	20,917,777
Delinquent taxes	29,578	-	-	-	-	29,578
Accounts	227,276	-	-	220,225	558,372	1,005,873
Interest	104,779	-	-	-	-	104,779
Loans	-	-	1,497,311	-	46,436	1,543,747
Special assessments	12,708	-	1,954,921	-	-	1,967,629
Delinquent special assessments	4,205	-	-	-	-	4,205
Due from other funds	345,840	-	-	-	83,550	429,390
Due from other governments	54,607	-	-	-	-	54,607
Due from component unit	-	-	1,775,678	-	-	1,775,678
Advances to other funds	2,487,337	-	-	-	-	2,487,337
Prepaid items	7,111	-	-	-	-	7,111
TOTAL ASSETS	\$ 17,236,917	\$ 75,843	\$ 14,822,362	\$ 6,329,507	\$ 4,531,550	\$ 42,996,179
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 742,599	\$ -	\$ 236,850	\$ 1,362,558	\$ 71,441	\$ 2,413,448
Due to other governments	7,227	-	-	-	-	7,227
Due to other funds	122,974	-	-	-	83,550	206,524
Deferred revenue	12,207,018	-	10,169,101	-	135,333	22,511,452
Deferred special assessments	16,913	-	1,954,921	-	-	1,971,834
Advances from other funds	-	-	154,794	-	363,469	518,263
Total Liabilities	<u>13,096,731</u>	<u>-</u>	<u>12,515,666</u>	<u>1,362,558</u>	<u>653,793</u>	<u>27,628,748</u>
Fund Balances						
Reserved for:						
Loans receivable	-	-	23,561	-	46,436	69,997
Delinquent personal property taxes	29,578	-	-	-	-	29,578
Advances	2,487,337	-	-	-	-	2,487,337
Debt service	-	75,843	1,589,129	-	-	1,664,972
Prepaid items	7,111	-	-	-	-	7,111
Unreserved and designated, reported in:						
General fund	308,000	-	-	-	-	308,000
Unreserved and undesignated (deficit), reported in:						
General fund	1,308,160	-	-	-	-	1,308,160
Special revenue funds	-	-	-	-	4,203,732	4,203,732
Capital projects funds (deficit)	-	-	694,006	4,966,949	(372,411)	5,288,544
Total Fund Balances	<u>4,140,186</u>	<u>75,843</u>	<u>2,306,696</u>	<u>4,966,949</u>	<u>3,877,757</u>	<u>15,367,431</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,236,917	\$ 75,843	\$ 14,822,362	\$ 6,329,507	\$ 4,531,550	

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. See Note IV.D.	75,922,499
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.	3,688,863
Investment (deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.	(81,208)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.	(62,984,286)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 31,913,299

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, 2009**

	General	Debt Service	TIF District No. 3	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 12,555,919	\$ -	\$ 4,079,004	\$ -	\$ 567,719	\$ 17,202,642
Intergovernmental	2,898,176	-	435,040	383,055	6,708	3,722,979
Licenses and permits	465,222	-	-	-	100,848	566,070
Fines, forfeitures and penalties	308,665	-	-	-	-	308,665
Public charges for services	1,254,961	-	-	-	582,284	1,837,245
Intergovernmental charges for services	368,470	-	-	-	-	368,470
Special assessments	89,664	-	189,008	-	-	278,672
Investment income	311,758	-	271,224	-	37,137	620,119
Miscellaneous	151,437	-	99,475	232,211	95,940	579,063
Total Revenues	18,404,272	-	5,073,751	615,266	1,390,636	25,483,925
EXPENDITURES						
Current						
General government	2,194,960	-	-	-	312,657	2,507,617
Public safety	6,950,343	-	-	-	339,258	7,289,601
Public works	3,018,238	-	-	-	-	3,018,238
Leisure activities	3,420,485	-	-	-	133,248	3,553,733
Conservation and economic development	434,431	-	-	-	675,263	1,109,694
Capital Outlay	-	-	2,439,473	10,598,877	-	13,038,350
Debt Service						
Principal retirement	-	10,464,563	885,000	-	-	11,349,563
Debt issuance costs	-	-	-	13,950	-	13,950
Interest and fiscal charges	-	1,733,509	749,645	-	-	2,483,154
Total Expenditures	16,018,457	12,198,072	4,074,118	10,612,827	1,460,426	44,363,900
Excess (deficiency) of revenues over (under) expenditures	2,385,815	(12,198,072)	999,633	(9,997,561)	(69,790)	(18,879,975)
OTHER FINANCING SOURCES (USES)						
Debt issued	-	-	1,900,000	10,000,000	-	11,900,000
Premium on debt	-	-	-	78,300	-	78,300
Discount on debt	-	-	-	(15,000)	-	(15,000)
Sale of capital assets	18,652	-	-	-	-	18,652
Transfers in	345,840	8,522,538	-	454,000	305,337	9,627,715
Transfers out	(3,267,922)	(400,000)	(5,420,027)	(63,300)	(130,626)	(9,281,875)
Total Other Financing Sources (Uses)	(2,903,430)	8,122,538	(3,520,027)	10,454,000	174,711	12,327,792
Net Change in Fund Balance	(517,615)	(4,075,534)	(2,520,394)	456,439	104,921	(6,552,183)
FUND BALANCES - Beginning	4,657,801	4,151,377	4,827,090	4,510,510	3,772,836	21,919,614
FUND BALANCES - ENDING	\$ 4,140,186	\$ 75,843	\$ 2,306,696	\$ -4,966,949	\$ 3,877,757	\$ 15,367,431

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, 2009

Net change in fund balances - total governmental funds	\$ (6,552,183)
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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	13,038,350
Less: Some items are reported as capital outlay but are not capitalized	(4,204,973)
Depreciation is reported in the government-wide statements	(1,325,227)
Net book value of assets retired	(5,225)

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.	(130,803)
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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	(11,900,000)
Debt retired	11,349,563

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.	46,139
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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	(143,995)
Debt issuance costs	(9,980)
Accrued interest on debt	175,622

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>337,288</u>
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CITY OF MIDDLETON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2009

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	\$ 3,676,170	\$ 2,416,633	\$ -	\$ 6,092,803
Accounts receivable, net	331,620	376,842	3,902	712,364
Accrued interest	73,348	24,821	-	98,169
Due from other funds	125,452	68,012	-	193,464
Total Current Assets	<u>4,206,590</u>	<u>2,886,308</u>	<u>3,902</u>	<u>7,096,800</u>
Noncurrent Assets				
Restricted assets				
Cash and investments	-	54,000	-	54,000
Special assessments receivable	-	2,204,182	-	2,204,182
Other assets				
Property held for future use	301,087	-	-	301,087
Capital assets				
Construction work in progress	1,008,886	-	-	1,008,886
Property and equipment	22,295,015	14,379,341	11,499,279	48,173,635
Less: Accumulated depreciation	<u>(6,329,789)</u>	<u>(3,505,416)</u>	<u>(721,716)</u>	<u>(10,556,921)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>16,974,112</u>	<u>10,873,925</u>	<u>10,777,563</u>	<u>38,625,600</u>
Total Noncurrent Assets	<u>17,275,199</u>	<u>13,132,107</u>	<u>10,777,563</u>	<u>41,184,869</u>
Total Assets	<u>21,481,789</u>	<u>16,018,415</u>	<u>10,781,465</u>	<u>48,281,669</u>

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 106,642	\$ 243,460	\$ 36,392	\$ 386,494
Accrued interest	10,901	5,719	100,247	116,867
Accrued compensated absences	18,846	6,282	12,428	37,556
Due to other funds	345,840	70,490	-	416,330
Unearned revenues	16,583	-	-	16,583
Current portion of long term debt	230,000	120,000	520,000	870,000
Total Current Liabilities	<u>728,812</u>	<u>445,951</u>	<u>669,067</u>	<u>1,843,830</u>
Noncurrent Liabilities				
Accrued compensated absences	25,387	8,462	35,974	69,823
Advances from other funds	-	-	1,969,074	1,969,074
General obligation debt	<u>495,000</u>	<u>260,000</u>	<u>7,055,000</u>	<u>7,810,000</u>
Total Noncurrent Liabilities	<u>520,387</u>	<u>268,462</u>	<u>9,060,048</u>	<u>9,848,897</u>
Total Liabilities	<u>1,249,199</u>	<u>714,413</u>	<u>9,729,115</u>	<u>11,692,727</u>
NET ASSETS				
Invested in capital assets, net of related debt	16,249,112	10,493,925	3,202,563	29,945,600
Restricted for:				
Equipment replacement	-	54,000	-	54,000
Unrestricted (deficit)	<u>3,983,478</u>	<u>4,756,077</u>	<u>(2,150,213)</u>	<u>6,589,342</u>
TOTAL NET ASSETS	<u>\$ 20,232,590</u>	<u>\$ 15,304,002</u>	<u>\$ 1,052,350</u>	<u>\$ 36,588,942</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, 2009

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
OPERATING REVENUES				
Charges for services	\$ 1,864,871	\$ 1,607,782	\$ 1,860,503	\$ 5,333,156
Total Operating Revenues	<u>1,864,871</u>	<u>1,607,782</u>	<u>1,860,503</u>	<u>5,333,156</u>
OPERATING EXPENSES				
Operation and maintenance	998,017	1,303,944	1,296,141	3,598,102
Depreciation	401,281	225,197	112,838	739,316
Total Operating Expenses	<u>1,399,298</u>	<u>1,529,141</u>	<u>1,408,979</u>	<u>4,337,418</u>
Operating Income	<u>465,573</u>	<u>78,641</u>	<u>451,524</u>	<u>995,738</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	133,667	71,177	-	204,844
Interest expense	(40,530)	(22,170)	(352,658)	(415,358)
Amortization of debt issuance costs	-	(3,934)	-	(3,934)
Total Nonoperating Revenues (Expenses)	<u>93,137</u>	<u>45,073</u>	<u>(352,658)</u>	<u>(214,448)</u>
Income before contributions and transfers	558,710	123,714	98,866	781,290
Capital contributions	24,547	-	-	24,547
Transfers out	(345,840)	-	-	(345,840)
Change in Net Assets	237,417	123,714	98,866	459,997
TOTAL NET ASSETS - Beginning	<u>19,995,173</u>	<u>15,180,288</u>	<u>953,484</u>	<u>36,128,945</u>
TOTAL NET ASSETS - ENDING	<u>\$ 20,232,590</u>	<u>\$ 15,304,002</u>	<u>\$ 1,052,350</u>	<u>\$ 36,588,942</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,580,341	\$ 1,585,972	\$ 1,861,325	\$ 5,027,638
Cash received from city for services	373,144	-	-	373,144
Cash paid to suppliers for goods and services	(690,686)	(1,209,143)	(711,512)	(2,611,341)
Cash paid to employees for services	(326,608)	(88,645)	(570,864)	(986,117)
Net Cash Flows From Operating Activities	<u>936,191</u>	<u>288,184</u>	<u>578,949</u>	<u>1,803,324</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from general fund	-	-	267,106	267,106
Net Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>267,106</u>	<u>267,106</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid	(215,000)	(175,000)	(2,170,000)	(2,560,000)
Interest paid	(44,444)	(24,677)	(360,306)	(429,427)
Acquisition and construction of capital assets	(696,270)	(56,348)	(15,749)	(768,367)
Net Cash Flows From Capital and Related Financing Activities	<u>(955,714)</u>	<u>(256,025)</u>	<u>(2,546,055)</u>	<u>(3,757,794)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	60,319	46,356	-	106,675
Investments sold and matured	1,603,938	609,555	-	2,213,493
Marketable securities purchased	(1,423,429)	(921,021)	-	(2,344,450)
Net Cash Flows From Investing Activities	<u>240,828</u>	<u>(265,110)</u>	<u>-</u>	<u>(24,282)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>221,305</u>	<u>(232,951)</u>	<u>(1,700,000)</u>	<u>(1,711,646)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>347,494</u>	<u>1,160,131</u>	<u>1,700,000</u>	<u>3,207,625</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 568,799</u>	<u>\$ 927,180</u>	<u>\$ -</u>	<u>\$ 1,495,979</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	\$ 465,573	\$ 78,641	\$ 451,524	\$ 995,738
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities				
Depreciation expense	401,281	225,197	112,838	739,316
Depreciation charged to sewer utility	42,697	-	-	42,697
Changes in Noncash Components of Working Capital				
Accounts receivable	(11,816)	(19,195)	822	(30,189)
Other accounts receivable	3,660	-	-	3,660
Due from other funds	50,490	(2,615)	-	47,875
Accounts payable	21,854	7,686	4,331	33,871
Accrued compensated absences	13,831	(230)	9,434	23,035
Unearned revenues	3,583	-	-	3,583
Due to other funds	(54,962)	(1,300)	-	(56,262)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 936,191</u>	<u>\$ 288,184</u>	<u>\$ 578,949</u>	<u>\$ 1,803,324</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS				
Cash and investments - statement of net assets - proprietary funds	\$ 3,676,170	\$ 2,416,633	\$ -	\$ 6,092,803
Restricted cash and investments - statement of net assets - proprietary funds	-	54,000	-	54,000
Less: Non-cash equivalents	(3,107,371)	(1,543,453)	-	(4,650,824)
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 568,799</u>	<u>\$ 927,180</u>	<u>\$ -</u>	<u>\$ 1,495,979</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES				
Developer financed additions to utility plant	<u>\$ 24,547</u>	<u>\$ -</u>	<u>\$ -</u>	

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 17,210,093
Taxes receivable	14,857,190
Due from other governmental units	<u>142,081</u>
TOTAL ASSETS	<u>\$ 32,209,364</u>
LIABILITIES	
Accounts payable	\$ 87,810
Due to other governmental units	<u>32,121,554</u>
TOTAL LIABILITIES	<u>\$ 32,209,364</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

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December 31, 2009

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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009

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, 2009

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

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

Fund Financial Statements (cont.)

The city reports the following major governmental funds:

Major Governmental Funds

General Fund – accounts for the city's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TIF or enterprise fund debt.

Tax Incremental Financing District (TIF) No. 3 Capital Projects Fund – accounts for expenditures outlined in the TIF project plan and related revenues and proceeds from long-term borrowing.

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

The city reports the following major enterprise funds:

Major Enterprise Funds

Water Utility – accounts for operations of the water system

Sewer Utility – accounts for operations of the sewer system

Pleasant View Golf Course – accounts for operations of the Pleasant View Golf Course

The city reports the following non-major governmental funds:

Non-Major Governmental Funds

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Subdividers' Deposits

Land and Park Donations

Community Gardens

Drug Evidence

Cable TV

Youth Commission Donations

EMS

Lost and Damaged Book

Library Gift

EMS Equipment Replacement

Library Endowment

Retirement Benefits

Airport

Economic Development Grant

Shop With a Cop

Drug Forfeitures

Federal Seizures

Senior Citizen

Tourism Commission

National Night Out

Soccer Stadium

Community Awareness

Big Event

Safety, Impact Fee

EMS & Fire Impact Fee

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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. 5

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 unearned 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, 2009

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, 2009

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 recoded 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, 2009

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, 2009

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, 2009, 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 – 2009 tax roll:

Lien date and levy date	December 2009
Tax bills mailed	December 2009
Payment in full, or	January 31, 2010
First installment due	January 31, 2010
Second installment due	July 31, 2010
Personal property taxes in full	January 31, 2010
Tax sale – 2009 delinquent real estate taxes	October 2012

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, 2009

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, 2009

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, 2009

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 \$42,990. The number of participants currently eligible to receive benefits is 17.

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, 2009 are determined on the basis of current salary rates and include salary related payments.

The city does not have a postemployment benefits liability related to GASB No. 45.

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, 2009

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. The liability for claims and judgments is only reported in governmental fund types if it has matured. 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, 2009

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 common council effective January 1, 2009. Sewer rates are adjusted for rate changes from Madison Metropolitan Sewerage District.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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 \$62,984,286 difference are as follows:

Bonds and notes payable		\$ 47,193,856	
Compensated absences		2,075,040	
Capital leases payable		13,135,000	
Accrued interest		438,562	
Accrued interest - due to component unit		176,758	
Unamortized debt issuance costs		<u>(34,930)</u>	
Combined Adjustment for Long-Term Liabilities			<u>\$ 62,984,286</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.

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>
Capital Projects Funds			
Capital projects fund	\$ 4,162,450	\$ 10,612,827	\$ 6,450,377

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2009, the following individual fund held a deficit balance:

Community awareness	\$	8,464	Excess expenditures over revenues
National night out		199	Excess expenditures over revenues
Big event		74,887	Excess expenditures over revenues
TIF District No. 5		372,411	Excess expenditures over revenues

The TIF district deficit is anticipated to be funded with future incremental taxes levied over the life of the district. 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.

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 28 (2009), 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% for the 2009 levy collected in 2010 and 3% for the 2010 levy collected in 2011. 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 2010 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
	<u> </u>	<u> </u>	
Demand deposits	\$ 16,967,324	\$ 17,198,500	Custodial credit
Money market	2,086,692	2,086,692	Custodial credit
Mutual funds	14,119,484	14,119,484	Credit, interest rate
Other external investment pool – Madison Community Foundation	154,559	154,559	Credit, interest rate
LGIP	2,696,830	2,696,830	Credit, interest rate
Petty cash	475	-	N/A
	<u> </u>	<u> </u>	
Total Cash and Investments	\$ <u>36,025,364</u>	\$ <u>36,256,065</u>	

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS (cont.)

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted cash and investments	\$ 18,761,271
Restricted cash and investments	54,000
Per statement of net assets –	
Fiduciary Funds	
Agency	<u>17,210,093</u>
Total Cash and Investments	<u>\$ 36,025,364</u>

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.

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.

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, 2009, 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, 2009, \$11,016,605 of the city’s total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 11,016,605</u>
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Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The city had no investments exposed to custodial credit risk.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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, 2009, 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 \$2,696,830 invested in the local government investment pool, which had a weighted average maturity of 88 days. In addition, the city had \$154,559 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.

B. RECEIVABLES

All receivables on the balance sheet are expected to be collected within one year except for the following:

	<u>TIF District No. 3</u>	<u>Sewer</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Amounts Not Expected to be Collected Within One Year	<u>\$ 3,428,671</u>	<u>\$ 2,204,182</u>	<u>\$ 46,436</u>	<u>\$ 5,679,289</u>

Revenues of the city are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to ambulance billings	<u>\$ 107,890</u>
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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

B. RECEIVABLES (cont.)

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

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ -	\$ 20,794,423	\$ 20,794,423
Special assessments not yet due	1,971,834	-	1,971,834
Loan receivable	1,473,750	-	1,473,750
EMS receivable	62,325	-	62,325
Accrued interest	45,621	-	45,621
Park fees receivable	135,333	-	135,333
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 3,688,863	 \$ 20,794,423	 \$ 24,483,286

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, 2009, the city has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

C. RESTRICTED ASSETS

Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2009:

Replacement account	\$ 54,000
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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Restatement See Note IV.I.	Additions	Deletions	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 7,439,100	\$ -	\$ -	\$ -	\$ 7,439,100
Right of way	18,751,280	-	-	-	18,751,280
Construction in progress	-	-	7,324,743	-	7,324,743
Total Capital Assets Not Being Depreciated	<u>26,190,380</u>	<u>-</u>	<u>7,324,743</u>	<u>-</u>	<u>33,515,123</u>
Capital assets being depreciated					
Land improvements	6,595,903	-	209,765	-	6,805,668
Buildings	11,630,765	(3,028,692)	44,548	-	8,646,621
Machinery and equipment	3,645,141	-	607,428	147,063	4,105,506
Streets - infrastructure	18,633,767	-	260,443	24,636	18,869,574
Storm sewers - infrastructure	8,750,194	-	-	-	8,750,194
Traffic signals - infrastructure	1,085,975	-	225,047	-	1,311,022
Sidewalks - infrastructure	3,079,676	-	-	-	3,079,676
Bridges - infrastructure	3,116,828	-	161,403	-	3,278,231
Rail spur - infrastructure	482,163	-	-	-	482,163
Total Capital Assets Being Depreciated	<u>57,020,412</u>	<u>(3,028,692)</u>	<u>1,508,634</u>	<u>171,699</u>	<u>55,328,655</u>
Less: Accumulated depreciation for					
Land improvements	(1,428,381)	-	(219,700)	-	(1,648,081)
Buildings	(3,011,584)	528,312	(210,452)	-	(2,693,724)
Machinery and equipment	(1,966,686)	-	(306,829)	141,838	(2,131,677)
Streets - infrastructure	(2,557,473)	-	(285,040)	24,636	(2,817,877)
Storm sewers - infrastructure	(1,544,436)	-	(143,047)	-	(1,687,483)
Traffic signals - infrastructure	(406,984)	-	(47,182)	-	(454,166)
Sidewalks - infrastructure	(1,088,674)	-	(60,941)	-	(1,149,615)
Bridges - infrastructure	(230,254)	-	(37,571)	-	(267,825)
Rail spur - infrastructure	(56,366)	-	(14,465)	-	(70,831)
Total Accumulated Depreciation	<u>(12,290,838)</u>	<u>528,312</u>	<u>(1,325,227)</u>	<u>166,474</u>	<u>(12,921,279)</u>
 Total Capital Assets, Net of Depreciation	 <u>\$ 70,919,954</u>	 <u>\$ (2,500,380)</u>	 <u>\$ 7,508,150</u>	 <u>\$ 5,225</u>	 <u>\$ 75,922,499</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 6,771
Public safety	221,171
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks, bridges and rail spur	715,964
Leisure activities	<u>381,321</u>
 Total Governmental Activities Depreciation Expense	 <u><u>\$ 1,325,227</u></u>

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water Utility</u>				
Capital assets not being depreciated				
Land and land rights	\$ 222,277	\$ -	\$ -	\$ 222,277
Construction work in progress	<u>482,785</u>	<u>526,101</u>	-	<u>1,008,886</u>
Total Capital Assets Not Being Depreciated	<u>705,062</u>	<u>526,101</u>	-	<u>1,231,163</u>
Capital assets being depreciated				
Source of supply	319,783	-	-	319,783
Pumping	1,739,511	-	-	1,739,511
Treatment	343,242	-	-	343,242
Transmission and distribution	18,926,169	183,390	10,247	19,099,312
Administrative and general assets	<u>562,271</u>	<u>29,917</u>	<u>21,298</u>	<u>570,890</u>
Total Capital Assets Being Depreciated	<u>21,890,976</u>	<u>213,307</u>	<u>31,545</u>	<u>22,072,738</u>
Total Capital Assets	<u>22,596,038</u>	<u>739,408</u>	<u>31,545</u>	<u>23,303,901</u>
Less: Accumulated depreciation for				
Source of supply	(260,747)	(10,553)	-	(271,300)
Pumping	(975,583)	(61,452)	-	(1,037,035)
Treatment	(332,960)	(1,922)	-	(334,882)
Transmission and distribution	(3,834,011)	(345,404)	10,247	(4,169,168)
Administrative and general assets	<u>(514,379)</u>	<u>(24,323)</u>	<u>21,298</u>	<u>(517,404)</u>
Total Accumulated Depreciation	<u>(5,917,680)</u>	<u>(443,654)</u>	<u>31,545</u>	<u>(6,329,789)</u>
Net Water Plant	<u>\$ 16,678,358</u>	<u>\$ 295,754</u>	<u>\$ -</u>	<u>\$ 16,974,112</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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	12,543,291	55,909	2,202	12,596,998
Collection system pumping	1,305,786	-	-	1,305,786
Administrative and general assets	409,288	439	-	409,727
Total Capital Assets Being Depreciated	14,258,365	56,348	2,202	14,312,511
Total Capital Assets	14,325,195	56,348	2,202	14,379,341
Less: Accumulated depreciation	(3,282,421)	(225,197)	2,202	(3,505,416)
Net Sewer Plant	\$ 11,042,774	\$ (168,849)	\$ -	\$ 10,873,925
	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	649,996	15,749	-	665,745
Total Capital Assets Being Depreciated	9,267,530	15,749	-	9,283,279
Total Capital Assets	11,483,530	15,749	-	11,499,279
Less: Accumulated depreciation for				
Buildings	(144,855)	(41,981)	-	(186,836)
Land improvements	(133,873)	(19,124)	-	(152,997)
Equipment	(330,150)	(51,733)	-	(381,883)
Total Accumulated Depreciation	(608,878)	(112,838)	-	(721,716)
Net Golf Course	\$ 10,874,652	\$ (97,089)	\$ -	\$ 10,777,563
Total Net Capital Assets – Business Type Activities	\$ 38,595,784			\$ 38,625,600

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$	401,281
Sewer		225,197
Pleasant View Golf Course		<u>112,838</u>
Total Business-type Activities		
Depreciation Expense	\$	<u><u>739,316</u></u>

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cable TV	National night out	\$ 199
Cable TV	Community awareness	8,464
Cable TV	Big event	74,887
General	Water utility	345,840
Water utility	General	54,962
Sewer utility	General	68,012
Water utility	Sewer utility	<u>70,490</u>
Total – Fund Financial Statements		622,854
Less: Eliminations		<u>(399,988)</u>
Total Government-Wide Financial Statements		<u><u>\$ 222,866</u></u>

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

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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 TIF District No. 5. 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	\$ 1,969,074	\$ 1,969,074
General fund	TIF District No. 3	154,794	-
General fund	TIF District No. 5	<u>363,469</u>	<u>363,469</u>
Total – Fund Financial Statements		2,487,337	<u>\$ 2,332,543</u>
Less: Eliminations		<u>(518,263)</u>	
Total – Government-Wide Financial Statements		<u>\$ 1,969,074</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>\$ 1,775,678</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, 2009

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 fund	Water utility	\$ 345,840	Payment in lieu of tax
Capital projects fund	Debt service	400,000	Prior debt service refund
Capital projects fund	TIF District No. 3	54,000	Project costs
Debt service fund	General fund	2,962,585	Debt service
Retirement benefits	General fund	305,337	Future retirement benefits
Debt service fund	TIF District No. 3	5,366,027	Debt service
Debt service fund	Safety impact fee	130,626	Debt service
Debt service fund	Capital projects fund	<u>63,300</u>	Debt service
Subtotal – Fund Financial Statements		9,627,715	
Less: Fund eliminations		<u>(9,281,875)</u>	
Total Government-Wide Statement of Activities		<u>\$ 345,840</u>	
Government Activity	Business-type Activity	\$ 345,840	
Business-type Activity	Government Activity	<u>-</u>	
Total		<u>\$ 345,840</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2009 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	\$ 45,758,419	\$ 1,900,000	\$ 10,464,563	\$ 37,193,856	\$ 7,066,936
Note anticipation notes	-	10,000,000	-	10,000,000	10,000,000
Total Bonds and Notes Payable	<u>45,758,419</u>	<u>11,900,000</u>	<u>10,464,563</u>	<u>47,193,856</u>	<u>17,066,936</u>
Other Liabilities:					
Vested compensated absences	1,931,045	882,141	738,146	2,075,040	693,864
Capital leases	14,020,000	-	885,000	13,135,000	920,000
Total Other Liabilities	<u>15,951,045</u>	<u>882,141</u>	<u>1,623,146</u>	<u>15,210,040</u>	<u>1,613,864</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 61,709,464</u>	<u>\$12,782,141</u>	<u>\$ 12,087,709</u>	<u>\$ 62,403,896</u>	<u>\$ 18,680,800</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt	\$ 11,240,000	\$ -	\$ 2,560,000	\$ 8,680,000	\$ 870,000
Other Liabilities:					
Vested compensated absences	84,344	80,338	57,303	107,379	37,556
Total Business-type Activities Long-Term Liabilities	<u>\$ 11,324,344</u>	<u>\$ 80,338</u>	<u>\$ 2,617,303</u>	<u>\$ 8,787,379</u>	<u>\$ 907,556</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 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2009, was \$137,957,385. Total general obligation debt outstanding at year end was \$45,873,856.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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 12-31-09
2000 General obligation promissory notes	4-01-00	3-01-10	4.80%–5.20%	\$ 6,800,000	\$ 2,000,000
2001 General obligation promissory notes	3-15-01	3-11-11	4.00%–4.40%	8,000,000	150,000
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	6,250,000	3,200,000
2002 State trust fund loan	11-06-02	3-15-19	5.00%	2,170,000	1,572,342
2003 General obligation promissory notes	5-01-03	9-01-13	2.00% – 3.40%	9,980,000	5,790,000
2003 State trust fund loan	1-30-03	3-15-19	5.00%	930,000	666,514
2004 General obligation refunding bond	6-15-04	3-01-12	2.00% – 4.00%	4,540,000	655,000
2004 General obligation promissory notes	6-15-04	3-01-14	2.50% – 4.25%	1,910,000	1,000,000
2005 General obligation promissory notes	6-01-05	12-01-11	3.25% – 3.50%	3,300,000	2,000,000
2006 General obligation promissory notes	6-01-06	12-01-13	4.00% – 4.25%	2,000,000	1,500,000
2006 General obligation promissory notes	12-27-06	12-01-14	3.75% – 4.00%	2,330,000	1,930,000
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	2,750,000
2009 State trust fund loan	8-11-09	3-15-13	3.50%	500,000	500,000
2009 State trust fund loan	10-26-09	3-15-13	3.50%	1,400,000	1,400,000
 Total Governmental Activities – General Obligation Debt					 <u>\$ 37,193,856</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities General Obligation Debt	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-09</u>
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	\$ 6,005,000	\$ 4,675,000
2004 General obligation refunding	6-15-04	3-01-12	2.00% – 4.00%	2,040,000	1,105,000
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	3.505 – 4.45%	1,700,000	<u>1,700,000</u>
 Total Business-type Activities – General Obligation Debt					 <u><u>\$ 8,680,000</u></u>

Debt service requirements to maturity are as follows:

	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	\$ 7,066,936	\$ 1,277,898	\$ 870,000	\$ 374,902	\$ 9,589,736
2011	6,586,456	1,108,567	925,000	331,564	8,951,587
2012	7,043,807	831,310	1,000,000	284,564	9,159,681
2013	5,069,905	605,965	660,000	245,078	6,580,948
2014	2,011,395	462,005	715,000	213,783	3,402,183
2015 – 2019	6,045,357	1,353,107	3,810,000	480,456	11,688,920
2020 – 2024	1,985,000	521,600	700,000	28,725	3,235,325
2025 – 2027	<u>1,385,000</u>	<u>112,200</u>	<u>-</u>	<u>-</u>	<u>1,497,200</u>
 Totals	 <u><u>\$ 37,193,856</u></u>	 <u><u>\$ 6,272,652</u></u>	 <u><u>\$ 8,680,000</u></u>	 <u><u>\$ 1,959,072</u></u>	 <u><u>\$ 54,105,580</u></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.J. for the repayment schedule.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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

F. LONG-TERM OBLIGATIONS (cont.)

Note Anticipation Notes

Note anticipation notes at December 31, 2009, consist of the following:

<u>Note Anticipation Notes</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-09</u>
2009 Note anticipation note	7-01-09	7-01-10	1.75%	\$ 10,000,000	<u>\$ 10,000,000</u>

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.J. 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, 2009

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, 2009 include the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 75,922,499
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(49,532,252)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>26,390,247</u>
Restricted	
Subdivider's deposits	1,090,645
Park improvements	3,301
Police enforcement	12,563
EMS	66,236
Drug enforcement	2,156
Library	230,755
Economic development	289,518
Senior citizens	99,359
Impact fees	87,751
Total Restricted	<u>1,882,284</u>
Unrestricted	<u>3,640,768</u>
Total Governmental Activities Net Assets	<u>\$ 31,913,299</u>

Governmental fund balances reported on the fund financial statements at December 31, 2009 include the following:

Reserved

Major Funds

General Fund

Delinquent personal property taxes	\$ 29,578
Advances	2,487,337
Prepaid items	<u>7,111</u>
Total	<u>\$ 2,524,026</u>

Debt Service Fund

Debt service	<u>\$ 75,843</u>
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TIF District No. 3 Capital Projects Fund

Reserved for loans receivable	\$ 23,561
Reserved for debt service	<u>1,589,129</u>
Total	<u>\$ 1,612,690</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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>\$ 46,436</u>

Unreserved – Designated

General Fund

2010 budget	<u>\$ 308,000</u>
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Unreserved – Undesignated

Major Funds

General fund	<u>\$ 1,308,160</u>
TIF District No. 3 capital projects fund	<u>\$ 694,006</u>
Capital projects fund	<u>\$ 4,966,949</u>

Non-Major Funds

Special Revenue Funds

Subdividers' deposits	\$ 1,090,645
Land and park donations	3,301
Community gardens	10,442
Drug evidence	9,356
Cable TV	239,466
Youth commission donations	2,988
EMS	66,236
Lost and damaged book	71,297
Library gift	57,716
EMS equipment replacement	1,256
Library endowment	173,309
Retirement benefits	1,521,960
Airport	307,932
Economic development grant	243,082
Shop with a cop	13,851
Drug forfeitures	3,207
Federal seizures	2,156
Senior citizen	99,359
Tourism commission	285,571
National night out (deficit)	(199)
Community awareness (deficit)	(8,464)
Big event (deficit)	(74,887)
Safety impact fee	36,401
EMS and fire impact fee	<u>47,751</u>

Total	<u>\$ 4,203,732</u>
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Capital Projects Fund

TIF District No. 5 (deficit)	<u>\$ (372,411)</u>
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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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	\$ 23,303,901	\$ 14,379,341	\$ 11,499,279	\$ 49,182,521
Accumulated depreciation	<u>(6,329,789)</u>	<u>(3,505,416)</u>	<u>(721,716)</u>	<u>(10,556,921)</u>
Sub-totals	<u>16,974,112</u>	<u>10,873,925</u>	<u>10,777,563</u>	<u>38,625,600</u>
Less:				
Current portion of capital related long-term debt	(230,000)	(120,000)	(520,000)	(870,000)
Long-term portion of capital related long-term debt	<u>(495,000)</u>	<u>(260,000)</u>	<u>(7,055,000)</u>	<u>(7,810,000)</u>
Sub-totals	<u>(725,000)</u>	<u>(380,000)</u>	<u>(7,575,000)</u>	<u>(8,680,000)</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 16,249,112</u>	<u>\$ 10,493,925</u>	<u>\$ 3,202,563</u>	<u>\$ 29,945,600</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>\$ 3,983,478</u>	<u>\$ 4,756,077</u>	<u>\$ (2,150,213)</u>	<u>\$ 6,589,342</u>

I. RESTATEMENT OF NET ASSETS

Net assets for the CDA and governmental activities have been restated to reflect capital assets owned by the CDA that were previously recorded in the governmental activities in error.

Governmental Activities Net Assets – December 31, 2008 (as reported)	\$ 34,076,391
Less: Senior center capital assets	<u>(2,500,380)</u>
Governmental Activities Net Assets – December 31, 2008 (as restated)	<u>\$ 31,576,011</u>
CDA Net Assets – December 31, 2008 (as reported)	\$ 1,116,637
Add: Senior center capital assets	<u>2,500,380</u>
CDA Net Assets – December 31, 2008 (as restated)	<u>\$ 3,617,017</u>

The effect of the correction on the prior year's statement of activities was not material.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

J. COMPONENT UNIT

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

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

a. Basis of Accounting/Measurement Focus

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

b. Restricted Cash and Investments

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

Construction fund	\$ 185,548
Debt reserve fund	<u>1,590,130</u>
Total	<u>\$ 1,775,678</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, 2009, the CDA's investments were exposed to custodial credit risk as follows:

U.S. Treasuries

Neither insured nor registered and held by counterparty	<u>\$ 1,525,678</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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

J. COMPONENT UNIT (cont.)

b. Restricted Cash and Investments (cont.)

Interest Rate Risk (cont.)

As of December 31, 2009, the CDA's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (In Months) Less than 6</u>
U.S. Treasuries	<u>\$ 1,525,678</u>	<u>\$ 1,525,678</u>

c. Capital Assets

	<u>Beginning Balance</u>	<u>Restatement See Note IV.I.</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Useful Lives</u>
Land	\$ -	\$ 154,000	\$ -	\$ -	\$ 154,000	-
Buildings	-	2,874,692	-	-	2,874,692	40
Less: Accumulated depreciation	-	(528,312)	(18,367)	-	(546,679)	
Totals	<u>\$ -</u>	<u>\$ 2,500,380</u>	<u>\$ (18,367)</u>	<u>\$ -</u>	<u>\$ 2,482,013</u>	

d. CDA Lease Revenue Bonds

	<u>Balance 1-1-09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-09</u>	<u>Amounts Due in Less Than One Year</u>
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 2.60%- 4.75%. Principal payments vary. Bonds mature October 1, 2020.	\$ 6,200,000	\$ -	\$ 415,000	\$ 5,785,000	\$ 430,000
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 4.3%-6.65%. Principal payments vary. Bonds mature October 1, 2020.	7,820,000	-	470,000	7,350,000	490,000
Less: Unamortized debt discounts	(150,990)	-	(12,850)	(138,140)	(12,850)
Totals	<u>\$ 13,869,010</u>	<u>\$ -</u>	<u>\$ 872,150</u>	<u>\$ 12,996,860</u>	<u>\$ 907,150</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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

J. COMPONENT UNIT (cont.)

d. CDA Lease Revenue Bonds (cont.)

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	565,720	1,625,720
2014	1,110,000	513,720	1,623,720
2015 – 2019	6,535,000	1,596,777	8,131,777
2020	<u>1,535,000</u>	<u>94,822</u>	<u>1,629,822</u>
Totals	<u>\$ 13,135,000</u>	<u>\$ 4,760,289</u>	<u>\$ 17,895,289</u>

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

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, 2009 was \$7,699,141 and the employer's total payroll was \$8,395,198. The total required contribution for the year ended December 31, 2009 was \$945,740 or 12.2% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2008 and 2007 were \$882,965 and \$885,304, respectively, equal to the required contributions for each year.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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.

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE V – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

As stated in Note V.D., the city jointly operates the Metropolitan Refuse District, Inc. (District). The District's fund balance at September 30, 2009 is a deficit of \$142,471. 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 \$81,208 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 2009. The city has an equity interest (deficit) of \$(81,208) at year end. The city will continue to support the District's postclosure care costs in the future.

The District's landfill is being monitored for possible groundwater contamination as required by the Wisconsin Department of Natural Resources. The costs for groundwater monitoring are being budgeted for on an annual basis. At the current time it is not possible to determine if extensive contamination has occurred and the effects, if any, on the District. 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, City of Middleton, and City of Verona 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 City of Verona joined the Commission in 2009. 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 Sun Prairie at 300 East Main Street, Sun Prairie, WI 53590.

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE V – OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

Middleton Fire District

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

The governing body is made up of elected officials from each community. Local representatives are appointed by the municipalities. The governing body has authority to adopt its own budget and control the financial affairs of the District. The city has made payments totaling \$685,670 to the District in 2009 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.

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*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Application of these standards may restate portions of these financial statements.

F. SUBSEQUENT EVENTS

On April 15, 2010, the City of Middleton issued \$2,010,000 General Obligation Promissory Notes dated April 15, 2010 with interest between 1.2%-3.8% to finance capital projects. The notes are due September 1, 2017. Also, on April 15, 2010, the City of Middleton issued \$10,110,000 General Obligation Refunding Bonds dated April 15, 2010 with interest between 1.45%-5.85% to refinance the note anticipation notes for the new police facility. The bonds will mature September 1, 2029.

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 12,614,018	\$ 12,614,018	\$ 12,555,919	\$ (58,099)
Intergovernmental	2,850,188	2,850,188	2,898,176	47,988
Licenses and permits	512,650	512,650	465,222	(47,428)
Fines, forfeitures and penalties	280,000	280,000	308,665	28,665
Public charges for services	1,317,994	1,317,994	1,254,961	(63,033)
Interdepartmental charges for services	355,600	355,600	368,470	12,870
Special assessments	56,500	56,500	89,664	33,164
Investment income	620,000	620,000	311,758	(308,242)
Miscellaneous	59,500	59,500	151,437	91,937
Total Revenues	<u>18,666,450</u>	<u>18,666,450</u>	<u>18,404,272</u>	<u>(262,178)</u>
EXPENDITURES				
Current				
General government	2,630,538	2,630,538	2,194,960	435,578
Public safety	6,962,421	6,962,421	6,950,343	12,078
Public works	3,128,157	3,128,157	3,018,238	109,919
Leisure activities	3,468,394	3,468,394	3,420,485	47,909
Conservation and development	439,355	439,355	434,431	4,924
Total Expenditures	<u>16,628,865</u>	<u>16,628,865</u>	<u>16,018,457</u>	<u>610,408</u>
Excess of revenues over expenditures	<u>2,037,585</u>	<u>2,037,585</u>	<u>2,385,815</u>	<u>348,230</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	5,000	5,000	18,652	13,652
Transfers in	310,000	310,000	345,840	35,840
Transfers out	(2,962,585)	(2,962,585)	(3,267,922)	(305,337)
Total Other Financing Sources (Uses)	<u>(2,647,585)</u>	<u>(2,647,585)</u>	<u>(2,903,430)</u>	<u>(255,845)</u>
Net Change in Fund Balance	(610,000)	(610,000)	(517,615)	92,385
FUND BALANCE - Beginning	<u>4,657,801</u>	<u>4,657,801</u>	<u>4,657,801</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,047,801</u>	<u>\$ 4,047,801</u>	<u>\$ 4,140,186</u>	<u>\$ 92,385</u>

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

CITY OF MIDDLETON

GENERAL FUND DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
General property tax	\$ 12,269,908	\$ 12,269,908	\$ 12,249,406	\$ (20,502)
Fees in lieu of taxes	44,110	44,110	44,110	-
Room tax	297,000	297,000	243,308	(53,692)
Interest and penalties on taxes	3,000	3,000	19,095	16,095
TOTALS	<u>12,614,018</u>	<u>12,614,018</u>	<u>12,555,919</u>	<u>(58,099)</u>
INTERGOVERNMENTAL REVENUES				
Shared taxes from state	361,532	361,532	347,513	(14,019)
State aid - road allotment	1,433,650	1,433,650	1,433,975	325
State aid - exempt computer aid	132,210	132,210	136,654	4,444
State aid - fire insurance dues	75,000	75,000	74,575	(425)
State aid - law enforcement	-	-	6,000	6,000
State aid - medical transportation aid	-	-	13,100	13,100
State aid - miscellaneous grants	5,000	5,000	31,440	26,440
Federal and state aid - other	90,000	90,000	85,180	(4,820)
County aid - library	630,321	630,321	638,722	8,401
County aid - signals	2,500	2,500	3,654	1,154
County aid - senior citizens	46,075	46,075	45,993	(82)
School district payments for liaison officer	73,900	73,900	81,370	7,470
TOTALS	<u>2,850,188</u>	<u>2,850,188</u>	<u>2,898,176</u>	<u>47,988</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	35,000	35,000	38,095	3,095
Operators' licenses	9,000	9,000	10,805	1,805
Contractor's licenses	6,000	6,000	6,338	338
Alarm licenses	10,500	10,500	9,034	(1,466)
Cigarette licenses	150	150	180	30
Bicycle licenses	100	100	94	(6)
Dog and cat licenses	500	500	1,476	976
Cable TV franchise license	130,000	130,000	129,999	(1)
Other miscellaneous licenses	1,200	1,200	1,960	760
Building permits	175,000	175,000	155,139	(19,861)
Recycling permits	1,200	1,200	1,551	351
Electrical permits	50,000	50,000	39,397	(10,603)
Plumbing permits	50,000	50,000	40,313	(9,687)
Erosion control permits	30,000	30,000	15,100	(14,900)
Park reservation permits	14,000	14,000	15,741	1,741
TOTALS	<u>512,650</u>	<u>512,650</u>	<u>465,222</u>	<u>(47,428)</u>
FINES, FORFEITURES AND PENALTIES				
Court penalties	165,000	165,000	187,965	22,965
Parking violations	50,000	50,000	43,104	(6,896)
Court costs	65,000	65,000	77,596	12,596
TOTALS	<u>280,000</u>	<u>280,000</u>	<u>308,665</u>	<u>28,665</u>

CITY OF MIDDLETON

GENERAL FUND
 DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL (cont)
 For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
Clerk fees	\$ 12,000	\$ 12,000	\$ 18,404	\$ 6,404
Police special services	12,000	12,000	21,496	9,496
Police department fees	30,000	30,000	21,457	(8,543)
Ambulance services	802,800	802,800	701,617	(101,183)
EMS fixed cost abatement	92,194	92,194	96,946	4,752
Plan commission charges	15,000	15,000	11,838	(3,162)
Senior citizens	16,000	16,000	32,859	16,859
Swimming pool	224,000	224,000	216,412	(7,588)
Summer recreation	60,000	60,000	74,013	14,013
Public works charges	8,000	8,000	11,941	3,941
Other recreation	42,000	42,000	46,978	4,978
Zoning	4,000	4,000	1,000	(3,000)
TOTALS	<u>1,317,994</u>	<u>1,317,994</u>	<u>1,254,961</u>	<u>(63,033)</u>
INTERDEPARTMENTAL CHARGES FOR SERVICES				
Administration reimbursements - utilities	103,000	103,000	115,870	12,870
Administration reimbursements - TIF	245,000	245,000	245,000	-
Administration reimbursements - Landfill	5,000	5,000	5,000	-
Administration reimbursements - Fire District	2,600	2,600	2,600	-
TOTALS	<u>355,600</u>	<u>355,600</u>	<u>368,470</u>	<u>12,870</u>
SPECIAL ASSESSMENTS				
Curb, gutter and sidewalks	56,000	56,000	88,594	32,594
Interest on special assessments	500	500	1,070	570
TOTALS	<u>56,500</u>	<u>56,500</u>	<u>89,664</u>	<u>33,164</u>
INVESTMENT INCOME	<u>620,000</u>	<u>620,000</u>	<u>311,758</u>	<u>(308,242)</u>
MISCELLANEOUS				
Rent of city buildings and offices	28,000	28,000	26,358	(1,642)
Compensation for loss of fixed assets	-	-	5,302	5,302
Refund of prior year's expenditures	30,000	30,000	103,779	73,779
Sale of materials	1,500	1,500	998	(502)
Miscellaneous revenue - MADC	-	-	15,000	15,000
TOTALS	<u>59,500</u>	<u>59,500</u>	<u>151,437</u>	<u>91,937</u>
OTHER FINANCING SOURCES				
Sale of capital assets	5,000	5,000	18,652	13,652
Transfer in - Water Utility	310,000	310,000	345,840	35,840
TOTALS	<u>315,000</u>	<u>315,000</u>	<u>364,492</u>	<u>49,492</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 18,981,450</u>	<u>\$ 18,981,450</u>	<u>\$ 18,768,764</u>	<u>\$ (212,686)</u>

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

CITY OF MIDDLETON

GENERAL FUND
 DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Council	\$ 53,605	\$ 53,605	\$ 46,727	\$ 6,878
Police commission	9,000	9,000	9,847	(847)
Landmarks commission	600	600	2,012	(1,412)
Middleton youth commission	24,935	24,935	23,834	1,101
Art committee	3,000	3,000	66	2,934
Board of review	375	375	204	171
Municipal court	78,455	78,455	83,103	(4,648)
General administration	624,638	624,638	664,423	(39,785)
Information technology	514,588	514,588	503,361	11,227
Independent auditing	41,000	41,000	40,627	373
Legal counseling	205,000	205,000	270,126	(65,126)
Special legal counsel	5,000	5,000	3,767	1,233
Buildings and grounds	139,232	139,232	145,811	(6,579)
Illegal taxes and tax refunds	5,000	5,000	4,211	789
Property and liability insurance	340,000	340,000	352,777	(12,777)
Income continuation insurance	13,000	13,000	15,406	(2,406)
Contingency	554,110	554,110	-	554,110
Group life insurance	14,000	14,000	14,368	(368)
Vision care	-	-	500	(500)
Additional expenditures - prior years	5,000	5,000	13,790	(8,790)
TOTALS	<u>2,630,538</u>	<u>2,630,538</u>	<u>2,194,960</u>	<u>435,578</u>
PUBLIC SAFETY				
Police administration	540,441	540,441	527,241	13,200
Police patrol	3,434,961	3,434,961	3,363,944	71,017
Code compliance	72,834	72,834	76,642	(3,808)
Training	50,850	50,850	54,431	(3,581)
Police uniform allowance and equipment	27,000	27,000	25,492	1,508
School patrol	12,850	12,850	13,069	(219)
Fire suppression	672,000	672,000	685,670	(13,670)
Public fire protection	373,144	373,144	373,144	-
EMS	999,156	999,156	1,090,932	(91,776)
Building inspector	108,829	108,829	105,085	3,744
Electrical inspector	95,107	95,107	95,107	-
Plumbing inspection	63,823	63,823	61,223	2,600
Emergency preparedness	6,425	6,425	2,824	3,601
Sealer of weights and measures	5,000	5,000	4,400	600
Erosion control enforcement	30,000	30,000	22,204	7,796
Communications	470,001	470,001	448,935	21,066
TOTALS	<u>6,962,421</u>	<u>6,962,421</u>	<u>6,950,343</u>	<u>12,078</u>

CITY OF MIDDLETON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (cont.)

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC WORKS				
Machinery	\$ 328,627	\$ 328,627	\$ 241,148	\$ 87,479
Garage	54,300	54,300	54,560	(260)
Public works salaries and fringes	620,377	620,377	701,565	(81,188)
Protective equipment	3,800	3,800	2,674	1,126
Engineering	738,488	738,488	633,888	104,600
Street maintenance	40,000	40,000	25,106	14,894
Street cleaning	6,800	6,800	5,942	858
Snow and ice control	65,000	65,000	89,166	(24,166)
Traffic signals	20,000	20,000	14,011	5,989
Traffic signs and markings	37,000	37,000	40,751	(3,751)
Street lighting	106,000	106,000	98,707	7,293
Tree and brush	2,000	2,000	240	1,760
Storm sewers	10,000	10,000	10,146	(146)
Mass transit	368,515	368,515	382,539	(14,024)
Garbage collection	445,000	445,000	445,408	(408)
Sanitary landfill	61,650	61,650	61,560	90
Recycling	220,600	220,600	210,827	9,773
TOTALS	<u>3,128,157</u>	<u>3,128,157</u>	<u>3,018,238</u>	<u>109,919</u>
LEISURE ACTIVITIES				
Library	1,704,819	1,704,819	1,646,256	58,563
Historical society	-	-	273	(273)
Senior citizens center	425,118	425,118	400,888	24,230
Dining center	3,000	3,000	20,767	(17,767)
Recreation programs and events	61,145	61,145	56,574	4,571
Recreation administration	113,972	113,972	110,071	3,901
Swimming pool	269,925	269,925	278,593	(8,668)
Summer recreation	78,445	78,445	76,231	2,214
Parks	811,970	811,970	830,832	(18,862)
TOTALS	<u>3,468,394</u>	<u>3,468,394</u>	<u>3,420,485</u>	<u>47,909</u>
CONSERVATION AND DEVELOPMENT				
Water resources	48,800	48,800	49,700	(900)
Conservancy land commission	110,121	110,121	88,124	21,997
Planning commission	280,434	280,434	295,114	(14,680)
Forestry	-	-	1,493	(1,493)
TOTALS	<u>439,355</u>	<u>439,355</u>	<u>434,431</u>	<u>6,417</u>
OTHER FINANCING USES				
Transfers out - debt service fund	2,962,585	2,962,585	2,962,585	-
Transfers out - retirement benefits fund	-	-	305,337	(305,337)
TOTALS	<u>2,962,585</u>	<u>2,962,585</u>	<u>3,267,922</u>	<u>(305,337)</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES				
	<u>\$ 19,591,450</u>	<u>\$ 19,591,450</u>	<u>\$ 19,286,379</u>	<u>\$ 306,564</u>

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

CITY OF MIDDLETON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2009

BUDGETARY INFORMATION

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

Excess expenditures and other financing uses over appropriations are as follows:

	Original and Amended Budget	Actual Expenditures	Excess
General Fund			
Current Expenditures			
Police commission	\$ 9,000	\$ 9,847	\$ (847)
Landmarks commission	600	2,012	(1,412)
Municipal court	78,455	83,103	(4,648)
General administration	624,638	664,423	(39,785)
Legal counseling	205,000	270,126	(65,126)
Buildings and grounds	139,232	145,811	(6,579)
Property and liability insurance	340,000	352,777	(12,777)
Income continuation insurance	13,000	15,406	(2,406)
Group life insurance	14,000	14,368	(368)
Vision care	-	500	(500)
Additional expenditures – prior years	5,000	13,790	(8,790)
Code compliance	72,834	76,642	(3,808)
Training	50,850	54,431	(3,581)
School patrol	12,850	13,069	(219)
Fire suppression	672,000	685,670	(13,670)
EMS	999,156	1,090,932	(91,776)
Garage	54,300	54,560	(260)
Public works salaries and fringes	620,377	701,565	(81,188)
Snow and ice control	65,000	89,166	(24,166)
Traffic signs and markings	37,000	40,751	(3,751)
Storm sewers	10,000	10,146	(146)
Mass transit	368,515	382,539	(14,024)
Garbage collection	445,000	445,408	(408)
Historical society	-	273	(273)
Senior citizens center	377,213	400,888	(23,675)
Dining center	3,000	20,767	(17,767)
Swimming pool	269,925	278,593	(8,668)
Parks	811,970	830,832	(18,862)
Water resources	48,800	49,700	(900)
Planning commission	280,434	295,114	(14,680)
Forestry	-	1,493	(1,493)
Transfers out – retirement benefits fund	-	305,337	(305,337)

SUPPLEMENTARY INFORMATION

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009

	Special Revenue Funds													Economic Develop- ment Grant
	Sub- dividers' Deposits	Land and Park Donations	Community Gardens	Drug Evidence	Cable TV	Youth Commission Donations	EMS	Lost and Damaged Book	Library Gift	EMS Equipment Replacement	Library Endowment	Retirement Benefits	Airport	
ASSETS														
Cash and investments	\$ 864,534	\$ 6,412	\$ 10,442	\$ 9,886	\$ 104,551	\$ 2,988	\$ 66,236	\$ 72,864	\$ 57,716	\$ 1,256	\$ 173,309	\$ 1,521,960	\$ 321,742	\$ 243,082
Accounts receivable	379,492	-	-	-	51,365	-	-	-	-	-	-	-	366	-
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	46,436
Due from other funds	-	-	-	-	83,550	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,244,026	6,412	10,442	\$ 9,886	\$ 239,466	\$ 2,988	\$ 66,236	\$ 72,864	\$ 57,716	\$ 1,256	\$ 173,309	\$ 1,521,960	\$ 322,108	\$ 289,518
LIABILITIES AND FUND BALANCES														
Accounts payable	18,048	3,111	-	530	-	-	-	1,567	-	-	-	-	14,176	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	135,333	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	153,381	3,111	-	530	-	-	-	1,567	-	-	-	-	14,176	-
Fund Balances														
Reserved for loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	46,436
Unreserved														
Undesignated (deficit)	1,090,645	3,301	10,442	9,356	239,466	2,988	66,236	71,297	57,716	1,256	173,309	1,521,960	307,932	243,082
Total Fund Balances	1,090,645	3,301	10,442	9,356	239,466	2,988	66,236	71,297	57,716	1,256	173,309	1,521,960	307,932	289,518
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,244,026	\$ 6,412	\$ 10,442	\$ 9,886	\$ 239,466	\$ 2,988	\$ 66,236	\$ 72,864	\$ 57,716	\$ 1,256	\$ 173,309	\$ 1,521,960	\$ 322,108	\$ 289,518

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)
December 31, 2009

	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	Capital Projects Fund TIF District No. 5	Nonmajor Governmental Funds
ASSETS													
Cash and investments	\$ 13,851	\$ 3,207	\$ 2,156	\$ 99,359	\$ 183,489	\$ -	\$ -	\$ -	\$ -	\$ 36,401	\$ 47,751	\$ -	\$ 3,843,192
Accounts receivable	-	-	-	-	127,149	-	-	-	-	-	-	-	558,372
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	46,436
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	83,550
TOTAL ASSETS	\$ 13,851	\$ 3,207	\$ 2,156	\$ 99,359	\$ 310,638	\$ -	\$ -	\$ -	\$ -	\$ 36,401	\$ 47,751	\$ -	\$ 4,531,550
LIABILITIES AND FUND BALANCES													
Accounts payable	-	-	-	-	25,067	-	-	-	-	-	-	8,942	71,441
Due to other funds	-	-	-	-	-	199	-	8,464	74,887	-	-	-	83,550
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	135,333
Advance from other funds	-	-	-	-	-	-	-	-	-	-	-	363,469	363,469
Total Liabilities	-	-	-	-	25,067	199	-	8,464	74,887	-	-	372,411	653,793
Fund Balances													
Reserved for loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	46,436
Unreserved													
Undesignated (deficit)	13,851	3,207	2,156	99,359	285,571	(199)	-	(8,464)	(74,887)	36,401	47,751	(372,411)	3,831,321
Total Fund Balances	13,851	3,207	2,156	99,359	285,571	(199)	-	(8,464)	(74,887)	36,401	47,751	(372,411)	3,877,757
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,851	\$ 3,207	\$ 2,156	\$ 99,359	\$ 310,638	\$ -	\$ -	\$ -	\$ -	\$ 36,401	\$ 47,751	\$ -	\$ 4,531,550

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	Special Revenue Funds													
	Sub- dividers' Deposits	Land and Park Donations	Community Gardens	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	-	-	-	-	-	-	6,708	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public charges for services	345,083	-	-	-	64,845	-	-	44,520	-	-	-	-	127,836	-
Investment income	-	-	-	-	-	-	-	-	-	-	31,398	-	-	5,739
Miscellaneous	-	11,198	10,655	206	-	1,082	-	-	4,340	-	3,506	-	-	-
Total Revenues	345,083	11,198	10,655	206	64,845	1,082	6,708	44,520	4,340	-	34,904	-	127,836	5,739
EXPENDITURES														
Current:														
General government	-	-	-	-	58,417	-	-	-	-	-	-	42,990	-	-
Public safety	-	-	-	-	-	-	-	-	-	334,170	-	-	-	-
Leisure activities	-	14,005	213	-	-	189	-	28,058	12,941	-	16,855	-	-	-
Conservation and development	246,042	-	-	-	-	-	-	-	-	-	-	-	53,390	-
Total Expenditures	246,042	14,005	213	-	58,417	189	-	28,058	12,941	334,170	16,855	42,990	53,390	-
Excess (deficiency) of revenues over expenditures	99,041	(2,807)	10,442	206	6,428	893	6,708	16,462	(8,601)	(334,170)	18,049	(42,990)	74,446	5,739
OTHER FINANCING SOURCES (USES)														
Transfers In	-	-	-	-	-	-	-	-	-	-	-	305,337	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	305,337	-	-
Net change in fund balance	99,041	(2,807)	10,442	206	6,428	893	6,708	16,462	(8,601)	(334,170)	18,049	262,347	74,446	5,739
FUND BALANCES - Beginning of Year	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
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 1,090,645	\$ 3,301	\$ 10,442	\$ 9,356	\$ 239,466	\$ 2,988	\$ 66,236	\$ 71,297	\$ 57,716	\$ 1,256	\$ 173,309	\$ 1,521,960	\$ 307,932	\$ 289,518

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (cont.)
For the Year Ended December 31, 2009

	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	Capital Projects Funds TIF District No. 5	Governmental Funds
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 567,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 567,719
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	6,708
Licenses and permits	-	-	-	-	-	-	-	-	60,216	40,632	-	-	100,848
Public charges for services	-	-	-	-	-	-	-	-	-	-	-	-	582,284
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	37,137
Miscellaneous	-	215	-	17,273	1,954	-	875	12,815	31,821	-	-	-	95,940
Total Revenues	-	215	-	17,273	569,673	-	875	12,815	31,821	60,216	40,632	-	1,390,636
EXPENDITURES													
Current:													
General government	-	-	-	-	-	-	-	21,394	-	-	-	189,856	312,657
Public safety	4,470	-	618	-	-	-	-	-	-	-	-	-	339,258
Leisure activities	-	-	-	11,096	-	672	11,063	-	38,156	-	-	-	133,248
Conservation and development	-	-	-	-	375,831	-	-	-	-	-	-	-	675,263
Total Expenditures	4,470	-	618	11,096	375,831	672	11,063	21,394	38,156	-	-	189,856	1,460,426
Excess (deficiency) of revenues over expenditures	(4,470)	215	(618)	6,177	193,842	(672)	(10,188)	(8,579)	(6,335)	60,216	40,632	(189,856)	(69,790)
OTHER FINANCING SOURCES (USES)													
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	305,337
Transfers Out	-	-	-	-	-	-	-	-	-	(90,626)	(40,000)	-	(130,626)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	(90,626)	(40,000)	-	174,711
Net change in fund balance	(4,470)	215	(618)	6,177	193,842	(672)	(10,188)	(8,579)	(6,335)	(30,410)	632	(189,856)	104,921
FUND BALANCES - Beginning 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
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 13,851	\$ 3,207	\$ 2,156	\$ 99,359	\$ 285,571	\$ (199)	\$ -	\$ (8,464)	\$ (74,887)	\$ 36,401	\$ 47,751	\$ (372,411)	\$ 3,877,757

CITY OF MIDDLETON

COMBINING STATEMENT OF FIDUCIARY NET ASSETS AGENCY FUNDS December 31, 2009

	<u>Tax Roll</u>	<u>Fire District</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 17,210,093	\$ -	\$ 17,210,093
Taxes receivable	14,857,190	-	14,857,190
Due from other governmental units	-	142,081	142,081
TOTAL ASSETS	<u>\$ 32,067,283</u>	<u>\$ 142,081</u>	<u>\$ 32,209,364</u>
LIABILITIES			
Accounts payable	\$ -	\$ 87,810	\$ 87,810
Due to other governmental units	<u>32,067,283</u>	<u>54,271</u>	<u>32,121,554</u>
TOTAL LIABILITIES	<u>\$ 32,067,283</u>	<u>\$ 142,081</u>	<u>\$ 32,209,364</u>

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS - COMPONENT UNIT For the Year Ended December 31, 2009

	<u>Component Unit - CDA</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from economic loan repayments	\$ 7,486
Economic and housing loans	(61,480)
Cash received from customers	26,253
Cash paid to suppliers for goods and services	<u>(212,588)</u>
Net Cash Flows From Operating Activities	<u>(240,329)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	24,888
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Paid to primary government	(4,317)
Principal paid	(885,000)
Interest paid	(746,257)
Capital lease interest received	746,257
Capital lease principal received	<u>885,000</u>
Net Cash Flows From Noncapital Financing Activities	<u>(4,317)</u>
Net Increase in Cash and Cash Equivalents	(219,758)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,266,157</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,046,399</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (204,882)
Non-cash items included in operating income:	
Depreciation	\$ 18,367
Changes in Assets and Liabilities	
Loans receivable	(53,994)
Accounts payable	<u>180</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (240,329)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - COMPONENT UNIT	
Cash and investments - statement of net assets - component unit	\$ 270,721
Restricted cash and investments - statement of net assets - component unit	<u>1,775,678</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,046,399</u>

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital assets transferred from governmental activities \$2,500,380.