

CITY OF MIDDLETON

Middleton, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

Year Ended December 31, 2010

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, 2010, 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, 2010, 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.

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.

To the City Council
City of Middleton
Middleton, Wisconsin

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.

BakerTilly Vinchow Krause, LLP

Madison, Wisconsin
November 29, 2011

CITY OF MIDDLETON

STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 9,100,583	\$ 5,571,804	\$ 14,672,387	\$ 257,718
Receivables (net of allowance for uncollectibles)				
Taxes	20,915,429	-	20,915,429	-
Delinquent taxes	28,628	-	28,628	-
Accounts	909,073	699,193	1,608,266	-
Interest	67,902	67,272	135,174	-
Loans	1,429,361	-	1,429,361	524,927
Special assessments	1,773,184	2,204,182	3,977,366	-
Delinquent special assessments	2,594	-	2,594	-
Other	-	9,270	9,270	-
Due from other governments	58,003	-	58,003	-
Due from primary government	-	-	-	24,167
Due from component unit	1,589,617	-	1,589,617	-
Internal balances-current	(105,395)	105,395	-	-
Internal balances-advances	2,364,780	(2,364,780)	-	-
Prepaid items	143,623	-	143,623	-
Restricted Assets				
Cash and investments	-	55,165	55,165	1,589,617
Leases receivable from primary government	-	-	-	1,975,000
Other assets	151,493	301,087	452,580	5,402
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	222,123	-	222,123	-
Capital assets being depreciated	65,683,097	47,424,777	113,107,874	2,874,692
Less: Accumulated depreciation	(14,378,900)	(11,366,354)	(25,745,254)	(603,547)
Investment in joint venture (deficit)	(511,842)	-	(511,842)	-
Total Assets	<u>115,633,733</u>	<u>45,212,118</u>	<u>160,845,851</u>	<u>6,801,976</u>
LIABILITIES				
Accounts payable	1,047,319	358,708	1,406,027	6,544
Accrued liabilities	599,036	105,976	705,012	24,166
Due to other governments	-	-	-	-
Due to primary government	-	-	-	1,589,617
Due to component unit	24,167	-	24,167	-
Unearned revenue	20,809,853	16,583	20,826,436	-
Noncurrent Liabilities				
Due within one year	8,790,464	970,520	9,760,984	965,000
Due in more than one year	<u>49,198,283</u>	<u>7,003,683</u>	<u>56,201,966</u>	<u>989,154</u>
Total Liabilities	<u>80,469,122</u>	<u>8,455,470</u>	<u>88,924,592</u>	<u>3,574,481</u>
NET ASSETS				
Invested in capital assets, net of related debt	26,852,456	30,753,530	57,605,986	2,425,145
Restricted for equipment replacement	-	55,165	55,165	-
Restricted for subdivider's deposits	1,259,832	-	1,259,832	-
Restricted for police enforcement	18,564	-	18,564	-
Restricted for EMS	159,514	-	159,514	-
Restricted for library	212,245	-	212,245	-
Restricted for economic development	290,119	-	290,119	-
Restricted for senior citizens	111,771	-	111,771	-
Restricted for impact fees	91,386	-	91,386	-
Restricted for public lands	205	-	205	-
Unrestricted	<u>6,168,519</u>	<u>5,947,953</u>	<u>12,116,472</u>	<u>802,350</u>
TOTAL NET ASSETS	<u>\$ 35,164,611</u>	<u>\$ 36,756,648</u>	<u>\$ 71,921,259</u>	<u>\$ 3,227,495</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary Government								
Governmental Activities								
General government	\$ 2,492,179	\$ 192,663	\$ 44,396	\$ -	\$ (2,255,120)	\$ -	\$ (2,255,120)	\$ -
Health and human services	158,318	-	-	-	(158,318)	-	(158,318)	-
Public safety	8,785,916	1,096,310	200,702	54,985	(7,433,919)	-	(7,433,919)	-
Public works	5,020,491	343,020	1,451,219	49,901	(3,176,351)	-	(3,176,351)	-
Leisure activities	4,741,367	366,942	750,539	115,119	(3,508,767)	-	(3,508,767)	-
Conservation and economic development	1,613,009	22,363	-	-	(1,590,646)	-	(1,590,646)	-
Interest and fiscal charges	3,156,069	-	-	-	(3,156,069)	-	(3,156,069)	-
Total Governmental Activities	25,967,349	2,021,298	2,446,856	220,005	(21,279,190)	-	(21,279,190)	-
Business-type Activities								
Water	1,522,331	1,822,183	-	93,409	-	393,261	393,261	-
Sewer	1,697,356	1,576,970	-	83,949	-	(36,437)	(36,437)	-
Pleasant View Golf Course	1,769,506	1,799,560	-	-	-	30,054	30,054	-
Total Business-type Activities	4,989,193	5,198,713	-	177,358	-	386,878	386,878	-
Total Primary Government	\$ 30,956,542	\$ 7,220,011	\$ 2,446,856	\$ 397,363	(21,279,190)	386,878	(20,892,312)	-
Component Unit								
Community Development Authority	\$ 795,841	\$ 29,479	\$ -	\$ -	-	-	-	(766,362)
General Revenues								
Taxes								
Property taxes, levied for general purposes and debt service					12,095,210	-	12,095,210	-
Property taxes, levied for tax increment district					8,360,806	-	8,360,806	-
Other taxes					1,307,476	-	1,307,476	-
Cable television franchise fees					197,483	-	197,483	-
Intergovernmental revenues not restricted to specific programs					1,180,841	-	1,180,841	-
Public gifts and/or grants					63,680	-	63,680	-
Investment income					529,597	160,741	690,338	573,647
Miscellaneous					415,496	-	415,496	-
Transfers					379,913	(379,913)	-	-
Total General Revenues and Transfers					24,530,502	(219,172)	24,311,330	573,647
Change in net assets					3,251,312	167,706	3,419,018	(192,715)
NET ASSETS - Beginning					31,913,299	36,588,942	68,502,241	3,420,210
NET ASSETS - ENDING					\$ 35,164,611	\$ 36,756,648	\$ 71,921,259	\$ 3,227,495

See accompanying notes to financial statements.

CITY OF MIDDLETON

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2010

	<u>General</u>	<u>Debt Service</u>	<u>TIF District No. 3</u>	<u>Capital Projects</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 288,313	\$ -	\$ 2,332,408	\$ 2,194,510	\$ 4,285,352	\$ 9,100,583
Receivables (net)						
Taxes	12,578,946	-	8,259,784	-	76,699	20,915,429
Delinquent taxes	28,628	-	-	-	-	28,628
Accounts	630,726	-	-	5,421	272,926	909,073
Interest	67,902	-	-	-	-	67,902
Loans	-	-	1,385,635	-	43,726	1,429,361
Special assessments	7,270	-	1,765,914	-	-	1,773,184
Delinquent special assessments	2,594	-	-	-	-	2,594
Due from other funds	96,194	-	-	-	-	96,194
Due from other governments	58,003	-	-	-	-	58,003
Due from component unit	-	-	1,589,617	-	-	1,589,617
Advances to other funds	2,796,677	-	-	-	-	2,796,677
Prepaid items	<u>143,623</u>	-	-	-	-	<u>143,623</u>
TOTAL ASSETS	<u>\$ 16,698,876</u>	<u>\$ -</u>	<u>\$ 15,333,358</u>	<u>\$ 2,199,931</u>	<u>\$ 4,678,703</u>	<u>\$ 38,910,868</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 637,860	\$ -	\$ 1,840	\$ 368,803	\$ 38,816	\$ 1,047,319
Due to other funds	105,395	96,194	-	-	-	201,589
Deferred revenue	12,671,082	-	9,634,784	-	144,366	22,450,232
Deferred special assessments	9,864	-	1,765,914	-	-	1,775,778
Advances from other funds	-	-	-	-	431,897	431,897
Total Liabilities	<u>13,424,201</u>	<u>96,194</u>	<u>11,402,538</u>	<u>368,803</u>	<u>615,079</u>	<u>25,906,815</u>
Fund Balances						
Reserved for:						
Loans receivable	-	-	10,635	-	43,726	54,361
Delinquent personal property taxes	28,628	-	-	-	-	28,628
Advances	2,796,677	-	-	-	-	2,796,677
Debt service	-	-	1,589,617	-	-	1,589,617
Prepaid items	143,623	-	-	-	-	143,623
Unreserved and undesignated (deficit), reported in:						
General fund	305,747	-	-	-	-	305,747
Debt service funds (deficit)	-	(96,194)	-	-	-	(96,194)
Special revenue funds	-	-	-	-	4,465,106	4,465,106
Capital projects funds (deficit)	-	-	2,330,568	1,831,128	(445,208)	3,716,488
Total Fund Balances (deficit)	<u>3,274,675</u>	<u>(96,194)</u>	<u>3,930,820</u>	<u>1,831,128</u>	<u>4,063,624</u>	<u>13,004,053</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,698,876</u>	<u>\$ -</u>	<u>\$ 15,333,358</u>	<u>\$ 2,199,931</u>	<u>\$ 4,678,703</u>	

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.	77,716,700
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.	3,416,157
Investment (deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.	(511,842)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.	<u>(58,460,457)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 35,164,611</u>

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, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>TIF District No. 3</u>	<u>Capital Projects</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 12,525,895	\$ -	\$ 8,360,806	\$ -	\$ 876,791	\$ 21,763,492
Intergovernmental	2,836,107	-	590,006	108,963	28,840	3,563,916
Licenses and permits	558,772	-	-	-	54,985	613,757
Fines, forfeitures and penalties	273,886	-	-	-	-	273,886
Public charges for services	1,187,925	-	-	-	401,004	1,588,929
Intergovernmental charges for services	350,600	-	-	-	-	350,600
Special assessments	86,193	-	189,008	-	-	275,201
Investment income	182,329	24	240,766	3,836	97,565	524,520
Miscellaneous	140,642	-	132,263	450	104,401	377,756
Total Revenues	<u>18,142,349</u>	<u>24</u>	<u>9,512,849</u>	<u>113,249</u>	<u>1,563,586</u>	<u>29,332,057</u>
EXPENDITURES						
Current						
General government	2,291,470	-	368,445	-	170,455	2,830,370
Public safety	7,205,061	-	-	-	5,727	7,210,788
Public works	3,068,521	-	-	-	-	3,068,521
Health and human services	123,076	-	-	-	-	123,076
Leisure activities	3,240,748	-	-	-	217,800	3,458,548
Conservation and economic development	405,377	-	-	-	807,000	1,212,377
Capital Outlay	-	-	1,019,852	5,210,048	2,480	6,232,380
Debt Service						
Principal retirement	-	17,066,937	920,000	-	-	17,986,937
Debt issuance costs	-	140,603	35,340	-	-	175,943
Interest and fiscal charges	-	1,419,359	820,448	32,757	-	2,272,564
Total Expenditures	<u>16,334,253</u>	<u>18,626,899</u>	<u>3,164,085</u>	<u>5,242,805</u>	<u>1,203,462</u>	<u>44,571,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,808,096</u>	<u>(18,626,875)</u>	<u>6,348,764</u>	<u>(5,129,556)</u>	<u>360,124</u>	<u>(15,239,447)</u>
OTHER FINANCING SOURCES (USES)						
Debt issued	-	-	100,000	2,010,000	-	2,110,000
Refunding bonds issued	-	10,110,000	11,205,000	-	-	21,315,000
Payments to refunded bond escrow agent	-	-	(11,311,372)	-	-	(11,311,372)
Premium on debt	-	-	255,130	-	-	255,130
Sale of capital assets	3,518	-	123,880	-	-	127,398
Transfers in	607,279	8,344,838	-	42,100	405,673	9,399,890
Transfers out	(3,284,404)	-	(5,097,278)	(58,365)	(579,930)	(9,019,977)
Total Other Financing Sources (Uses)	<u>(2,673,607)</u>	<u>18,454,838</u>	<u>(4,724,640)</u>	<u>1,993,735</u>	<u>(174,257)</u>	<u>12,876,069</u>
Net Change in Fund Balance	<u>(865,511)</u>	<u>(172,037)</u>	<u>1,624,124</u>	<u>(3,135,821)</u>	<u>185,867</u>	<u>(2,363,378)</u>
FUND BALANCES - Beginning	<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>
FUND BALANCES - ENDING	<u>\$ 3,274,675</u>	<u>\$ (96,194)</u>	<u>\$ 3,930,820</u>	<u>\$ 1,831,128</u>	<u>\$ 4,063,624</u>	<u>\$ 13,004,053</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2010

Net change in fund balances - total governmental funds	\$ (2,363,378)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	6,232,380
Less: Some items are reported as capital outlay but are not capitalized	(2,823,501)
Depreciation is reported in the government-wide statements	(1,614,678)

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.	(272,707)
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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	(23,425,000)
Debt and leases retired	28,226,937

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.	(430,634)
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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	(386,788)
Debt issuance costs	116,563
Accrued interest on debt	(7,882)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,251,312</u>
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CITY OF MIDDLETON

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	
ASSETS				
Current Assets				
Cash and investments	\$ 3,135,742	\$ 2,435,543	\$ 519	\$ 5,571,804
Accounts receivable, net	319,613	379,580	-	699,193
Accrued interest	54,153	13,119	-	67,272
Other accounts receivable	9,270	-	-	9,270
Due from other funds	46,765	58,630	-	105,395
Total Current Assets	<u>3,565,543</u>	<u>2,886,872</u>	<u>519</u>	<u>6,452,934</u>
Noncurrent Assets				
Restricted assets				
Cash and investments	-	55,165	-	55,165
Special assessments receivable	-	2,204,182	-	2,204,182
Other assets				
Property held for future use	301,087	-	-	301,087
Capital assets				
Property and equipment	23,935,465	14,476,115	11,518,304	49,929,884
Less: Accumulated depreciation	<u>(6,779,211)</u>	<u>(3,728,725)</u>	<u>(858,418)</u>	<u>(11,366,354)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>17,156,254</u>	<u>10,747,390</u>	<u>10,659,886</u>	<u>38,563,530</u>
Total Noncurrent Assets	<u>17,457,341</u>	<u>13,006,737</u>	<u>10,659,886</u>	<u>41,123,964</u>
Total Assets	<u>21,022,884</u>	<u>15,893,609</u>	<u>10,660,405</u>	<u>47,576,898</u>

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Totals</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 47,649	\$ 266,519	\$ 44,540	\$ 358,708
Accrued interest	8,870	4,659	92,447	105,976
Accrued compensated absences	25,942	10,832	8,746	45,520
Deferred revenues	16,583	-	-	16,583
Current portion of long term debt	240,000	125,000	560,000	925,000
Total Current Liabilities	<u>339,044</u>	<u>407,010</u>	<u>705,733</u>	<u>1,451,787</u>
Noncurrent Liabilities				
Accrued compensated absences	66,383	31,812	20,488	118,683
Advances from other funds	-	-	2,364,780	2,364,780
General obligation debt	255,000	135,000	6,495,000	6,885,000
Total Noncurrent Liabilities	<u>321,383</u>	<u>166,812</u>	<u>8,880,268</u>	<u>9,368,463</u>
Total Liabilities	<u>660,427</u>	<u>573,822</u>	<u>9,586,001</u>	<u>10,820,250</u>
NET ASSETS				
Invested in capital assets, net of related debt	16,661,254	10,487,390	3,604,886	30,753,530
Restricted for:				
Equipment replacement	-	55,165	-	55,165
Unrestricted (deficit)	3,701,203	4,777,232	(2,530,482)	5,947,953
TOTAL NET ASSETS	<u>\$ 20,362,457</u>	<u>\$ 15,319,787</u>	<u>\$ 1,074,404</u>	<u>\$ 36,756,648</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, 2010

	<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	\$ 1,822,183	\$ 1,576,970	\$ 1,799,560	\$ 5,198,713
Total Operating Revenues	<u>1,822,183</u>	<u>1,576,970</u>	<u>1,799,560</u>	<u>5,198,713</u>
OPERATING EXPENSES				
Operation and maintenance	1,087,014	1,456,109	1,315,564	3,858,687
Depreciation	406,675	226,209	136,702	769,586
Total Operating Expenses	<u>1,493,689</u>	<u>1,682,318</u>	<u>1,452,266</u>	<u>4,628,273</u>
Operating Income	<u>328,494</u>	<u>(105,348)</u>	<u>347,294</u>	<u>570,440</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	106,469	54,272	-	160,741
Interest expense	(28,642)	(15,038)	(317,240)	(360,920)
Total Nonoperating Revenues (Expenses)	<u>77,827</u>	<u>39,234</u>	<u>(317,240)</u>	<u>(200,179)</u>
Income before contributions and transfers	406,321	(66,114)	30,054	370,261
Capital contributions	93,409	83,949	-	177,358
Transfers out	(369,863)	(2,050)	(8,000)	(379,913)
Change in Net Assets	129,867	15,785	22,054	167,706
TOTAL NET ASSETS - Beginning	<u>20,232,590</u>	<u>15,304,002</u>	<u>1,052,350</u>	<u>36,588,942</u>
TOTAL NET ASSETS - ENDING	<u>\$ 20,362,457</u>	<u>\$ 15,319,787</u>	<u>\$ 1,074,404</u>	<u>\$ 36,756,648</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2010

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,518,568	\$ 1,583,614	\$ 1,803,462	\$ 4,905,644
Cash received from city for services	373,144	-	-	373,144
Cash paid to suppliers for goods and services	(1,008,718)	(1,390,171)	(753,137)	(3,152,026)
Cash paid to employees for services	(336,098)	(85,469)	(573,447)	(995,014)
Net Cash Flows From Operating Activities	546,896	107,974	476,878	1,131,748
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(369,863)	(2,050)	(8,000)	(379,913)
Advance from general fund	-	-	395,706	395,706
Net Cash Flows From Noncapital Financing Activities	(369,863)	(2,050)	387,706	15,793
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid	(230,000)	(120,000)	(520,000)	(870,000)
Interest paid	(30,673)	(16,098)	(325,040)	(371,811)
Acquisition and construction of capital assets	(582,452)	(15,725)	(19,025)	(617,202)
Net Cash Flows From Capital and Related Financing Activities	(843,125)	(151,823)	(864,065)	(1,859,013)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	125,664	65,974	-	191,638
Investments sold and matured	1,907,368	1,243,453	-	3,150,821
Marketable securities purchased	(1,776,639)	(658,554)	-	(2,435,193)
Net Cash Flows From Investing Activities	256,393	650,873	-	907,266
Net Increase (Decrease) in Cash and Cash Equivalents	(409,699)	604,974	519	195,794
CASH AND CASH EQUIVALENTS - Beginning of Year	568,799	927,180	-	1,495,979
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 159,100	\$ 1,532,154	\$ 519	\$ 1,691,773

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 328,494	\$ (105,348)	\$ 347,294	\$ 570,440
Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities				
Depreciation	406,675	226,209	136,702	769,586
Depreciation charged to sewer utility	43,067	-	-	43,067
Changes in Noncash Components of Working Capital				
Accounts receivable	3,181	(2,738)	3,902	4,345
Other accounts receivable	(444)	-	-	(444)
Due from other funds	23,725	9,382	-	33,107
Accounts payable	(15,016)	23,059	8,148	16,191
Accrued compensated absences	48,092	27,900	(19,168)	56,824
Due to other funds	(290,878)	(70,490)	-	(361,368)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 546,896	\$ 107,974	\$ 476,878	\$ 1,131,748
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS				
Cash and investments - statement of net assets - proprietary funds	\$ 3,135,742	\$ 2,435,543	\$ 519	\$ 5,571,804
Restricted cash and investments - statement of net assets - proprietary funds	-	55,165	-	55,165
Less: Non-cash equivalents	(2,976,642)	(958,554)	-	(3,935,196)
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 159,100	\$ 1,532,154	\$ 519	\$ 1,691,773
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES				
Developer financed additions to utility plant	\$ 93,409	\$ 83,949	\$ -	

See accompanying notes to financial statements.

CITY OF MIDDLETON

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 21,772,245
Taxes receivable	12,816,257
Due from other governmental units	<u>137,902</u>
TOTAL ASSETS	<u>\$ 34,726,404</u>
LIABILITIES	
Accounts payable	\$ 80,235
Due to other governmental units	<u>34,646,169</u>
TOTAL LIABILITIES	<u>\$ 34,726,404</u>

See accompanying notes to financial statements.

CITY OF MIDDLETON

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CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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, 2010

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
 - EMS
 - Lost and Damaged Book
 - Library Gift
 - EMS Equipment Replacement
 - Library Endowment
 - Retirement Benefits
 - Airport
 - Big Event
 - Safety Impact Fee
 - Soccer Stadium
 - Youth Commission Donations
 - Economic Development Grant
 - Shop With a Cop
 - Drug Forfeitures
 - Federal Seizures
 - Senior Citizen
 - Tourism Commission
 - National Night Out
 - Community Awareness
 - EMS & Fire Impact Fee
 - Police Special Revenue and Activities
 - EMS Special Revenue and Activities
 - Public Land Special Revenue and Activities
 - Senior Center Special Revenue and Activities

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

Public Works Capital Construction

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 guidance 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, 2010

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, 2010

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 guidance 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, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace 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, 2010

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, 2010

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, 2010, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See note IV.A for further information.

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 – 2010 tax roll:

Lien date and levy date	December 2010
Tax bills mailed	December 2010
Payment in full, or	January 31, 2011
First installment due	January 31, 2011
Second installment due	July 31, 2011
Personal property taxes in full	January 31, 2011
Tax sale – 2010 delinquent real estate taxes	October 2013

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, 2010

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, 2010

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. Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$1,000 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 or the fair market value at the time of construction, 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	34 Years
Pumping	22 - 31 Years
Water Treatment	22 - 30 Years
Transmission and Distribution	18 - 77 Years
General	4 - 17 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, 2010

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 \$53,044. 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, 2010 are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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. The liability and expenditure for claims and judgments is only reported in governmental fund types if it has matured. 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.
- 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.”

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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.)

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. Reserved fund balance is that portion of fund balance that is not available for the subsequent year's budget due to legal restrictions or resources which are not available for current spending. 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

Billings are rendered and recorded quarterly based on metered usage. The utilities do not accrue revenues beyond billing dates.

Water rates were approved by the PSCW on February 9, 2005. New rates became effective March 31, 2011. Sewer rates were approved by the common council effective January 1, 2010.

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 \$58,460,457 difference are as follows:

Bonds and notes payable	\$ 53,551,919
Compensated absences	2,461,828
Capital leases payable	1,975,000
Accrued interest	599,036
Accrued interest - due to component unit	24,167
Unamortized debt issuance costs	<u>(151,493)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 58,460,457</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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>
General Fund	\$ 19,258,087	\$ 19,618,657	\$ 360,570
Debt Service Funds			
Debt service fund	10,281,059	18,626,899	8,345,840

The city controls expenditures at the departmental level. Some individual departments experienced expenditures which exceeded appropriations. TID #3 debt service was included in the debt service fund, rather than TID #3. TID #3 debt service was funded by the TID. The detail of those items can be found in the city's year-end budget to actual report.

C. DEFICIT BALANCES

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

As of December 31, 2010, the following individual funds held deficit balances:

Debt service	\$ 96,194	Excess expenditures over revenues
TIF District No. 5	445,558	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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 32 (2011), 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 zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit, with certain exceptions.

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	\$ 17,835,390	\$ 17,110,131	Custodial credit
Money market	3,156,695	3,156,296	Custodial credit
Mutual funds	637,953	637,953	Credit, interest rate
Other external investment pool – Madison Community Foundation	183,157	183,157	Credit, interest rate
LGIP	14,687,732	14,687,732	Credit, interest rate
Petty cash	475	-	N/A
	<u> </u>	<u> </u>	
Total Cash and Investments	\$ 36,501,402	\$ 35,775,269	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 14,673,992		
Restricted cash and investments	55,165		
Per statement of net assets –			
Fiduciary Funds			
Agency	<u>21,772,245</u>		
Total Cash and Investments	\$ 36,501,402		

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS (cont.)

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the custodial credit risk.

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, 2010, 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, 2010, \$6,038,778 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 6,038,778</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.

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, 2010, the city's investments were rated as follows:

Investment Type	Standard & Poor's	Fitch Ratings	Moody's Investor Service
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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

The city also had \$14,687,732 invested in the local government investment pool, which had a weighted average maturity of 73 days. In addition, the city had \$183,157 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:

	TIF District No. 3	Sewer	Nonmajor and Other Funds	Total
Amounts Not Expected to be Collected Within One Year	<u>\$ 3,140,914</u>	<u>\$ 2,204,182</u>	<u>\$ 43,726</u>	<u>\$ 5,388,822</u>

Revenues of the city are reported net of uncollectible amounts. Total uncollectible amounts are as follows:

Uncollectibles related to ambulance billings	<u>\$ 1,002,575</u>
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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	\$ -	\$ 20,809,853	\$ 20,809,853
Special assessments not yet due	1,775,778	-	1,775,778
Loan receivable	1,375,000	-	1,375,000
EMS receivable	120,639	-	120,639
Accrued interest/other	77,073	-	77,073
Park fees receivable	<u>67,667</u>	<u>-</u>	<u>67,667</u>
 Total Deferred/Unearned Revenue for Governmental Funds	 <u>\$ 3,416,157</u>	 <u>\$ 20,809,853</u>	 <u>\$ 24,226,010</u>

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

At December 31, 2010, the city has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

C. RESTRICTED ASSETS

Replacement Account

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

Following is a list of restricted assets at December 31, 2010:

Replacement account	<u>\$ 55,165</u>
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D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 7,439,100	\$ -	\$ -	\$ 7,439,100
Right of way	18,751,280	-	-	18,751,280
Construction in progress	<u>7,324,743</u>	<u>222,123</u>	<u>7,324,743</u>	<u>222,123</u>
Total Capital Assets Not Being Depreciated	<u>33,515,123</u>	<u>222,123</u>	<u>7,324,743</u>	<u>26,412,503</u>
Capital assets being depreciated				
Land improvements	6,805,668	-	-	6,805,668
Buildings	8,646,621	9,446,904	-	18,093,525
Machinery and equipment	4,105,506	263,372	-	4,368,878
Streets - infrastructure	18,869,574	801,223	157,057	19,513,740
Storm sewers - infrastructure	8,750,194	-	-	8,750,194
Traffic signals - infrastructure	1,311,022	-	-	1,311,022
Sidewalks - infrastructure	3,079,676	-	-	3,079,676
Bridges - infrastructure	3,278,231	-	-	3,278,231
Rail spur - infrastructure	<u>482,163</u>	<u>-</u>	<u>-</u>	<u>482,163</u>
Total Capital Assets Being Depreciated	<u>55,328,655</u>	<u>10,511,499</u>	<u>157,057</u>	<u>65,683,097</u>
Less: Accumulated depreciation for				
Land improvements	(1,648,081)	(215,979)	-	(1,864,060)
Buildings	(2,693,724)	(343,468)	-	(3,037,192)
Machinery and equipment	(2,131,677)	(416,921)	-	(2,548,598)
Streets - infrastructure	(2,817,877)	(290,664)	157,057	(2,951,484)
Storm sewers - infrastructure	(1,687,483)	(175,004)	-	(1,862,487)
Traffic signals - infrastructure	(454,166)	(51,392)	-	(505,558)
Sidewalks - infrastructure	(1,149,615)	(61,594)	-	(1,211,209)
Bridges - infrastructure	(267,825)	(43,600)	-	(311,425)
Rail spur - infrastructure	<u>(70,831)</u>	<u>(16,056)</u>	<u>-</u>	<u>(86,887)</u>
Total Accumulated Depreciation	<u>(12,921,279)</u>	<u>(1,614,678)</u>	<u>157,057</u>	<u>(14,378,900)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 75,922,499</u>	<u>\$ 9,118,944</u>	<u>\$ 7,324,743</u>	<u>\$ 77,716,700</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$	48,708
Public safety		395,454
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks, bridges and rail spur		785,281
Leisure activities		<u>385,235</u>
 Total Governmental Activities Depreciation Expense	 \$	 <u>1,614,678</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	1,008,886	-	1,008,886	-
Total Capital Assets Not Being Depreciated	<u>1,231,163</u>	<u>-</u>	<u>1,008,886</u>	<u>222,277</u>
Capital assets being depreciated				
Source of supply	319,783	461,726	-	781,509
Pumping	1,739,511	1,027,714	-	2,767,225
Treatment	343,242	-	-	343,242
Transmission and distribution	19,099,312	107,712	320	19,206,704
Administrative and general assets	570,890	43,618	-	614,508
Total Capital Assets Being Depreciated	<u>22,072,738</u>	<u>1,640,770</u>	<u>320</u>	<u>23,713,188</u>
Total Capital Assets	<u>23,303,901</u>	<u>1,640,770</u>	<u>1,009,206</u>	<u>23,935,465</u>
Less: Accumulated depreciation for				
Source of supply	(271,300)	(18,171)	-	(289,471)
Pumping	(1,037,035)	(79,129)	-	(1,116,164)
Treatment	(334,882)	(1,922)	-	(336,804)
Transmission and distribution	(4,169,168)	(339,319)	320	(4,508,167)
Administrative and general assets	(517,404)	(11,201)	-	(528,605)
Total Accumulated Depreciation	<u>(6,329,789)</u>	<u>(449,742)</u>	<u>320</u>	<u>(6,779,211)</u>
Net Water Plant	<u>\$ 16,974,112</u>	<u>\$ 1,191,028</u>	<u>\$ 1,008,886</u>	<u>\$ 17,156,254</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Sewer Utility				
Capital assets not being depreciated				
Land and land rights	\$ 66,830	\$ -	\$ -	\$ 66,830
Capital assets being depreciated				
Collection system	12,596,998	83,949	-	12,680,947
Collection system pumping	1,305,786	14,964	2,900	1,317,850
Administrative and general assets	409,727	761	-	410,488
Total Capital Assets Being Depreciated	14,312,511	99,674	2,900	14,409,285
Total Capital Assets	14,379,341	99,674	2,900	14,476,115
Less: Accumulated depreciation	(3,505,416)	(226,209)	2,900	(3,728,725)
Net Sewer Plant	\$ 10,873,925	\$ (126,535)	\$ -	\$ 10,747,390
	Beginning Balance	Additions	Deletions	Ending Balance
Pleasant View Golf Course				
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	665,745	19,025	-	684,770
Total Capital Assets Being Depreciated	9,283,279	19,025	-	9,302,304
Total Capital Assets	11,499,279	19,025	-	11,518,304
Less: Accumulated depreciation for				
Buildings	(186,836)	(41,980)	-	(228,816)
Land improvements	(152,997)	(19,125)	-	(172,122)
Equipment	(381,883)	(75,597)	-	(457,480)
Total Accumulated Depreciation	(721,716)	(136,702)	-	(858,418)
Net Golf Course	\$ 10,777,563	\$ (117,677)	\$ -	\$ 10,659,886
Total Net Capital Assets – Business Type Activities	\$ 38,625,600			\$ 38,563,530

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$	406,675
Sewer		226,209
Pleasant View Golf Course		136,702
Total Business-type Activities		136,702
Depreciation Expense	\$	769,586

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>
General	Debt service	\$ 96,194
Water utility	General	46,765
Sewer utility	General	58,630
Total – Fund Financial Statements		201,589
Less: Eliminations		(96,194)
Total Government-Wide Financial Statements		\$ 105,395

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, 2010

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. 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	\$ 2,364,780	\$ 2,364,780
General fund	TIF District No. 5	<u>431,897</u>	<u>431,897</u>
Total – Fund Financial Statements		2,796,677	<u>\$ 2,796,677</u>
Less: Eliminations		<u>(431,897)</u>	
Total – Government-Wide Financial Statements		<u>\$ 2,364,780</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>\$ 1,589,617</u>
--	----------------------	---------------------

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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	Cable TV	\$ 239,466	Close fund
Police special revenue and activities	Drug evidence	9,356	Create fund
Police special revenue and activities	Shop with a cop	13,851	Create fund
Police special revenue and activities	Drug forfeitures	3,207	Create fund
Police special revenue and activities	Federal seizures	2,156	Create fund
National night out	Police special revenue and activities	199	Create fund
Community awareness	Police special revenue and activities	8,464	Create fund
EMS special revenue and activities	EMS	66,236	Create fund
EMS special revenue and activities	EMS equipment replacement	1,256	Create fund
EMS special revenue and activities	EMS and fire impact fee	47,751	Create fund
Public land special revenue and activities	Land and park donations	3,301	Create fund
Public land special revenue and activities	Community gardens	10,442	Create fund
Senior center special revenue and activities	Senior citizen	99,359	Create fund
Senior center special revenue and activities	General fund	3,475	Create fund
Capital projects	General fund	30,000	Capital purchase
Capital projects	Water utility	2,050	Capital purchase
Capital projects	Sewer utility	2,050	Capital purchase
Capital projects	Pleasant View golf course	8,000	Capital purchase
Big event	Tourism commission	74,886	Reimburse expense
General fund	Water utility	367,813	Payment in lieu of tax
Retirement benefits	General fund	3,369	Future retirement benefits
Subdividers' deposits	Capital projects	58,365	Project costs
Debt service fund	General fund	3,247,560	Debt service
Debt service fund	TIF District No. 3	5,097,278	Debt service
	Subtotal – Fund Financial Statements	9,399,890	
	Less: Fund eliminations	(9,019,977)	
	Total Government-Wide Statement of Activities	<u>\$ 379,913</u>	

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

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

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Government Activity	Business-type Activity	\$ 379,913	
Business-type Activity	Government Activity	-	
Total		<u>\$ 379,913</u>	

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt	\$ 37,193,856	\$ 23,425,000	\$ 7,066,937	\$ 53,551,919	\$ 7,013,616
Note anticipation notes	10,000,000	-	10,000,000	-	-
Total Bonds and Notes Payable	<u>47,193,856</u>	<u>23,425,000</u>	<u>17,066,937</u>	<u>53,551,919</u>	<u>7,013,616</u>
Other Liabilities:					
Vested compensated absences	2,075,040	1,080,652	693,864	2,461,828	811,848
Capital leases	13,135,000	-	11,160,000	1,975,000	965,000
Total Other Liabilities	<u>15,210,040</u>	<u>1,080,652</u>	<u>11,853,864</u>	<u>4,436,828</u>	<u>1,776,848</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 62,403,896</u>	<u>\$ 24,505,652</u>	<u>\$ 28,920,801</u>	<u>\$ 57,988,747</u>	<u>\$ 8,790,464</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation debt	\$ 8,680,000	\$ -	\$ 870,000	\$ 7,810,000	\$ 925,000
Other Liabilities:					
Vested compensated absences	107,379	94,380	37,556	164,203	45,520
Total Business-type Activities Long-Term Liabilities	<u>\$ 8,787,379</u>	<u>\$ 94,380</u>	<u>\$ 907,556</u>	<u>\$ 7,974,203</u>	<u>\$ 970,520</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.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

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, 2010, was \$134,974,305. Total general obligation debt outstanding at year end was \$61,361,919.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-10</u>
Governmental Activities General Obligation Debt					
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	\$ 6,250,000	\$ 2,700,000
2002 State trust fund loan	11-06-02	3-15-19	5.00%	2,170,000	1,447,304
2003 General obligation promissory notes	5-01-03	9-01-13	2.00% – 3.40%	9,980,000	4,800,000
2003 State trust fund loan	1-30-03	3-15-19	5.00%	930,000	613,511
2004 General obligation refunding bond	6-15-04	3-01-12	2.00% – 4.00%	4,540,000	440,000
2004 General obligation promissory notes	6-15-04	3-01-14	2.50% – 4.25%	1,910,000	815,000
2005 General obligation promissory notes	6-01-05	12-01-11	3.25% – 3.50%	3,300,000	1,000,000
2006 General obligation promissory notes	6-01-06	12-01-13	4.00% – 4.25%	2,000,000	1,200,000
2006 General obligation promissory notes	12-27-06	12-01-14	3.75% – 4.00%	2,330,000	1,730,000
2008 General obligation refunding bonds	6-02-08	12-01-27	3.00% – 4.00%	6,530,000	6,480,000
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	2,475,000
2008 General obligation promissory notes	12-30-08	12-01-17	3.00% – 4.25%	2,750,000	2,650,000
2009 State trust fund loan	8-11-09	3-15-13	3.50%	500,000	376,104
2009 State trust fund loan	10-26-09	3-15-13	3.50%	1,400,000	1,400,000
2010 General obligation refunding bonds	4-15-10	9-01-29	1.45% – 8.50%	10,110,000	10,110,000
2010 General obligation promissory notes	4-15-10	9-01-17	1.20% – 3.80%	2,010,000	2,010,000
2010 Taxable general obligation refunding bonds	11-23-10	9-01-20	.85% – 3.75%	6,580,000	6,580,000
2010 General obligation refunding bonds	11-23-10	9-01-20	2.00% – 4.00%	4,625,000	4,625,000
2010 State trust fund loan	3-09-10	3-15-13	3.50%	100,000	100,000
Total Governmental Activities – General Obligation Debt					<u>\$ 53,551,919</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-10
2002 General obligation promissory notes	3-15-02	3-01-12	2.125% – 4.50%	\$ 6,005,000	\$ 4,155,000
2004 General obligation refunding	6-15-04	3-01-12	2.00% – 4.00%	2,040,000	755,000
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	1,700,000
Total Business-type Activities – General Obligation Debt					<u>\$ 7,810,000</u>

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt		Totals
	Principal	Interest	Principal	Interest	
2011	\$ 7,013,616	\$ 2,053,564	\$ 925,000	\$ 331,564	\$ 10,323,744
2012	7,912,141	1,646,466	1,000,000	284,564	10,843,171
2013	7,114,412	1,408,247	660,000	245,078	9,427,737
2014	4,046,395	1,226,747	715,000	213,783	6,201,925
2015	3,652,215	1,104,982	775,000	179,125	5,711,322
2016 – 2020	15,048,141	3,763,195	3,435,000	323,381	22,569,717
2021 – 2025	5,050,000	1,719,281	300,000	6,675	7,075,956
2026 – 2029	3,715,000	464,767	-	-	4,179,767
Totals	<u>\$ 53,551,920</u>	<u>\$ 13,387,249</u>	<u>\$ 7,810,000</u>	<u>\$ 1,584,170</u>	<u>\$ 76,333,339</u>

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

Capital Leases

Refer to Note IV. G.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

Advance Refunding

On November 23, 2010, the city issued \$6,580,000 in taxable general obligation refunding bonds with an average interest rate of 2.96% to advance refund \$5,790,000 of outstanding CDA bonds with an average interest rate of 6.325%. The net proceeds of \$6,512,628 (after payment of \$67,372 in underwriting and other issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for debt service payments occurring in 2013 and beyond of the 2002 Redevelopment Lease Revenue Bonds of the CDA. As a result, a portion of those bonds are considered to be defeased and the liability for that portion has been removed from the CDA financial statements. The refunding bonds are recorded as a liability on the city's financial statements.

The cash flow requirement on the bonds prior to the advance refunding was \$10,463,608 from 2010 to 2020. The cash flow requirement after the refunding is \$9,822,353 from 2010 to 2020. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$543,008.

On November 23, 2010, the city issued \$4,625,000 in general obligation refunding bonds with an average interest rate of 2.54% to advance refund \$4,450,000 of outstanding CDA bonds with an average interest rate of 4.375%. The net proceeds of \$4,832,952 (after payment of \$62,883 in underwriting and other issuance costs and a reoffering premium of \$255,130) were used to purchase SLGS. Those securities were deposited in an irrevocable trust with an escrow agent to provide for debt service payments occurring in 2013 and beyond of the 2002 Redevelopment Lease Revenue Bonds of the CDA. As a result, a portion of those bonds are considered to be defeased and the liability for that portion has been removed from the CDA financial statements. The refunding bonds are recorded as a liability on the city's financial statements.

The cash flow requirement on the bonds prior to the advance refunding was \$7,428,685 from 2010 to 2020. The cash flow requirement after the refunding is \$7,235,457 from 2010 to 2020. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$161,118.

G. LEASE DISCLOSURES

Lessee – Capital Leases

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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, 2010 include the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 77,716,700
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(50,864,244)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>26,852,456</u>
Restricted	
Subdivider's deposits	1,259,832
Police enforcement	18,564
EMS	159,514
Library	212,245
Economic development	290,119
Senior citizens	111,771
Impact fees	91,386
Public lands	<u>205</u>
Total Restricted	<u>2,143,636</u>
Unrestricted	<u>6,168,519</u>
Total Governmental Activities Net Assets	<u>\$ 35,164,611</u>

Governmental fund balances reported on the fund financial statements at December 31, 2010 include the following:

Reserved

Major Funds	
General Fund	
Delinquent personal property taxes	\$ 28,628
Advances	2,796,677
Prepaid items	<u>143,623</u>
Total	<u>\$ 2,968,928</u>
TIF District No. 3 Capital Projects Fund	
Reserved for loans receivable	\$ 10,635
Reserved for debt service	<u>1,589,617</u>
Total	<u>\$ 1,600,252</u>
Non-Major Funds	
Economic Development Grant Special Revenue Fund	
Reserved for loans receivable	<u>\$ 43,726</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

Governmental Activities (cont.)

Unreserved – Undesignated (deficit)

Major Funds

General fund	<u>\$ 305,747</u>
Debt service fund (deficit)	<u>\$ (96,194)</u>
TIF District No. 3 capital projects fund	<u>\$ 2,330,568</u>
Capital projects fund	<u>\$ 1,831,128</u>

Non-Major Funds

Special Revenue Funds

Subdividers' deposits	\$ 1,259,832
Lost and damaged book	41,634
Library gift	29,090
Library endowment	183,155
Retirement benefits	1,472,285
Airport	376,974
Big event	5,185
Safety impact fee	91,386
Soccer stadium	2,000
Youth commission donations	7,861
Economic development grant	246,393
Tourism commission	459,257
Police special revenue and activities	18,564
EMS special revenue and activities	159,514
Public land special revenue and activities	205
Senior center special revenue and activities	<u>111,771</u>

Total \$ 4,465,106

Capital Projects Funds

TIF District No. 5 (deficit)	\$ (445,558)
Public works capital construction	<u>350</u>
Total	<u>\$ (445,208)</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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	\$ 23,935,465	\$ 14,476,115	\$ 11,518,304	\$ 49,929,884
Accumulated depreciation	<u>(6,779,211)</u>	<u>(3,728,725)</u>	<u>(858,418)</u>	<u>(11,366,354)</u>
Sub-totals	<u>17,156,254</u>	<u>10,747,390</u>	<u>10,659,886</u>	<u>38,563,530</u>
Less:				
Current portion of capital related long-term debt	(240,000)	(125,000)	(560,000)	(925,000)
Long-term portion of capital related long-term debt	<u>(255,000)</u>	<u>(135,000)</u>	<u>(6,495,000)</u>	<u>(6,885,000)</u>
Sub-totals	<u>(495,000)</u>	<u>(260,000)</u>	<u>(7,055,000)</u>	<u>(7,810,000)</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 16,661,254</u>	<u>\$ 10,487,390</u>	<u>\$ 3,604,886</u>	<u>\$ 30,753,530</u>
Restricted				
Equipment replacement	<u>\$ -</u>	<u>\$ 55,165</u>	<u>\$ -</u>	<u>\$ 55,165</u>
Unrestricted (Deficit)	<u>\$ 3,701,203</u>	<u>\$ 4,777,232</u>	<u>\$ (2,530,482)</u>	<u>\$ 5,947,953</u>

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

I. COMPONENT UNIT

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

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

a. **Basis of Accounting/Measurement Focus**

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

b. **Restricted Cash and Investments**

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

Debt reserve fund	<u>\$ 1,589,617</u>
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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, 2010, the CDA's investments were exposed to custodial credit risk as follows:

U.S. Treasuries

Neither insured nor registered and held by counterparty	<u>\$ 1,589,617</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, 2010

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

I. COMPONENT UNIT (cont.)

b. Restricted Cash and Investments (cont.)

Interest Rate Risk (cont.)

As of December 31, 2010, 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	\$ 1,589,617	\$ 1,589,617

c. Capital Assets

	<u>Beginning Balance</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	(546,679)	(56,868)	-	(603,547)	
Totals	\$ 2,482,013	\$ (56,868)	\$ -	\$ 2,425,145	

d. CDA Lease Revenue Bonds

	<u>Balance 1-1-10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-10</u>	<u>Amounts Due in Less Than One Year</u>
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 2.60%- 3.90%. Principal payments vary. Bonds mature October 1, 2012.	\$ 5,785,000	\$ -	\$ 4,880,000	\$ 905,000	\$ 445,000
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 4.3%- 5.875%. Principal payments vary. Bonds mature October 1, 2012.	7,350,000	-	6,280,000	1,070,000	520,000
Less: Unamortized debt discounts	(138,140)	-	(117,294)	(20,846)	(10,423)
Totals	\$ 12,996,860	\$ -	\$ 11,042,706	\$ 1,954,154	\$ 954,577

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

I. 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>
2011	\$ 965,000	\$ 96,665	\$ 1,061,665
2012	<u>1,010,000</u>	<u>50,115</u>	<u>1,060,115</u>
Totals	<u>\$ 1,975,000</u>	<u>\$ 146,780</u>	<u>\$ 2,121,780</u>

There are a number of limitations and restrictions contained in the various bond indentures and agreements.

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 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% 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, 2010 was \$7,574,253 and the employer's total payroll was \$8,429,780. The total required contribution for the year ended December 31, 2010 was \$986,206 or 13.0% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2009 and 2008 were \$945,740 and \$882,965, respectively, equal to the required contributions for each year.

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

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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.

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.

As stated in Note V. D., the city jointly operates the Metropolitan Refuse District, Inc. (District). The District's fund balance at September 30, 2010 is a deficit of \$897,969. 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 \$511,842 of the District's net deficit. The city's share of the net deficit has been reported in the government-wide statement of net assets. See also Note V. D.

CITY OF MIDDLETON

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V – OTHER INFORMATION (cont.)

D. JOINT VENTURES

Metropolitan Refuse District, Inc.

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

City of Middleton	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 2010. The city has an equity interest (deficit) of \$(511,842) 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, 2010

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 \$702,437 to the District in 2010 for operating expenses.

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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Application of these standards may restate portions of these financial statements.

F. SUBSEQUENT EVENTS

On May 9, 2011, the city issued \$2,500,000 General Obligation Promissory Notes dated May 9, 2011 with interest between 2.0% and 3.0% to finance capital projects. The notes are due September 1, 2018.

New water rates became effective March 31, 2011.

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 12,476,168	\$ 12,476,168	\$ 12,525,895	\$ 49,727
Intergovernmental	2,792,106	2,792,106	2,836,107	44,001
Licenses and permits	450,400	450,400	558,772	108,372
Fines, forfeitures and penalties	320,000	320,000	273,886	(46,114)
Public charges for services	1,184,146	1,184,146	1,187,925	3,779
Interdepartmental charges for services	355,600	355,600	350,600	(5,000)
Special assessments	57,000	57,000	86,193	29,193
Investment income	450,000	450,000	182,329	(267,671)
Miscellaneous	90,700	90,700	140,642	49,942
Total Revenues	<u>18,176,120</u>	<u>18,176,120</u>	<u>18,142,349</u>	<u>(33,771)</u>
EXPENDITURES				
Current				
General government	2,414,641	2,249,544	2,291,470	(41,926)
Public safety	7,176,848	7,027,109	7,205,061	(177,952)
Public works	2,925,968	2,987,708	3,068,521	(80,813)
Health and human services	-	-	123,076	(123,076)
Leisure activities	3,357,566	3,441,880	3,240,748	201,132
Conservation and development	375,752	437,871	405,377	32,494
Total Expenditures	<u>16,250,775</u>	<u>16,144,112</u>	<u>16,334,253</u>	<u>(190,141)</u>
Excess of revenues over expenditures	<u>1,925,345</u>	<u>2,032,008</u>	<u>1,808,096</u>	<u>(223,912)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	15,000	15,000	3,518	(11,482)
Transfers in	835,630	835,630	607,279	(228,351)
Transfers out	(3,083,975)	(3,113,975)	(3,284,404)	(170,429)
Total Other Financing Sources (Uses)	<u>(2,233,345)</u>	<u>(2,263,345)</u>	<u>(2,673,607)</u>	<u>(410,262)</u>
Net Change in Fund Balance	(308,000)	(231,337)	(865,511)	(634,174)
FUND BALANCE - Beginning	<u>4,047,801</u>	<u>4,047,801</u>	<u>4,140,186</u>	<u>92,385</u>
FUND BALANCE - ENDING	<u>\$ 3,739,801</u>	<u>\$ 3,816,464</u>	<u>\$ 3,274,675</u>	<u>\$ (541,789)</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
General property tax	\$ 12,082,158	\$ 12,082,158	\$ 12,095,211	\$ 13,053
Fees in lieu of taxes	44,110	44,110	44,100	(10)
Room tax	344,900	344,900	375,409	30,509
Interest and penalties on taxes	5,000	5,000	11,175	6,175
TOTALS	<u>12,476,168</u>	<u>12,476,168</u>	<u>12,525,895</u>	<u>49,727</u>
INTERGOVERNMENTAL REVENUES				
Shared taxes from state	311,316	311,316	298,224	(13,092)
State aid - road allotment	1,362,276	1,362,276	1,362,276	-
State aid - exempt computer aid	132,000	132,000	161,586	29,586
State aid - fire insurance dues	75,000	75,000	78,336	3,336
State aid - law enforcement	-	-	14,323	14,323
State aid - medical transportation aid	-	-	13,000	13,000
State aid - miscellaneous grants	30,000	30,000	1,250	(28,750)
Federal and state aid - other	82,895	82,895	85,464	2,569
County aid - library	672,476	672,476	682,846	10,370
County aid - signals	3,000	3,000	3,478	478
County aid - senior citizens	44,693	44,693	45,153	460
School district payments for liaison officer	78,450	78,450	90,171	11,721
TOTALS	<u>2,792,106</u>	<u>2,792,106</u>	<u>2,836,107</u>	<u>44,001</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	35,000	35,000	36,627	1,627
Operators' licenses	9,000	9,000	13,600	4,600
Contractor's licenses	6,000	6,000	7,838	1,838
Alarm licenses	9,500	9,500	8,660	(840)
Cigarette licenses	300	300	720	420
Bicycle licenses	100	100	134	34
Dog and cat licenses	1,200	1,200	9,794	8,594
Cable TV franchise license	130,000	130,000	197,483	67,483
Other miscellaneous licenses	1,800	1,800	2,120	320
Building permits	163,500	163,500	171,202	7,702
Electrical permits	30,000	30,000	37,902	7,902
Plumbing permits	30,000	30,000	37,880	7,880
Erosion control permits	20,000	20,000	15,440	(4,560)
Park reservation permits	14,000	14,000	19,372	5,372
TOTALS	<u>450,400</u>	<u>450,400</u>	<u>558,772</u>	<u>108,372</u>
FINES, FORFEITURES AND PENALTIES				
Court penalties	190,000	190,000	163,609	(26,391)
Parking violations	50,000	50,000	40,395	(9,605)
Court costs	80,000	80,000	69,882	(10,118)
TOTALS	<u>320,000</u>	<u>320,000</u>	<u>273,886</u>	<u>(46,114)</u>

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

CITY OF MIDDLETON

GENERAL FUND
 DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL (cont)
 For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
Clerk fees	\$ 16,000	\$ 16,000	\$ 9,209	\$ (6,791)
Police special services	16,000	16,000	15,258	(742)
Police department fees	29,000	29,000	7,695	(21,305)
Ambulance services	670,000	670,000	577,561	(92,439)
EMS fixed cost abatement	96,946	96,946	160,997	64,051
Plan commission charges	8,200	8,200	12,025	3,825
Senior citizens	13,000	13,000	21,587	8,587
Swimming pool	224,000	224,000	246,346	22,346
Summer recreation	61,500	61,500	80,109	18,609
Public works charges	5,000	5,000	10,992	5,992
Other recreation	43,500	43,500	44,146	646
Zoning	1,000	1,000	2,000	1,000
TOTALS	<u>1,184,146</u>	<u>1,184,146</u>	<u>1,187,925</u>	<u>3,779</u>
INTERDEPARTMENTAL CHARGES FOR SERVICES				
Administration reimbursements - utilities	103,000	103,000	103,000	-
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>350,600</u>	<u>(5,000)</u>
SPECIAL ASSESSMENTS				
Curb, gutter and sidewalks	56,000	56,000	82,343	26,343
Street improvements	-	-	2,701	2,701
Interest on special assessments	1,000	1,000	1,149	149
TOTALS	<u>57,000</u>	<u>57,000</u>	<u>86,193</u>	<u>29,193</u>
INVESTMENT INCOME	<u>450,000</u>	<u>450,000</u>	<u>182,329</u>	<u>(267,671)</u>
MISCELLANEOUS				
Rent of city buildings and offices	28,000	28,000	25,619	(2,381)
Insurance claim settlement	-	-	5,954	5,954
Refund of prior year's expenditures	61,500	61,500	36,822	(24,678)
American city donations	-	-	13,030	13,030
Sale of materials	1,200	1,200	2,216	1,016
Miscellaneous	-	-	29,757	29,757
Compensation for loss	-	-	27,144	27,144
Interlocking ignition device	-	-	100	100
TOTALS	<u>90,700</u>	<u>90,700</u>	<u>140,642</u>	<u>49,942</u>
OTHER FINANCING SOURCES				
Sale of capital assets	15,000	15,000	3,518	(11,482)
Transfers	530,630	530,630	239,466	(291,164)
Transfer in - Water Utility	305,000	305,000	367,813	62,813
TOTALS	<u>850,630</u>	<u>850,630</u>	<u>610,797</u>	<u>(239,833)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 19,026,750</u>	<u>\$ 19,026,750</u>	<u>\$ 18,753,146</u>	<u>\$ (273,604)</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Council	\$ 49,605	\$ 64,005	\$ 71,529	\$ (7,524)
Police commission	9,000	9,000	684	8,316
Landmarks commission	600	600	600	-
Middleton youth commission	18,035	18,035	17,191	844
Art committee	3,000	3,000	2,059	941
Municipal court	79,001	78,853	95,208	(16,355)
General administration	575,212	578,141	666,945	(88,804)
Information technology	478,167	500,520	506,178	(5,658)
Board of review	375	375	-	375
Independent auditing	41,000	44,684	44,684	-
Legal counseling	205,000	205,000	211,574	(6,574)
Special legal counsel	5,000	5,000	85	4,915
Buildings and grounds	140,424	136,226	119,744	16,482
Illegal taxes and tax refunds	5,000	46,135	46,130	5
Property and liability insurance	401,000	375,000	400,405	(25,405)
Income continuation insurance	15,000	15,250	15,503	(253)
Contingency	370,222	150,598	-	150,598
Group life insurance	14,000	14,000	14,606	(606)
Vision care	-	-	26	(26)
Bank fees	-	-	2,199	(2,199)
Miscellaneous	-	-	1,510	(1,510)
Unreconciled expenditure	-	-	74,489	(74,489)
Additional expenditures - prior years	5,000	5,122	121	5,001
TOTALS	<u>2,414,641</u>	<u>2,249,544</u>	<u>2,291,470</u>	<u>(41,926)</u>
PUBLIC SAFETY				
Police administration	544,143	543,813	503,856	39,957
Police patrol	3,463,731	3,442,903	3,472,240	(29,337)
Code compliance	72,202	70,832	71,988	(1,156)
Training	25,000	25,000	57,202	(32,202)
Police uniform allowance and equipment	25,000	25,000	17,641	7,359
School patrol	13,069	26,069	13,418	12,651
Fire suppression	662,025	662,025	702,437	(40,412)
Public fire protection	373,144	373,144	373,144	-
EMS	1,241,565	1,069,933	1,272,199	(202,266)
Building inspector	106,850	109,056	110,497	(1,441)
Electrical inspector	97,412	105,195	94,827	10,368
Plumbing inspection	61,077	76,230	61,730	14,500
Emergency preparedness	4,425	4,425	5,414	(989)
Sealer of weights and measures	5,000	5,000	4,400	600
Erosion control enforcement	30,000	30,000	13,335	16,665
Communications	452,205	458,484	430,733	27,751
TOTALS	<u>7,176,848</u>	<u>7,027,109</u>	<u>7,205,061</u>	<u>(177,952)</u>

CITY OF MIDDLETON

GENERAL FUND

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

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC WORKS				
Machinery	\$ 304,072	\$ 233,000	\$ 331,726	\$ (98,726)
Garage	59,500	58,420	50,202	8,218
Public works salaries and fringes	592,710	750,000	130,935	619,065
Protective equipment	3,500	3,500	3,587	(87)
Engineering	636,275	617,338	654,337	(36,999)
Street maintenance	15,000	10,539	575,887	(565,348)
Street cleaning	5,800	5,800	8,401	(2,601)
Snow and ice control	74,000	74,000	64,684	9,316
Traffic signals	19,800	19,800	41,920	(22,120)
Traffic signs and markings	32,000	32,000	37,564	(5,564)
Street lighting	110,000	110,000	97,421	12,579
Tree and brush	2,000	2,000	672	1,328
Storm sewers	6,000	6,000	9,695	(3,695)
Mass transit	311,661	311,661	311,661	-
Garbage collection	483,000	483,000	480,734	2,266
Sanitary landfill	61,650	61,650	61,650	-
Recycling	209,000	209,000	207,445	1,555
TOTALS	<u>2,925,968</u>	<u>2,987,708</u>	<u>3,068,521</u>	<u>(80,813)</u>
HEALTH AND HUMAN SERVICES				
Aging	-	-	123,076	(123,076)
LEISURE ACTIVITIES				
Library	1,673,822	1,668,031	1,639,461	28,570
Historical society	-	-	482	(482)
Senior citizens center	400,238	402,347	271,897	130,450
Dining center	2,750	2,750	1,085	1,665
Cable television	-	-	8,834	(8,834)
Recreation programs and events	59,145	59,145	74,123	(14,978)
Recreation administration	110,631	111,067	105,870	5,197
Swimming pool	269,925	269,925	267,085	2,840
Summer recreation	78,445	78,445	71,788	6,657
Parks	762,610	850,170	800,123	50,047
TOTALS	<u>3,357,566</u>	<u>3,441,880</u>	<u>3,240,748</u>	<u>201,132</u>
CONSERVATION AND DEVELOPMENT				
Water resources	9,000	9,000	7,047	1,953
Conservancy land commission	101,882	101,882	66,507	35,375
Planning commission	264,870	273,489	276,376	(2,887)
Other	-	-	13,189	(13,189)
Forestry	-	53,500	42,258	11,242
TOTALS	<u>375,752</u>	<u>437,871</u>	<u>405,377</u>	<u>32,494</u>
OTHER FINANCING USES				
Transfers out - senior center fund	-	-	3,475	(3,475)
Transfers out - capital projects	-	30,000	30,000	-
Transfers out - debt service fund	3,083,975	3,083,975	3,247,560	(163,585)
Transfers out - retirement benefits fund	-	-	3,369	(3,369)
TOTALS	<u>3,083,975</u>	<u>3,113,975</u>	<u>3,284,404</u>	<u>(170,429)</u>
TOTAL EXPENDITURES AND OTHER				
FINANCING SOURCES	<u>\$ 19,334,750</u>	<u>\$ 19,258,087</u>	<u>\$ 19,618,657</u>	<u>\$ (360,570)</u>

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

CITY OF MIDDLETON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2010

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 Budget	Final Budget	Actual Expenditures	Excess
<u>General Fund</u>				
Current Expenditures				
Council	\$ 49,605	\$ 64,005	\$ 71,529	\$ (7,524)
Municipal court	79,001	78,853	95,208	(16,355)
General administration	575,212	578,141	666,945	(88,804)
Information technology	478,167	500,520	506,178	(5,658)
Legal counseling	205,000	205,000	211,574	(6,574)
Property and liability insurance	401,000	375,000	400,405	(25,405)
Income continuation insurance	15,000	15,250	15,503	(253)
Group life insurance	14,000	14,000	14,606	(606)
Vision care	-	-	26	(26)
Bank fees	-	-	2,199	(2,199)
Miscellaneous	-	-	1,510	(1,510)
Unreconciled expense	-	-	74,489	(74,489)
Police patrol	3,463,731	3,442,903	3,472,240	(29,337)
Code compliance	72,202	70,832	71,988	(1,156)
Training	25,000	25,000	57,202	(32,202)
Fire suppression	662,025	662,025	702,437	(40,412)
EMS	1,241,565	1,069,933	1,272,199	(202,266)
Building inspector	106,850	109,056	110,497	(1,441)
Emergency preparedness	4,425	4,425	5,414	(989)
Machinery	304,072	233,000	331,726	(98,726)
Protective equipment	3,500	3,500	3,587	(87)
Engineering	636,275	617,338	654,337	(36,999)
Street maintenance	15,000	10,539	575,887	(565,348)
Street cleaning	5,800	5,800	8,401	(2,601)
Traffic signals	19,800	19,800	41,920	(22,120)
Traffic signs and markings	32,000	32,000	37,564	(5,564)
Storm sewers	6,000	6,000	9,695	(3,695)
Aging	-	-	123,076	(123,076)
Historical society	-	-	482	(482)
Cable television	-	-	8,834	(8,834)
Recreation programs and events	59,145	59,145	74,123	(14,978)
Planning commission	264,870	273,489	276,376	(2,887)
Other	-	-	13,189	(13,189)
Transfers out – senior center fund	-	-	3,475	(3,475)
Transfers out – debt service fund	3,083,975	3,083,975	3,247,560	(163,585)
Transfers out – retirement benefits fund	-	-	3,369	(3,369)

SUPPLEMENTARY INFORMATION

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Special Revenue Funds															Economic	
	Sub- dividers' Deposits	Land and Park Donations	Community Gardens	Drug Evidence	Cable TV	EMS	Lost and Damaged Book	Library Gift	EMS Equipment Replacement	Library Endowment	Retirement Benefits	Airport	Big Event	Safety Impact Fee	Soccer Stadium	Youth Commission Donations	Develop- ment Grant
ASSETS																	
Cash and investments	\$ 1,262,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,430	\$ 29,090	\$ -	\$ 183,155	\$ 1,473,908	\$ 382,116	\$ 5,185	\$ 91,386	\$ 2,000	\$ 7,861	\$ 246,439
Taxes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	67,667	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,726
TOTAL ASSETS	\$ 1,330,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,430	\$ 29,090	\$ -	\$ 183,155	\$ 1,473,908	\$ 382,116	\$ 5,185	\$ 91,386	\$ 2,000	\$ 7,861	\$ 290,165
LIABILITIES AND FUND BALANCES																	
Accounts payable	\$ 2,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,796	\$ -	\$ -	\$ -	\$ 1,623	\$ 5,142	\$ -	\$ -	\$ -	\$ -	\$ 46
Deferred revenue	67,667	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	70,274	-	-	-	-	-	4,796	-	-	-	1,623	5,142	-	-	-	-	46
Fund Balances																	
Reserved for loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,726
Unreserved																	
Undesignated (deficit)	1,259,832	-	-	-	-	-	41,634	29,090	-	183,155	1,472,285	376,974	5,185	91,386	2,000	7,861	246,393
Total Fund Balances	1,259,832	-	-	-	-	-	41,634	29,090	-	183,155	1,472,285	376,974	5,185	91,386	2,000	7,861	290,119
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,330,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,430	\$ 29,090	\$ -	\$ 183,155	\$ 1,473,908	\$ 382,116	\$ 5,185	\$ 91,386	\$ 2,000	\$ 7,861	\$ 290,165

CITY OF MIDDLETON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (cont.)
December 31, 2010

	Special Revenue Funds											Capital Projects Funds		Total Nonmajor Governmental Funds	
	Shop With a Cop	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	National Night Out	Community Awareness	EMS & Fire Impact Fee	Police Special Revenue and Activities	EMS Special Revenue and Activities	Public Land Special Revenue and Activities	Senior Center Special Revenue and Activities	TIF District No. 5		Public Works Capital Construction
ASSETS															
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 264,939	\$ -	\$ -	\$ -	\$ 18,564	\$ 159,514	\$ 205	\$ 111,771	\$ -	\$ 350	\$ 4,285,352
Taxes receivable	-	-	-	-	-	-	-	-	-	-	-	-	76,699	-	76,699
Accounts receivable	-	-	-	-	205,259	-	-	-	-	-	-	-	-	-	272,926
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,726
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 470,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,564</u>	<u>\$ 159,514</u>	<u>\$ 205</u>	<u>\$ 111,771</u>	<u>\$ 76,699</u>	<u>\$ 350</u>	<u>\$ 4,678,703</u>
LIABILITIES AND FUND BALANCES															
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 10,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,661	\$ -	\$ 38,816
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	76,699	-	144,366
Advance from other funds	-	-	-	-	-	-	-	-	-	-	-	-	431,897	-	431,897
Total Liabilities	-	-	-	-	10,941	-	-	-	-	-	-	-	522,257	-	615,079
Fund Balances															
Reserved for loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,726
Unreserved															
Undesignated (deficit)	-	-	-	-	459,257	-	-	-	18,564	159,514	205	111,771	(445,558)	350	4,019,898
Total Fund Balances	-	-	-	-	459,257	-	-	-	18,564	159,514	205	111,771	(445,558)	350	4,063,624
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 470,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,564</u>	<u>\$ 159,514</u>	<u>\$ 205</u>	<u>\$ 111,771</u>	<u>\$ 76,699</u>	<u>\$ 350</u>	<u>\$ 4,678,703</u>

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	Special Revenue Funds																
	Sub- dividers' Deposits	Land and Park Donations	Community Gardens	Drug Evidence	Cable TV	EMS	Lost and Damaged Book	Library Gift	EMS Equipment Replacement	Library Endowment	Retirement Benefits	Airport	Big Event	Safety Impact Fee	Soccer Stadium	Youth Commission Donations	Economic Development Grant
REVENUES																	
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	54,985	-	-	-
Public charges for services	249,054	-	-	-	-	-	42,919	-	-	-	-	109,031	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	12,726	-	-	-	-	-	-	601
Miscellaneous	-	-	-	-	-	-	-	21,290	-	-	-	-	25,798	-	2,000	4,873	-
Total Revenues	249,054	-	-	-	-	-	42,919	21,290	-	12,726	-	109,031	25,798	54,985	2,000	4,873	601
EXPENDITURES																	
Current																	
General government	-	-	-	-	-	-	-	-	-	-	53,044	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leisure activities	-	-	-	-	-	-	72,582	49,916	-	2,880	-	-	20,612	-	-	-	-
Conservation and development	138,232	-	-	-	-	-	-	-	-	-	-	39,989	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	138,232	-	-	-	-	-	72,582	49,916	-	2,880	53,044	39,989	20,612	-	-	-	-
Excess (deficiency) of revenues over expenditures	110,822	-	-	-	-	-	(29,663)	(28,626)	-	9,846	(53,044)	69,042	5,186	54,985	2,000	4,873	601
OTHER FINANCING SOURCES (USES)																	
Transfers in	58,365	-	-	-	-	-	-	-	-	-	3,369	-	74,886	-	-	-	-
Transfers out	-	(3,301)	(10,442)	(9,356)	(239,466)	(66,236)	-	-	(1,256)	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	58,365	(3,301)	(10,442)	(9,356)	(239,466)	(66,236)	-	-	(1,256)	-	3,369	-	74,886	-	-	-	-
Net change in fund balance	169,187	(3,301)	(10,442)	(9,356)	(239,466)	(66,236)	(29,663)	(28,626)	(1,256)	9,846	(49,675)	69,042	80,072	54,985	2,000	4,873	601
FUND BALANCES (DEFICIT) - Beginning of Year	1,090,645	3,301	10,442	9,356	239,466	66,236	71,297	57,716	1,256	173,309	1,521,960	307,932	(74,887)	36,401	-	2,988	289,518
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 1,259,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,634	\$ 29,090	\$ -	\$ 183,155	\$ 1,472,285	\$ 376,974	\$ 5,185	\$ 91,386	\$ 2,000	\$ 7,861	\$ 290,119

CITY OF MIDDLETON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (cont.)
For the Year Ended December 31, 2010

	Special Revenue Funds											Capital Projects Funds		Total Nonmajor Governmental Funds	
	Shop With a Cop	Drug Forfeitures	Federal Seizures	Senior Citizen	Tourism Commission	National Night Out	Community Awareness	EMS & Fire Impact Fee	Police Special Revenue and Activities	EMS Special Revenue and Activities	Public Land Special Revenue and Activities	Senior Center Special Revenue and Activities	TIF District No. 5		Public Works Capital Construction
REVENUES															
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 876,791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 876,791
Intergovernmental	-	-	-	-	-	-	-	-	-	6,777	-	22,063	-	-	28,840
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,985
Public charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	401,004
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97,565
Miscellaneous	-	-	-	-	560	-	-	-	4,384	-	26,727	18,419	-	350	104,401
Total Revenues	-	-	-	-	877,351	-	-	-	4,384	44,271	26,727	40,482	46,744	350	1,563,586
EXPENDITURES															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	-	117,411	-	170,455
Public safety	-	-	-	-	-	-	-	-	5,727	-	-	-	-	-	5,727
Leisure activities	-	-	-	-	-	-	-	-	-	40,265	31,545	-	-	-	217,800
Conservation and development	-	-	-	-	628,779	-	-	-	-	-	-	-	-	-	807,000
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	2,480	-	2,480
Total Expenditures	-	-	-	-	628,779	-	-	-	5,727	-	40,265	31,545	119,891	-	1,203,462
Excess (deficiency) of revenues over expenditures	-	-	-	-	248,572	-	-	-	(1,343)	44,271	(13,538)	8,937	(73,147)	350	360,124
OTHER FINANCING SOURCES (USES)															
Transfers In	-	-	-	-	-	199	8,464	-	28,570	115,243	13,743	102,834	-	-	405,673
Transfers out	(13,851)	(3,207)	(2,156)	(99,359)	(74,886)	-	-	(47,751)	(8,663)	-	-	-	-	-	(579,930)
Total Other Financing Sources (Uses)	(13,851)	(3,207)	(2,156)	(99,359)	(74,886)	199	8,464	(47,751)	19,907	115,243	13,743	102,834	-	-	(174,257)
Net change in fund balance	(13,851)	(3,207)	(2,156)	(99,359)	173,686	199	8,464	(47,751)	18,564	159,514	205	111,771	(73,147)	350	185,867
FUND BALANCES (DEFICIT) - Beginning of Year	13,851	3,207	2,156	99,359	285,571	(199)	(8,464)	47,751	-	-	-	-	(372,411)	-	3,877,757
FUND BALANCES (DEFICIT) - END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 459,257	\$ -	\$ -	\$ -	\$ 18,564	\$ 159,514	\$ 205	\$ 111,771	\$ (445,558)	\$ 350	\$ 4,063,624

CITY OF MIDDLETON

COMBINING STATEMENT OF FIDUCIARY NET ASSETS AGENCY FUNDS December 31, 2010

	<u>Tax Roll</u>	<u>Fire District</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 21,772,245	\$ -	\$ 21,772,245
Taxes receivable	12,816,257	-	12,816,257
Due from other governmental units	<u>-</u>	<u>137,902</u>	<u>137,902</u>
TOTAL ASSETS	<u>\$ 34,588,502</u>	<u>\$ 137,902</u>	<u>\$ 34,726,404</u>
LIABILITIES			
Accounts payable	\$ -	\$ 80,235	\$ 80,235
Due to other governmental units	<u>34,588,502</u>	<u>57,667</u>	<u>34,646,169</u>
TOTAL LIABILITIES	<u>\$ 34,588,502</u>	<u>\$ 137,902</u>	<u>\$ 34,726,404</u>

CITY OF MIDDLETON

STATEMENT OF CASH FLOWS - COMPONENT UNIT
For the Year Ended December 31, 2010

	Component Unit - CDA
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from economic loan repayments	\$ 7,203
Economic and housing loans	(30,000)
Cash received from customers	29,479
Cash paid to suppliers for goods and services	<u>(31,753)</u>
Net Cash Flows From Operating Activities	<u>(25,071)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	12,068
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Paid to primary government	(186,061)
Principal paid	(11,160,000)
Interest paid	(707,030)
Capital lease interest received	707,030
Capital lease principal received	<u>11,160,000</u>
Net Cash Flows From Noncapital Financing Activities	<u>(186,061)</u>
Net Increase in Cash and Cash Equivalents	(199,064)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,046,399</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,847,335</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (63,165)
Non-cash items included in operating income:	
Depreciation	56,868
Changes in Assets and Liabilities	
Loans receivable	(22,798)
Accounts payable	<u>4,024</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (25,071)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - COMPONENT UNIT	
Cash and investments - statement of net assets - component unit	\$ 257,718
Restricted cash and investments - statement of net assets - component unit	<u>1,589,617</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,847,335</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:	
None	