

CITY OF MIDDLETON, WISCONSIN
Dane County, Wisconsin

FINANCIAL STATEMENTS
December 31, 2011

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INDEPENDENT AUDITOR'S REPORT



CliftonLarsonAllen

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Independent Auditor's Report

Common Council
City of Middleton, Wisconsin
Dane County, 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, 2011, which collectively comprise the City of Middleton, Wisconsin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Middleton, Wisconsin'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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 53 and 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it. The City of Middleton has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middleton's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Middleton, Wisconsin
September 27, 2012

BASIC FINANCIAL STATEMENTS

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF NET ASSETS
December 31, 2011

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Cash and investments	\$ 10,813,864	\$ 5,596,089	\$ 16,409,953	\$ 244,699
Receivables (net of allowance for uncollectible accounts)				
Taxes	19,455,606	-	19,455,606	-
Delinquent taxes	32,783	-	32,783	-
Accounts	864,622	795,930	1,660,552	-
Interest	32,109	27,563	59,672	-
Loans	1,314,062	-	1,314,062	555,816
Special assessments	1,596,516	2,124,122	3,720,638	-
Other	-	75,556	75,556	-
Due from other governments	70,336	-	70,336	-
Due from primary government	-	-	-	24,166
Due from component unit	1,589,617	-	1,589,617	-
Internal balances-current	(124,020)	124,020	-	-
Internal balances-advances	2,797,930	(2,797,930)	-	-
Prepaid items	85,335	-	85,335	-
Restricted assets - cash and investments	-	55,165	55,165	1,589,708
Leases receivable from primary government	-	-	-	1,010,000
Other assets	107,246	301,087	408,333	2,701
Capital assets not being depreciated	26,419,559	2,505,107	28,924,666	154,000
Capital assets being depreciated	51,176,521	36,156,198	87,332,719	2,206,275
Total assets	<u>116,232,086</u>	<u>44,962,907</u>	<u>161,194,993</u>	<u>5,787,365</u>
LIABILITIES				
Accounts payable	800,500	554,181	1,354,681	8,393
Deposits	33,470	-	33,470	-
Accrued liabilities	522,549	91,067	613,616	12,525
Due to other governments	235	-	235	-
Due to primary government	-	-	-	1,589,617
Due to component unit	24,167	-	24,167	-
Unearned revenue	19,375,668	-	19,375,668	-
Investment in joint venture (deficit)	472,371	-	472,371	-
Noncurrent liabilities:				
Due within one year	8,927,051	1,048,926	9,975,977	999,577
Due in more than one year	43,817,964	6,063,185	49,881,149	-
Total liabilities	<u>73,973,975</u>	<u>7,757,359</u>	<u>81,731,334</u>	<u>2,610,112</u>
NET ASSETS				
Invested in capital assets, net of related debt	31,784,434	31,776,305	63,560,739	2,360,275
Restricted				
Debt service	1,589,617	-	1,589,617	-
Community development	2,945,550	-	2,945,550	-
Library	221,915	-	221,915	-
Impact fees	269,466	-	269,466	-
Equipment replacement	-	55,165	55,165	-
Unrestricted	5,447,129	5,374,078	10,821,207	816,978
TOTAL NET ASSETS	<u>\$ 42,258,111</u>	<u>\$ 37,205,548</u>	<u>\$ 79,463,659</u>	<u>\$ 3,177,253</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business Type Activities		Totals
Primary Government								
Governmental activities:								
General government	\$ 4,492,490	\$ 1,620,302	\$ 577,988	\$ -	\$ (2,294,200)	\$ -	\$ (2,294,200)	
Health and human services	660,176	23,703	48,282	-	(588,191)	-	(588,191)	
Public safety	8,596,721	2,333,240	190,648	132,798	(5,940,035)	-	(5,940,035)	
Public works	4,374,018	97,673	1,374,435	355,158	(2,546,752)	-	(2,546,752)	
Leisure activities	5,302,560	301,471	751,234	32,587	(4,217,268)	-	(4,217,268)	
Conservation and economic development	2,467,418	381,932	-	-	(2,085,486)	-	(2,085,486)	
Interest and fiscal charges	2,370,898	-	-	-	(2,370,898)	-	(2,370,898)	
Total governmental activities	<u>28,264,281</u>	<u>4,758,321</u>	<u>2,942,587</u>	<u>520,543</u>	<u>(20,042,830)</u>	<u>-</u>	<u>(20,042,830)</u>	
Business-type activities:								
Water	1,395,899	2,110,739	-	113,183	-	828,023	828,023	
Sewer	1,829,965	1,678,783	-	42,469	-	(108,713)	(108,713)	
Pleasant View Golf Course	1,716,697	1,743,935	-	29,342	-	56,580	56,580	
Total business-type activities	<u>4,942,561</u>	<u>5,533,457</u>	<u>-</u>	<u>184,994</u>	<u>-</u>	<u>775,890</u>	<u>775,890</u>	
Total primary government	<u>\$ 33,206,842</u>	<u>\$ 10,291,778</u>	<u>\$ 2,942,587</u>	<u>\$ 705,537</u>	<u>(20,042,830)</u>	<u>775,890</u>	<u>(19,266,940)</u>	
Component Unit								
Community Development Authority	\$ 200,478	\$ 25,057	\$ -	\$ -			\$ (175,421)	
General revenues:								
Taxes:								
Property taxes, levied for general purposes					12,095,311	-	12,095,311	-
Property taxes, levied for tax increment district					8,336,483	-	8,336,483	-
Other taxes					1,446,332	-	1,446,332	-
Cable television franchise fees					232,320	-	232,320	-
Intergovernmental revenues not restricted to specific programs					836,548	-	836,548	-
Investment income					268,769	54,509	323,278	125,180
Gain on sale of city property					2,414,956	-	2,414,956	-
Miscellaneous					160,483	-	160,483	-
Total general revenues					<u>25,791,202</u>	<u>54,509</u>	<u>25,845,711</u>	<u>125,180</u>
Transfers					<u>381,498</u>	<u>(381,498)</u>	<u>-</u>	<u>-</u>
Change in net assets					6,129,870	448,901	6,578,771	(50,241)
NET ASSETS - BEGINNING OF YEAR (restated)					<u>36,128,241</u>	<u>36,756,647</u>	<u>72,884,888</u>	<u>3,227,494</u>
NET ASSETS - END OF YEAR					<u>\$ 42,258,111</u>	<u>\$ 37,205,548</u>	<u>\$ 79,463,659</u>	<u>\$ 3,177,253</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MIDDLETON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>TIF District No. 3</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 5,322,655	\$ 235,925	\$ 472,635	\$ 1,280,876	\$ 3,501,773	\$ 10,813,864
Receivables (net)						
Taxes	13,930,359	-	5,525,247	-	-	19,455,606
Delinquent taxes	32,783	-	-	-	-	32,783
Accounts	619,245	-	-	-	245,377	864,622
Interest	32,109	-	-	-	-	32,109
Loans	-	-	1,271,250	-	42,812	1,314,062
Special assessments	19,610	-	1,576,906	-	-	1,596,516
Due from other governments	70,336	-	-	-	-	70,336
Due from component unit	-	-	1,589,617	-	-	1,589,617
Advances to other funds	2,796,677	-	2,246,061	-	-	5,042,738
Prepaid items	85,335	-	-	-	-	85,335
TOTAL ASSETS	\$ 22,909,109	\$ 235,925	\$ 12,681,716	\$ 1,280,876	\$ 3,789,962	\$ 40,897,588
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 635,450	\$ -	\$ 28,339	\$ 55,422	\$ 81,289	\$ 800,500
Deposits	-	-	-	-	33,470	33,470
Due to other funds	124,020	-	-	-	-	124,020
Due to other governments	235	-	-	-	-	235
Deferred revenue	14,294,645	-	8,373,403	-	-	22,668,048
Advances from other funds	-	-	-	2,244,808	-	2,244,808
Total liabilities	<u>15,054,350</u>	<u>-</u>	<u>8,401,742</u>	<u>2,300,230</u>	<u>114,759</u>	<u>25,871,081</u>
FUND BALANCES						
Nonspendable	2,927,135	-	2,246,061	-	42,812	5,216,008
Restricted						
Debt service	-	235,925	1,589,617	-	-	1,825,542
Community development	-	-	444,296	-	255,193	699,489
Library	-	-	-	-	221,915	221,915
Capital improvements	-	-	-	1,227,226	-	1,227,226
Impact fees	-	-	-	-	269,466	269,466
Assigned						
Subdividers deposits	-	-	-	-	1,420,992	1,420,992
Library	-	-	-	-	111,577	111,577
Airport	-	-	-	-	435,235	435,235
Tourism	-	-	-	-	773,821	773,821
Public safety	96,000	-	-	-	16,926	112,926
Senior center	-	-	-	-	120,733	120,733
Post employment benefits	1,412,797	-	-	-	-	1,412,797
Other	-	-	-	-	6,533	6,533
Unassigned	3,418,827	-	-	(2,246,580)	-	1,172,247
Total fund balances	<u>7,854,759</u>	<u>235,925</u>	<u>4,279,974</u>	<u>(1,019,354)</u>	<u>3,675,203</u>	<u>15,026,507</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,909,109	\$ 235,925	\$ 12,681,716	\$ 1,280,876	\$ 3,789,962	

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.	77,596,080
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.	3,292,380
Investment (deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.	(472,371)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	(53,184,485)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 42,258,111

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	<u>General</u>	<u>Debt Service</u>	<u>TIF District No. 3</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 12,533,184	\$ -	\$ 8,259,784	\$ 76,699	\$ 1,012,432	\$ 21,882,099
Intergovernmental	2,105,745	-	577,988	172,874	758,747	3,615,354
Licenses and permits	853,755	-	-	-	451,292	1,305,047
Fines, forfeitures, and penalties	279,306	-	-	-	-	279,306
Public charges for services	1,438,663	-	-	-	162,530	1,601,193
Intergovernmental charges for services	1,528,130	-	-	-	-	1,528,130
Special assessments	91,860	-	189,008	-	-	280,868
Investment income	149,429	254	229,196	1,840	16,383	397,102
Miscellaneous	438,983	-	103,750	19,065	47,723	609,521
Total revenues	<u>19,419,055</u>	<u>254</u>	<u>9,359,726</u>	<u>270,478</u>	<u>2,449,107</u>	<u>31,498,620</u>
EXPENDITURES						
Current						
General government	2,376,763	-	1,587,154	112,080	-	4,075,997
Public safety	7,764,516	-	-	-	23,113	7,787,629
Public works	3,040,471	-	-	-	-	3,040,471
Health and human services	402,763	-	-	-	-	402,763
Leisure activities	1,266,325	-	-	-	2,498,856	3,765,181
Conservation and economic development	499,358	-	-	1,791,423	155,394	2,446,175
Debt service						
Principal	-	7,013,615	965,000	-	-	7,978,615
Debt issuance costs	-	-	-	39,175	-	39,175
Interest and fiscal charges	-	1,796,730	109,033	-	-	1,905,763
Capital outlay	-	-	1,006,816	2,476,620	-	3,483,436
Total expenditures	<u>15,350,196</u>	<u>8,810,345</u>	<u>3,668,003</u>	<u>4,419,298</u>	<u>2,677,363</u>	<u>34,925,205</u>
Excess of revenues over (under) expenditures	4,068,859	(8,810,091)	5,691,723	(4,148,820)	(228,256)	(3,426,585)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	-	-	2,500,000	-	2,500,000
Premium on debt issued	-	-	-	49,084	-	49,084
Proceeds from sale of capital assets	2,471,459	-	-	47,000	-	2,518,459
Transfers in	391,175	9,142,210	-	4,090	1,043,814	10,581,289
Transfers out	(3,823,694)	-	(5,342,569)	(856,628)	(176,900)	(10,199,791)
Net change in fund balances	3,107,799	332,119	349,154	(2,405,274)	638,658	2,022,456
FUND BALANCES - BEGINNING OF YEAR (restated)	<u>4,746,960</u>	<u>(96,194)</u>	<u>3,930,820</u>	<u>1,385,920</u>	<u>3,036,545</u>	<u>13,004,051</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,854,759</u>	<u>\$ 235,925</u>	<u>\$ 4,279,974</u>	<u>\$ (1,019,354)</u>	<u>\$ 3,675,203</u>	<u>\$ 15,026,507</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MIDDLETON, WISCONSIN
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, 2011**

Net change in fund balances - total governmental funds	\$ 2,022,456
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 activities, the cost of these assets is allocated 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.	3,483,436
Less: Some items are reported as capital outlay but are not capitalized	(1,926,829)
Capital outlay acquired through developer contribution	222,854
Depreciation is reported in the government-wide statements	(1,796,578)
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.	(123,777)
Proceeds from the sale of capital assets are recorded as revenues in the governmental funds but are removed from revenues in the statement of activities \$(2,518,459). The gain on the sale of capital assets is recognized in the statement of activities \$(2,414,956).	(103,503)
Debt and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Debt issued	(2,500,000)
Debt and leases retired	7,978,615
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.	39,471
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	(691,231)
Debt issuance costs	20,887
Debt premium and discount	(36,539)
Loss on refunding	(535,879)
Accrued interest on debt	76,487
Change in net assets of governmental activities	<u>\$ 6,129,870</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011

	Business-type Activities Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 3,267,031	\$ 2,328,139	\$ 919	\$ 5,596,089
Accounts receivables, net	382,036	412,454	1,440	795,930
Accrued interest	20,200	7,363	-	27,563
Other accounts receivable	-	75,556	-	75,556
Due from other funds	56,846	67,174	-	124,020
Total current assets	<u>3,726,113</u>	<u>2,890,686</u>	<u>2,359</u>	<u>6,619,158</u>
NONCURRENT ASSETS				
Restricted cash and investments	-	55,165	-	55,165
Special assessments receivable	-	2,124,122	-	2,124,122
Property held for future use	301,087	-	-	301,087
Capital assets:				
Property and equipment	24,531,808	14,656,990	11,390,961	50,579,759
Less: Accumulated depreciation	<u>(7,262,387)</u>	<u>(3,840,250)</u>	<u>(815,817)</u>	<u>(11,918,454)</u>
Total capital assets, net	<u>17,269,421</u>	<u>10,816,740</u>	<u>10,575,144</u>	<u>38,661,305</u>
Total noncurrent assets	<u>17,570,508</u>	<u>12,996,027</u>	<u>10,575,144</u>	<u>41,141,679</u>
Total assets	<u>21,296,621</u>	<u>15,886,713</u>	<u>10,577,503</u>	<u>47,760,837</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	67,718	463,230	23,233	554,181
Accrued interest	4,590	2,430	84,047	91,067
Accrued compensated absences	24,463	24,463	-	48,926
Current portion of long-term debt	255,000	135,000	610,000	1,000,000
Total current liabilities	<u>351,771</u>	<u>625,123</u>	<u>717,280</u>	<u>1,694,174</u>
NON-CURRENT LIABILITIES				
Accrued compensated absences	98,304	33,572	46,309	178,185
Advances from other funds	-	-	2,797,930	2,797,930
General obligation debt	-	-	5,885,000	5,885,000
Total non-current liabilities	<u>98,304</u>	<u>33,572</u>	<u>8,729,239</u>	<u>8,861,115</u>
Total liabilities	<u>450,075</u>	<u>658,695</u>	<u>9,446,519</u>	<u>10,555,289</u>
NET ASSETS				
Invested in capital assets, net of related debt	17,014,421	10,681,740	4,080,144	31,776,305
Restricted for equipment replacement	-	55,165	-	55,165
Unrestricted	3,832,125	4,491,113	(2,949,160)	5,374,078
Total net assets	<u>\$ 20,846,546</u>	<u>\$ 15,228,018</u>	<u>\$ 1,130,984</u>	<u>\$ 37,205,548</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MIDDLETON, WISCONSIN
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011**

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Pleasant View Golf Course	
OPERATING REVENUES				
Charges for services and sales	\$ 2,110,739	\$ 1,678,783	\$ 1,743,935	\$ 5,533,457
OPERATING EXPENSES				
Operation and maintenance	923,600	1,548,035	1,310,274	3,781,909
Depreciation and loss on disposal of capital assets	456,392	273,525	114,083	844,000
Total operating expenses	<u>1,379,992</u>	<u>1,821,560</u>	<u>1,424,357</u>	<u>4,625,909</u>
Operating income (loss)	<u>730,747</u>	<u>(142,777)</u>	<u>319,578</u>	<u>907,548</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	37,565	16,944	-	54,509
Interest on long-term debt	<u>(15,907)</u>	<u>(8,405)</u>	<u>(292,340)</u>	<u>(316,652)</u>
Total non-operating revenues (expenses)	<u>21,658</u>	<u>8,539</u>	<u>(292,340)</u>	<u>(262,143)</u>
Income (loss) before capital contributions and transfers	752,405	(134,238)	27,238	645,405
CAPITAL CONTRIBUTIONS	113,183	42,469	29,342	184,994
TRANSFERS OUT	<u>(381,498)</u>	<u>-</u>	<u>-</u>	<u>(381,498)</u>
Change in net assets	484,090	(91,769)	56,580	448,901
NET ASSETS - BEGINNING OF YEAR	<u>20,362,456</u>	<u>15,319,787</u>	<u>1,074,404</u>	<u>36,756,647</u>
NET ASSETS - END OF YEAR	<u>\$ 20,846,546</u>	<u>\$ 15,228,018</u>	<u>\$ 1,130,984</u>	<u>\$ 37,205,548</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Business-type Activities Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 2,041,001	\$ 1,650,413	\$ 1,742,495	\$ 5,433,909
Payments to suppliers for goods and services	(598,725)	(1,280,308)	(784,598)	(2,663,631)
Payments to employees for services	(241,168)	(64,163)	(529,907)	(835,238)
Net cash provided by financing activities	<u>1,201,108</u>	<u>305,942</u>	<u>427,990</u>	<u>1,935,040</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(381,498)	-	-	(381,498)
Advance from TIF No. 3	-	-	433,150	433,150
Net cash provided by (used in) non-capital financing activities	<u>(381,498)</u>	<u>-</u>	<u>433,150</u>	<u>433,150</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(499,650)	(300,406)	-	(800,056)
Principal paid on capital debt	(240,000)	(125,000)	(560,000)	(925,000)
Interest paid on capital debt	(20,187)	(10,634)	(300,740)	(331,561)
Net cash used in capital and related financing activities	<u>(759,837)</u>	<u>(436,040)</u>	<u>(860,740)</u>	<u>(2,056,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments sold and matured	925,754	367,700	-	1,293,454
Investments purchased	(398,030)	(15,452)	-	(413,482)
Interest income received	71,518	22,700	-	94,218
Net cash provided by investing activities	<u>599,242</u>	<u>374,948</u>	<u>-</u>	<u>974,190</u>
Net increase in cash and cash equivalents	659,015	244,850	400	904,265
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>159,100</u>	<u>1,532,154</u>	<u>519</u>	<u>1,691,773</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 818,115</u>	<u>\$ 1,777,004</u>	<u>\$ 919</u>	<u>\$ 2,596,038</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Concluded)
For the Year Ended December 31, 2011

	Business-type Activities			
	Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 730,747	\$ (142,777)	\$ 319,578	\$ 907,548
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	456,392	273,525	109,665	839,582
Depreciation charged to sewer utility	43,274	-	-	43,274
Loss on disposal of capital assets	-	-	4,418	4,418
Changes in non-cash components of working capital				
Accounts receivable	(62,423)	(32,874)	(1,440)	(96,737)
Other accounts receivable	-	(75,556)	-	(75,556)
Special assessments receivable	9,270	80,060	-	89,330
Due from other funds	(10,081)	(8,544)	-	(18,625)
Accounts payable	20,070	196,717	(21,306)	195,481
Accrued compensated absences	30,442	15,391	17,075	62,908
Deferred revenue	(16,583)	-	-	(16,583)
Net cash provided by operating activities	<u>\$ 1,201,108</u>	<u>\$ 305,942</u>	<u>\$ 427,990</u>	<u>\$ 1,935,040</u>
Reconciliation of cash and cash equivalents to the statement of net assets - proprietary funds				
Cash and investments	\$ 3,267,031	\$ 2,328,139	\$ 919	\$ 5,596,089
Restricted cash and investments	-	55,165	-	55,165
Less: Non-cash equivalents	<u>(2,448,916)</u>	<u>(606,300)</u>	<u>-</u>	<u>(3,055,216)</u>
Cash and cash equivalents, end of year	<u>\$ 818,115</u>	<u>\$ 1,777,004</u>	<u>\$ 919</u>	<u>\$ 2,596,038</u>
NON-CASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES				
Developer-financed additions to utility plant	<u>\$ 113,183</u>	<u>\$ 42,469</u>	<u>\$ 29,342</u>	<u>\$ 184,994</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MIDDLETON, WISCONSIN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2011**

	<u>Tax Roll</u>	<u>Fire District</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and investments	\$ 20,956,522	\$ -	\$ 20,956,522
Taxes receivable	15,249,012	-	15,249,012
Due from other governmental units	<u>-</u>	<u>171,789</u>	<u>171,789</u>
 Total assets	 <u>\$ 36,205,534</u>	 <u>\$ 171,789</u>	 <u>\$ 36,377,323</u>
LIABILITIES			
Accounts payable	\$ -	\$ 66,564	\$ 66,564
Due to other governmental units	<u>36,205,534</u>	<u>105,225</u>	<u>36,310,759</u>
 Total liabilities	 <u>\$ 36,205,534</u>	 <u>\$ 171,789</u>	 <u>\$ 36,377,323</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Middleton, Wisconsin (the City) 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 the 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; and (2) the primary government is entitled to, or has the ability to otherwise access, a majority of 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. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are 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, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Each fund is considered to be a separate accounting entity and 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, 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 nonmajor funds within the governmental and enterprise fund financial statements. 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

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

- 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.

The City reports the following 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 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 Funds - accounts 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 improvement projects originally initiated.

The City reports the following major enterprise funds:

Water Utility - accounts for operations of the water system.

Sanitary Sewer - accounts for operations of the sewer system.

Pleasant View Golf Course - accounts for operations of the Pleasant View Golf Course.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The City reports the following nonmajor governmental funds:

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

Subdividers' Deposits	Tourism Commission
Lost and Damaged Books	Safety Impact Fee and Other
Library Gift	Police Special Revenue and Activities
Library Endowment	EMS Special Revenue and Activities
Library	Public Land Special Revenue and Activities
Airport	Senior Center Special Revenue and Activities
Economic Development Grant	

In addition, the City reports the following fund types:

Agency funds - 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

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 to 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.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Special assessments are recorded as revenues when they become measurable and available as current assets. Amounts 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 nonspendable fund balance 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 the 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.

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 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 Utility, Sewer Utility, and Pleasant View Golf Course are charges to customers for sales and services. Special assessments are recorded as receivables and contributions when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash 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:

1. Time deposits in any credit union, bank, savings bank, or trust company authorized to transact business in the state maturing in three years or less.
2. 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.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy that follows the state statute for allowable investments. The City is exposed to custodial credit risk and credit risk for deposits and investments, as well as interest rate risk for investments. The City's policies with respect to these risks are as follows:

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 financial institutions with current credit information kept on file for each institution.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

1. Cash and Investments (Continued)

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 liquidations.

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 fund balance. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units in the accompanying agency fund statement of fiduciary net assets.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables (Continued)

Property tax calendar - 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Tax deed - 2011 delinquent real estate taxes	October 2014

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the Water and Sewer Utilities because they have the right by law to place delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

The City has received federal grant funds for economic development loan programs to various businesses. It is the City's policy to record revenue and expenditure when the initial loan is made from the federal grant funds. The City records a loan receivable and deferred revenue when the loan has been made and funds have been disbursed. As loans are repaid, the receivable is reduced and revenue is recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the governmental fund balance sheet.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

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 and 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 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 remainder, if generated from earnings, is shown as restricted net assets. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt.

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 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 funds. 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.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Capital Assets (Continued)

Government-Wide Statements (Continued)

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

Fund Financial Statements

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

6. Other Assets

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

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

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 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, an employee benefit policies. Employees may convert their accumulated sick leave to pay for health care premiums. Total expenditures for retirees' medical premiums during the year were \$59,487. The number of participants currently eligible to receive benefits is 19.

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, 2011 are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face-value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the governmental-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 refunding 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.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

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

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 by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

10. Equity Classifications (Continued)

Fund Statements

In the governmental fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either:

- Not in spendable form; or
- Legally or contractually required to be maintained intact.

Restricted fund balance is reported when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Common Council.

Assigned fund balance is reported for amounts that are constrained by the City management's intent to be used for specific purposes, but is neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund or deficit balances in other funds.

When committed, assigned, and unassigned amounts are available for use, it is the City's policy to use committed resources first, then assigned resources, then unassigned resources as they are needed.

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 Public Service Commission of Wisconsin and became effective March 31, 2011. Sewer rates were approved by the Common Council effective January 1, 2011.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 difference are as follows:

Bonds and notes payable	\$ 49,038,304
Compensated absences	3,153,059
Capital leases payable	1,010,000
Accrued interest	522,549
Accrued interest due to component unit	24,167
Unamortized debt discount and premium	79,530
Unamortized loss on refunding	(535,878)
Unamortized debt issuance costs	<u>(107,246)</u>
Combined adjustment for long-term liabilities	<u>\$ 53,184,485</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 1. A budget has been adopted for the General Fund, Debt Service Fund, certain special revenue funds, and capital project funds. Wisconsin Statute Section 65.90 requires that an annual budget be adopted for all funds.

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

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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>
Safety impact fee fund	\$ -	\$ 181,464	\$ 181,464
Youth commission donations fund	-	459	459
Subdividers' deposits fund	50,000	99,654	49,654
Public land special revenue and activities fund	10,000	15,951	5,951
Senior center special revenue and activities fund	15,000	23,883	8,883
TIF District No. 3	8,227,138	9,010,572	783,434
2008 Capital construction fund	-	4,089	4,089
2010 Capital construction fund	-	430,378	430,378
TIF District No. 5	-	1,903,503	1,903,503

The City controls expenditures at the departmental level. Some individual departments experienced expenditures which exceeded appropriations. TIF District No. 3 debt service was included in the Debt Service Fund, rather than TIF District No. 3. TIF District No. 3 debt service was funded by TIF. The detail of those items can be found in the City's year-end budget to actual report.

Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. As of December 31, 2011, the TIF District No. 5 fund had a deficit balance of \$2,246,580.

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.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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 4 - DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Petty cash	\$ 475		
Demand deposits			
Noninterest bearing	21,986,634	\$ 19,722,534	Custodial credit
Certificates of deposit	5,032,290	5,032,290	Custodial credit
Money market	4,787,977	4,787,977	Custodial credit
Total deposits	31,806,901	29,542,801	
Investments			
Goldman Sachs Treasury Instruments Fund	1,589,708	1,589,708	Credit, interest rate
Madison Community Foundation	191,654	191,654	Credit, interest rate
Local Government Investment Pool (LGIP)	5,667,309	5,667,309	Credit, interest rate
Total investments	7,448,671	7,448,671	
 Total cash and investments	 \$ 39,256,047	 \$ 36,991,472	
 Reconciliation to the statement of net assets:			
Unrestricted cash and investments	\$ 16,409,953		
Restricted cash and investments	55,165		
Fiduciary funds - Agency Fund	20,956,522		
	37,421,640		
 Cash and investments held for component unit			
Unrestricted	244,699		
Restricted	1,589,708		
Total cash and investments	\$ 39,256,047		

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest-bearing accounts. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the custodial credit risk.

The Madison Community Foundation ("Foundation") is a community endowment fund. The Foundation is not registered with the 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, 2011, 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, 2011, \$8,538,871 of the City's total bank balances was exposed to custodial credit risk as uninsured and uncollateralized.

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 investment 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. The City had investments in the following external pools which are not rated:

Local Government Investment Pool
Madison Community Foundation

Interest Rate Risk

The City also had \$5,667,309 invested in the local government investment pool, which had a weighted average maturity of 97 days. In addition, the City had \$191,654 in the Madison Community Foundation, which is made up primarily of equity securities that do not have a determinable maturity date.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

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 Funds	Total
Amounts not expected to be collected within one year	\$ 2,848,156	\$ 2,124,122	\$ 42,812	\$ 5,015,090

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

Delinquent personal property taxes	\$ 38,039
Other receivables	12,252
EMS receivables	1,008,556
	\$ 1,058,847

C. Deferred Revenue

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	\$ -	\$ 19,375,668	\$ 19,375,668
Special assessments not yet due	1,586,769	-	1,586,769
Loan receivable	1,271,250	-	1,271,250
EMS receivable	434,361	-	434,361
	\$ 3,292,380	\$ 19,375,668	\$ 22,668,048

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

C. Deferred Revenue (Continued)

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, 2011, the City has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

D. Restricted Assets

Replacement Account

The sewer utility establishes an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. The balance in the equipment replacement fund at December 31, 2011 was \$55,165.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,439,100	\$ -	\$ 103,503	\$ 7,335,597
Right of way	18,751,280	-	-	18,751,280
Construction in progress	222,123	332,682	222,123	332,682
Total capital assets not being depreciated	<u>26,412,503</u>	<u>332,682</u>	<u>325,626</u>	<u>26,419,559</u>
Capital assets being depreciated				
Land improvements	6,805,668	218,268	-	7,023,936
Buildings	18,093,525	95,576	-	18,189,101
Machinery and equipment	4,368,878	699,468	117,370	4,950,976
Streets-infrastructure	19,513,740	557,104	-	20,070,844
Storm sewers-infrastructure	8,750,194	98,486	-	8,848,680
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	482,163	-	-	482,163
Total capital assets being depreciated	<u>65,683,097</u>	<u>1,668,902</u>	<u>117,370</u>	<u>67,234,629</u>
Less: accumulated depreciation for				
Land improvements	1,864,060	314,468	-	2,178,528
Buildings	3,037,192	448,509	-	3,485,701
Machinery and equipment	2,548,598	383,245	117,370	2,814,473
Streets-infrastructure	2,951,484	299,565	-	3,251,049
Storm sewers-infrastructure	1,862,487	176,974	-	2,039,461
Traffic signals-infrastructure	505,558	52,441	-	557,999
Sidewalks-infrastructure	1,211,209	61,594	-	1,272,803
Bridges-infrastructure	311,425	43,710	-	355,135
Rail spur-infrastructure	86,887	16,072	-	102,959
Total accumulated depreciation	<u>14,378,900</u>	<u>1,796,578</u>	<u>117,370</u>	<u>16,058,108</u>
Capital assets being depreciated, net of depreciation	<u>51,304,197</u>	<u>(127,676)</u>	<u>-</u>	<u>51,176,521</u>
Total capital assets, net of depreciation	<u>\$ 77,716,700</u>	<u>\$ 205,006</u>	<u>\$ 325,626</u>	<u>\$ 77,596,080</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Water Utility				
Capital assets not being depreciated				
Land and land rights	\$ 222,277	\$ -	\$ -	\$ 222,277
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>222,277</u>	<u>-</u>	<u>-</u>	<u>222,277</u>
Capital assets being depreciated				
Source of supply	781,509	-	-	781,509
Pumping	2,767,225	7,221	-	2,774,446
Treatment	343,242	-	-	343,242
Transmission and distribution	19,206,704	596,833	16,490	19,787,047
Administrative and general assets	614,508	8,779	-	623,287
Total capital assets being depreciated	<u>23,713,188</u>	<u>612,833</u>	<u>16,490</u>	<u>24,309,531</u>
Less: accumulated depreciation for				
Source of supply	289,471	25,790	-	315,261
Pumping	1,116,164	97,410	-	1,213,574
Treatment	336,804	1,922	-	338,726
Transmission and distribution	4,508,167	353,425	16,490	4,845,102
Administrative and general assets	528,605	21,119	-	549,724
Total accumulated depreciation	<u>6,779,211</u>	<u>499,666</u>	<u>16,490</u>	<u>7,262,387</u>
Capital assets being depreciated, net of depreciation	<u>16,933,977</u>	<u>113,167</u>	<u>-</u>	<u>17,047,144</u>
Total capital assets, net of depreciation	<u>\$ 17,156,254</u>	<u>\$ 113,167</u>	<u>\$ -</u>	<u>\$ 17,269,421</u>
Sewer Utility				
Capital assets not being depreciated				
Land and land rights	\$ 66,830	\$ -	\$ -	\$ 66,830
Capital assets being depreciated				
Collection system	12,680,947	58,811	-	12,739,758
Collection system pumping	1,317,850	-	-	1,317,850
Administrative and general assets	410,488	284,064	162,000	532,552
Total capital assets being depreciated	<u>14,409,285</u>	<u>342,875</u>	<u>162,000</u>	<u>14,590,160</u>
Less: accumulated depreciation	<u>3,728,725</u>	<u>273,525</u>	<u>162,000</u>	<u>3,840,250</u>
Capital assets being depreciated, net of depreciation	<u>10,680,560</u>	<u>69,350</u>	<u>-</u>	<u>10,749,910</u>
Total capital assets, net of depreciation	<u>\$ 10,747,390</u>	<u>\$ 69,350</u>	<u>\$ -</u>	<u>\$ 10,816,740</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Pleasant View Golf Course				
Capital assets not being depreciated				
Land and land rights	\$ 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	684,770	29,342	156,685	557,427
Total capital assets being depreciated	<u>9,302,304</u>	<u>29,342</u>	<u>156,685</u>	<u>9,174,961</u>
Less: accumulated depreciation for				
Land improvements	228,816	42,445	-	271,261
Buildings	172,122	19,125	-	191,247
Equipment	457,480	48,095	152,266	353,309
Total accumulated depreciation	<u>858,418</u>	<u>109,665</u>	<u>152,266</u>	<u>815,817</u>
Capital assets being depreciated, net of depreciation	<u>8,443,886</u>	<u>(80,323)</u>	<u>4,419</u>	<u>8,359,144</u>
Total capital assets, net of depreciation	<u>\$ 10,659,886</u>	<u>\$ (80,323)</u>	<u>\$ 4,419</u>	<u>\$ 10,575,144</u>
Total net capital assets- business-type activities	<u>\$ 38,563,530</u>	<u>\$ 102,194</u>	<u>\$ 4,419</u>	<u>\$ 38,661,305</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 37,923
Public safety	480,812
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks, bridges, and rail spur	803,979
Conservation and development	10,913
Leisure activities	<u>462,951</u>
Total governmental activities depreciation expense	<u>\$ 1,796,578</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Business-type activities

Water utility	\$ 499,666
Depreciation	(43,274)
Depreciation charged to Water utility operation and maintenance expenses	456,392
Sewer utility	273,525
Pleasant View Golf Course	109,665
Total business-type activities depreciation expense	\$ 839,582

F. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund receivables and payables reported in due to and due from other funds in the financial statements, including any overdrafts on pooled cash and investment accounts.

Receivable Fund	Payable Fund	Amount
Water Utility	General fund	\$ 56,846
Sewer Utility	General fund	67,174
Total fund financial statements		\$ 124,020

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

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund Receivables/Payables and Transfers (Continued)

The General Fund advanced funds to TIF District No. 5. This advance was repaid during 2012. 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 expenditures 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 the Pleasant View Golf Course.

TIF District No. 3 advanced funds to TIF District No. 5. No repayment schedule has been established. TIF District No. 3 has also advanced funds to the Pleasant View Golf Course. No repayment schedules have been established on the advances to the Pleasant View Golf Course.

The principal purpose of these advances 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 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
TIF District No. 3	TIF District No. 5	1,812,911	-
TIF District No. 3	Pleasant View Golf Course	433,150	433,150
General fund	TIF District No. 5	431,897	-
Total fund financial statements		<u>5,042,738</u>	<u>\$ 2,797,930</u>
Eliminations		<u>(2,244,808)</u>	
Total government-wide financial statements		<u>\$ 2,797,930</u>	

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund Receivables/Payables and Transfers (Continued)

The amount due from the component unit to the primary government 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 repayments.

The following is a schedule of interfund transfers:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	
General	\$ -	\$ 2,775,790	\$ 4,090	\$ 1,043,814	\$ 3,823,694
TIF District No. 3	-	5,342,569	-	-	5,342,569
Capital Projects	-	856,628	-	-	856,628
Water Utility	-	-	-	-	-
Nonmajor Special Revenue Funds	9,677	167,223	-	-	176,900
Water Utility	<u>381,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,498</u>
Totals	<u>\$ 391,175</u>	<u>\$ 9,142,210</u>	<u>\$ 4,090</u>	<u>\$ 1,043,814</u>	<u>\$ 10,581,289</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 to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer from the Water Utility to the General Fund is for payment in lieu of property taxes.

In connection with the implementation of GASB Statement No. 54, the City closed certain funds. As a result, \$9,677 was transferred into the General Fund from nonmajor special revenue funds and \$4,090 was transferred out of the General Fund to the Capital Projects Fund.

The General Fund levied taxes for operation of the Library, a nonmajor fund, of \$1,043,814.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2011 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	\$ 53,551,919	\$ 2,500,000	\$ 7,013,615	\$ 49,038,304	\$ 7,912,143
Loss on refunding	(1,071,757)	-	(535,879)	(535,878)	(535,878)
Debt premium and discount	42,991	49,084	12,545	79,530	14,590
	<u>52,523,153</u>	<u>2,549,084</u>	<u>6,490,281</u>	<u>48,581,956</u>	<u>7,390,855</u>
Other liabilities:					
Vested compensated absences	2,461,828	1,622,556	931,325	3,153,059	526,196
Capital leases	1,975,000	-	965,000	1,010,000	1,010,000
Total other liabilities	<u>4,436,828</u>	<u>1,622,556</u>	<u>1,896,325</u>	<u>4,163,059</u>	<u>1,536,196</u>
Total governmental activities long-term liabilities	<u>\$ 56,959,981</u>	<u>\$ 4,171,640</u>	<u>\$ 8,386,606</u>	<u>\$ 52,745,015</u>	<u>\$ 8,927,051</u>
Business-type activities					
Bonds and notes payable					
General obligation debt	\$ 7,810,000	\$ -	\$ 925,000	\$ 6,885,000	\$ 1,000,000
Other liabilities:					
Vested compensated absences	164,203	187,052	124,144	227,111	48,926
Total business-type activities long-term liabilities	<u>\$ 7,974,203</u>	<u>\$ 187,052</u>	<u>\$ 1,049,144</u>	<u>\$ 7,112,111</u>	<u>\$ 1,048,926</u>

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2011, was \$132,632,900. Total general obligation debt outstanding at year was \$55,923,304.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

Type	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/11
Governmental Activities					
General Obligation Debt					
2002 General obligation promissory notes	03/15/02	03/01/12	2.125%-4.5%	\$ 6,250,000	\$ 2,200,000
2002 State trust fund loan	11/06/02	03/15/19	5.00%	2,170,000	1,316,014
2003 General obligation promissory notes	05/01/03	09/01/13	2.00%-3.40%	9,980,000	4,400,000
2003 State trust fund loan	01/30/03	03/15/19	5.00%	930,000	557,858
2004 General obligation refunding bond	06/15/04	03/01/12	2.00%-4.00%	4,540,000	220,000
2004 General obligation promissory notes	06/15/04	03/01/14	2.50%-4.25%	1,910,000	620,000
2006 General obligation promissory notes	06/01/06	12/01/13	4.00%-4.25%	2,000,000	800,000
2006 General obligation promissory notes	12/27/06	12/01/14	3.75%-4.00%	2,330,000	1,330,000
2008 General obligation refunding bonds	06/02/08	12/01/27	3.00%-4.00%	6,530,000	6,430,000
2008 General obligation promissory notes	06/09/08	12/01/17	3.50%-4.00%	2,000,000	1,900,000
2008 General obligation promissory notes	12/30/08	12/01/17	3.00%-4.25%	2,750,000	2,550,000
2009 State trust fund loan	08/11/09	03/15/13	3.50%	500,000	255,015
2009 State trust fund loan	10/26/09	03/15/13	3.50%	1,400,000	961,574
2010 General obligation refunding bonds	04/15/10	09/01/29	1.45%-8.5%	10,110,000	10,110,000
2010 General obligation promissory notes	04/15/10	09/01/17	1.20%-3.80%	2,010,000	1,860,000
2010 Taxable general obligation refunding bonds	11/23/10	09/01/20	.85%-3.75%	6,580,000	6,395,000
2010 General obligation refunding bonds	11/23/10	09/01/20	2.00%-4.00%	4,625,000	4,565,000
2010 State trust fund loan	03/09/10	03/15/13	3.50%	100,000	67,843
2011 General obligation promissory notes	05/09/11	09/01/19	2.00%-3.00%	2,500,000	<u>2,500,000</u>
Total governmental activities-general obligation debt					<u>\$ 49,038,304</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

<u>Type</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/11</u>
Business-type Activities					
General Obligation Debt					
2002 General obligation promissory notes	03/15/02	03/01/12	2.125%-4.50%	\$ 6,005,000	\$ 3,595,000
2004 General obligation refunding	06/15/04	03/01/12	2.00%-4.00%	2,040,000	390,000
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	09/01/21	3.505%-4.45%	1,700,000	<u>1,700,000</u>
Total business-type activities - general obligation debt					<u><u>\$ 6,885,000</u></u>

Debt service requirements to maturity are as follows:

	<u>Governmental Long-Term Debt</u>		<u>Business-type Long-Term Debt</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 7,912,143	\$ 1,573,501	\$ 1,000,000	\$ 284,564	\$ 10,770,208
2013	7,114,415	1,316,415	660,000	245,078	9,335,908
2014	4,196,397	1,138,212	1,915,000	213,783	7,463,392
2015	4,137,217	1,017,785	775,000	131,125	6,061,127
2016	4,118,436	898,442	835,000	93,081	5,944,959
2017-21	13,734,696	2,652,480	1,700,000	188,975	18,276,151
2022-26	5,230,000	1,089,599	-	-	6,319,599
2027-29	<u>2,595,000</u>	<u>180,826</u>	<u>-</u>	<u>-</u>	<u>2,775,826</u>
Totals	<u><u>\$ 49,038,304</u></u>	<u><u>\$ 9,867,260</u></u>	<u><u>\$ 6,885,000</u></u>	<u><u>\$ 1,156,606</u></u>	<u><u>\$ 66,947,170</u></u>

Estimated payments of accumulated employee benefits and other commitments are not included in the above schedule. The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund. Also, the capital lease principal and interest requirements are not included. They are equal to the CDA's lease revenue bonds required payments.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Obligations (Continued)

Advance Refunding

During the year ended December 31, 2010, the City issued \$6,580,000 in taxable general obligation refunding bonds with an average interest rate of 2.96% to advance fund \$5,790,000 of outstanding CDA bonds with an average interest of 6.325%. The net proceeds of \$6,494,510 (after repayment of \$84,122 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 amount of refunded debt still outstanding at December 31, 2011 is \$5,790,000.

During the year ended December 31, 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 \$4,817,247 (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 amount of refunded debt still outstanding at December 31, 2011 is \$4,450,000.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Lease Disclosures

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 4.J. for the repayment schedule. Tax increment revenues generated by TIF District No. 3 are expected to be used to pay the capital lease payments to the CDA.

I. Governmental Activities Net Assets/Fund Balances

Governmental Activities

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2011 including the following:

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 77,596,080
Less: related long-term debt (excluding unspent capital related debt proceeds)	<u>(45,811,646)</u>
Total invested in capital assets, net of related debt	<u>31,784,434</u>
Restricted	
Debt service	1,589,617
Community development	2,945,550
Library	221,915
Impact fees	<u>269,466</u>
	<u>5,026,548</u>
Unrestricted	<u>5,447,129</u>
Total governmental activities net assets	<u>\$ 42,258,111</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Governmental Activities Net Assets/Fund Balances (Continued)

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2011 include the following:

	<u>General</u>	<u>Debt Service</u>	<u>TIF District No. 3</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Nonspendable						
Prepaid items	\$ 85,335	\$ -	\$ -	\$ -	\$ -	\$ 85,335
Advances to other funds	2,796,677	-	433,150	-	-	3,229,827
Noncurrent receivables	45,123	-	-	-	42,812	87,935
	<u>2,927,135</u>	<u>-</u>	<u>433,150</u>	<u>-</u>	<u>42,812</u>	<u>3,403,097</u>
Restricted						
Debt service	-	235,925	1,589,617	-	-	1,825,542
Community development	-	-	2,257,207	-	255,193	2,512,400
Library	-	-	-	-	221,915	221,915
Capital improvements	-	-	-	1,227,226	-	1,227,226
Impact fees	-	-	-	-	269,466	269,466
	<u>-</u>	<u>235,925</u>	<u>3,846,824</u>	<u>1,227,226</u>	<u>746,574</u>	<u>6,056,549</u>
Assigned						
Subdividers' deposits	-	-	-	-	1,420,992	1,420,992
Library	-	-	-	-	111,577	111,577
Airport	-	-	-	-	435,235	435,235
Tourism	-	-	-	-	773,821	773,821
Public safety	96,000	-	-	-	16,926	112,926
Senior center	-	-	-	-	120,733	120,733
Post employment benefits	1,412,797	-	-	-	-	1,412,797
Other	-	-	-	-	6,533	6,533
	<u>1,508,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,885,817</u>	<u>4,394,614</u>
Unassigned	<u>3,418,827</u>	<u>-</u>	<u>-</u>	<u>(2,246,580)</u>	<u>-</u>	<u>1,172,247</u>
Total fund balances	<u>\$ 7,854,759</u>	<u>\$ 235,925</u>	<u>\$ 4,279,974</u>	<u>\$ (1,019,354)</u>	<u>\$ 3,675,203</u>	<u>\$ 15,026,507</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Governmental Activities Net Assets/Fund Balances (Continued)

Business-Type Activities

Business-type activities net assets reported on the government-wide and proprietary funds statement of net assets at December 31, 2011 include the following:

	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Totals</u>
Capital assets	\$ 24,531,808	\$ 14,656,990	\$ 11,390,961	\$ 50,579,759
Accumulated depreciation	(7,262,387)	(3,840,250)	(815,817)	(11,918,454)
Subtotals	<u>17,269,421</u>	<u>10,816,740</u>	<u>10,575,144</u>	<u>38,661,305</u>
Less capital related long-term debt	<u>255,000</u>	<u>135,000</u>	<u>6,495,000</u>	<u>6,885,000</u>
Net assets invested in capital assets, net of related debt	17,014,421	10,681,740	4,080,144	31,776,305
Restricted for equipment replacement	-	55,165	-	55,165
Unrestricted	<u>3,832,125</u>	<u>4,491,113</u>	<u>(2,949,160)</u>	<u>5,374,078</u>
 Total business-type activities net assets	 <u>\$ 20,846,546</u>	 <u>\$ 15,228,018</u>	 <u>\$ 1,130,984</u>	 <u>\$ 37,205,548</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Component Unit

This report contains the Community Development Authority (CDA), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities. In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

Basis of Accounting/Measurement Focus

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

Restricted Cash and Investments

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

Debt reserve fund	<u>\$ 1,589,708</u>
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The investments of the CDA in U.S. treasuries have associated risks of custodial credit risk and interest rate risk. For an investment, custodial credit 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, 2011, the CDA's investments were exposed to custodial credit risk as neither insured nor registered and held by counterparty. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2011, the CDA's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (In Months) Less than 6</u>	<u>Moody's Rating</u>
Goldman Sach Treasury Instruments Fund	<u>\$ 1,589,708</u>	<u>\$ 1,589,708</u>	Aaa

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)

J. Component Unit (Continued)

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 years
Less: Accumulated depreciation	<u>(603,547)</u>	<u>(64,870)</u>	<u>-</u>	<u>(668,417)</u>	-
Totals	<u>\$ 2,425,145</u>	<u>\$ (64,870)</u>	<u>\$ -</u>	<u>\$ 2,360,275</u>	

CDA Lease Revenue Bonds

There are a number of limitations and restrictions contained in the various bond indentures and agreements. The City believes it is in compliance with all significant requirements. The balance of the debt is due on October 1, 2012, together with interest of \$50,115. A summary of the debt is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</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.	\$ 905,000	\$ -	\$ 445,000	\$ 460,000	\$ 460,000
2002 redevelopment lease revenue bonds dated August 15, 2002 with interest at 4.3%- 5.875%. Principal payments vary. Bonds mature October 1, 2012.	<u>1,070,000</u>	<u>-</u>	<u>520,000</u>	<u>550,000</u>	<u>550,000</u>
	1,975,000	-	965,000	1,010,000	1,010,000
Less: Unamortized debt discounts	<u>(20,846)</u>	<u>-</u>	<u>(10,423)</u>	<u>(10,423)</u>	<u>(10,423)</u>
Totals	<u>\$ 1,954,154</u>	<u>\$ -</u>	<u>\$ 954,577</u>	<u>\$ 999,577</u>	<u>\$ 999,577</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 5 - OTHER INFORMATION

A. Employees' Retirement System

All eligible City of Middleton 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 1,200 hours (600 hours if hired prior to July 1, 2011) a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.8% of their salary (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. Employees on military leave qualify to receive contributions. 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, 2011 was \$7,992,608; the employer's total payroll was \$8,794,247. The total required contribution for the year ended December 31, 2011 was \$974,735 or 12.2% of covered payroll. Of this amount, \$875,628 was contributed by the employer for the current year and \$99,107 was contributed by the employees for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$986,206 and \$945,740, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: 1) final average earnings, 2) years of creditable service, and 3) a formula factor. Final average earnings is the average of the employee's three highest years' 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 through June 30, 2011 are immediately vested. For participants employed after July 1, 2011, five years of creditable service is required for eligibility.

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; worker's 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 have been no significant reductions in insurance coverage to the prior year.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 - OTHER INFORMATION (Continued)

C. Commitments and Contingencies

From time to time, the City becomes party to 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.

The City jointly operates the Metropolitan Refuse District, Inc. (District). The District's fund balance at September 30, 2011 is a deficit of \$828,721. 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 \$472,371 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..

Tax Increment District Expenditures

The City has allocated certain expenditures for administration, public safety, public lands administration, and transit services that may not be fully eligible for financing through the Tax Increment District. If these expenditures are ultimately determined to be ineligible, the City General Fund may be required to reimburse the Tax Increment District. For 2011, these costs amount to approximately \$1,401,530.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 5 - OTHER INFORMATION (Continued)

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 community. The governing body has authority to adopt its own budget and control of financial affairs of the District. The City made payments totaling \$61,941 to the District in 2011. The City has an equity interest (deficit) of \$(472,371) 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 the 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, Wisconsin 53590. The City does not have an equity interest in this joint venture.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 5 - OTHER INFORMATION (Continued)

D. Joint Ventures (Continued)

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 operations 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 \$701,644 to the District in 2011 for operating expenses. The transactions of the District are not reflected in these financial statements. The City does not have an equity interest in the joint venture. Separately issued financials statements of the District are not prepared.

E. Restatement

The City's financial statements have been restated for the adoption of Governmental Accounting Standards Board Statement No. 54, *Funding Balance Reporting and Governmental Fund Type Definition*. The details of the restatement are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Special Revenue Funds</u>
Fund balance, December 31, 2010, as previously reported	\$ 3,274,675	\$ 1,831,128	\$ 4,063,622
Reclassification of fund balance			
TIF District No. 5	-	(445,208)	445,208
Retirement benefits	<u>1,472,285</u>	<u>-</u>	<u>(1,472,285)</u>
Fund balance, December 31, 2010, as restated	<u>\$ 4,746,960</u>	<u>\$ 1,385,920</u>	<u>\$ 3,036,545</u>

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 - OTHER INFORMATION (Continued)

E. Restatement (continued)

In addition, the governmental activities net assets have been restated to account for the loss on refunding and other related debt premium and issue costs incurred in 2010, as follows:

Net assets, December 31, 2010, as previously reported	\$ 35,164,609
Adjustment for loss on refunding and premium and issue costs incurred in 2010	<u>963,632</u>
Net assets, December 31, 2010, as restated	<u>\$ 36,128,241</u>

F. Subsequent Events

On February 27, 2012, the City issued \$3,100,000 General Obligation Refunding Bonds with interest at 2% to currently refund Series 2002A General Obligation Refunding bonds. The bonds are due in 2016.

On June 5, 2012, the City issued \$2,015,000 General Obligation Promissory Notes with interest between 2% and 2.25% to finance capital projects. The notes are due in 2020.

On June 5, 2012, the City issued \$2,540,000 Taxable General Obligation Promissory Notes with interest between 0.46% and 1.85% for the purpose of refunding State Trust Fund loans and funding for TIF District No. 3 projects.

On June 5, 2012, the City issued \$5,000,000 Taxable Note Anticipation notes with interest at 0.95%. The notes are due June 1, 2013. The proceeds of these notes were used by TIF District No. 5 to repay advances from other funds and to finance capital expenditures.

Management evaluated subsequent events through September 27, 2012, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2011, but prior to September 27, 2012 that provide additional evidence about conditions that existed at December 31, 2011, have been recognized in the financial statements for the year ended December 31, 2011. Events or transactions that provided evidence about conditions that did not exist at December 31, 2011 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2011.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MIDDLETON, WISCONSIN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 12,409,100	\$ 12,409,100	\$ 12,533,184	\$ 124,084
Intergovernmental	2,791,509	2,032,444	2,105,745	73,301
Licenses and permits	525,350	525,350	853,755	328,405
Fines, forfeitures, and penalties	300,000	300,000	279,306	(20,694)
Public charges for services	1,292,699	1,292,699	1,438,663	145,964
Interdepartmental charges for services	1,563,130	1,563,130	1,528,130	(35,000)
Special assessments	121,000	121,000	91,860	(29,140)
Investment income	365,000	365,000	149,429	(215,571)
Miscellaneous	216,423	216,423	438,983	222,560
Total revenues	<u>19,584,211</u>	<u>18,825,146</u>	<u>19,419,055</u>	<u>593,909</u>
EXPENDITURES				
Current				
General government	2,554,185	2,535,172	2,376,763	158,409
Public safety	7,344,565	7,358,802	7,764,516	(405,714)
Public works	2,960,003	2,960,303	3,040,471	(80,168)
Health and human services	415,577	415,577	402,763	12,814
Leisure activities	3,097,757	1,319,878	1,266,325	53,553
Conservation and development	544,424	558,934	499,358	59,576
Total expenditures	<u>16,916,511</u>	<u>15,148,666</u>	<u>15,350,196</u>	<u>(201,530)</u>
Excess of revenues over expenditures	<u>2,667,700</u>	<u>3,676,480</u>	<u>4,068,859</u>	<u>392,379</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	200,000	200,000	2,471,459	2,271,459
Transfers in	644,794	844,794	391,175	(453,619)
Transfers out	(3,511,494)	(4,555,308)	(3,823,694)	731,614
Total other financing sources (uses)	<u>(2,666,700)</u>	<u>(3,510,514)</u>	<u>(961,060)</u>	<u>2,549,454</u>
Net change in fund balance	1,000	165,966	3,107,799	2,941,833
FUND BALANCE - Beginning	<u>4,746,960</u>	<u>4,746,960</u>	<u>4,746,960</u>	<u>-</u>
FUND BALANCE - Ending	<u>\$ 4,747,960</u>	<u>\$ 4,912,926</u>	<u>\$ 7,854,759</u>	<u>\$ 2,941,833</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2011**

NOTE 1 – 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 the notes to the financial statements. A budget has been adopted for the General Fund, Debt Service Fund, certain special revenue funds, and capital project funds. Wisconsin Statute Section 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts between departments up to \$1,000. Transfers exceeding \$1,000 between departments and changes in 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.

NOTE 2 – 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>
Safety impact fee fund	\$ -	\$ 181,464	\$ 181,464
Youth commission donations fund	-	459	459
Subdividers' deposits fund	50,000	99,654	49,654
Public land special revenue and activities fund	10,000	15,951	5,951
Senior center special revenue and activities fund	15,000	23,883	8,883
TIF District No. 3	8,227,138	9,010,572	783,434
2008 Capital construction fund	-	4,089	4,089
2010 Capital construction fund	-	430,378	430,378
TIF District No. 5	-	1,903,503	1,903,503

The City controls expenditures at the departmental level. Some individual departments experienced expenditures which exceeded appropriations. TIF District No. 3 debt service was included in the Debt Service Fund, rather than TIF District No. 3. TIF District No. 3 debt service was funded by TIF. The detail of those items can be found in the City's year-end budget to actual report.

SUPPLEMENTARY INFORMATION

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
TAXES				
General property tax	\$ 12,020,000	\$ 12,020,000	\$ 12,051,211	\$ 31,211
Fees in lieu of taxes	44,100	44,100	44,100	-
Room tax	340,000	340,000	433,900	93,900
Interest and penalties on taxes	5,000	5,000	3,973	(1,027)
Total taxes	<u>12,409,100</u>	<u>12,409,100</u>	<u>12,533,184</u>	<u>124,084</u>
INTERGOVERNMENTAL				
Shared taxes from state	310,000	310,000	352,571	42,571
State aid - road allotment	1,294,162	1,294,162	1,294,162	-
State aid - exempt computer aid	135,000	135,000	145,614	10,614
State aid - fire insurance dues	76,000	76,000	81,852	5,852
State aid - law enforcement	81,000	81,000	78,974	(2,026)
Federal and state aid - other	110,000	85,000	79,267	(5,733)
County aid - library	734,065	-	-	-
County aid - signals	3,000	3,000	4,728	1,728
County aid - senior citizens	45,153	45,153	45,153	-
Local aid - senior center	3,129	3,129	3,129	-
Local aid - metro transit share	-	-	20,295	20,295
Total intergovernmental	<u>2,791,509</u>	<u>2,032,444</u>	<u>2,105,745</u>	<u>73,301</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	36,000	36,000	38,562	2,562
Operators' licenses	12,000	12,000	15,575	3,575
Contractors' licenses	6,300	6,300	6,800	500
Alarm licenses	9,000	9,000	9,080	80
Cigarette licenses	300	300	720	420
Bicycle licenses	100	100	78	(22)
Dog and cat licenses	1,300	1,300	5,355	4,055
Cable TV franchise license	200,000	200,000	232,320	32,320
Other miscellaneous licenses	1,850	1,850	4,040	2,190
Building permits	150,000	150,000	399,016	249,016
Electrical permits	40,000	40,000	46,110	6,110
Plumbing permits	40,000	40,000	50,120	10,120
Erosion control permits	10,000	10,000	24,323	14,323
Zoning permits	1,500	1,500	3,000	1,500
Park reservation permits	17,000	17,000	18,656	1,656
Total licenses and permits	<u>525,350</u>	<u>525,350</u>	<u>853,755</u>	<u>328,405</u>
FINES, FORFEITURES, AND PENALTIES				
Court penalties	180,000	180,000	165,145	(14,855)
Parking violations	40,000	40,000	41,805	1,805
Court costs	80,000	80,000	72,356	(7,644)
Total fines, forfeitures, and penalties	<u>300,000</u>	<u>300,000</u>	<u>279,306</u>	<u>(20,694)</u>

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC CHARGES FOR SERVICES				
Clerk fees	\$ 10,000	\$ 10,000	\$ 17,962	\$ 7,962
Police special services	15,000	15,000	15,770	770
Police department fees	8,000	8,000	10,157	2,157
Ambulance services	716,297	716,297	825,859	109,562
EMS fixed cost abatement	167,402	167,402	167,397	(5)
Plan commission charges	11,000	11,000	15,894	4,894
Senior citizens	10,000	10,000	23,703	13,703
Swimming pool	224,000	224,000	252,802	28,802
Summer recreation	75,000	75,000	71,478	(3,522)
Public works charges	12,000	12,000	(187)	(12,187)
Other recreation	44,000	44,000	37,828	(6,172)
Total public charges for services	<u>1,292,699</u>	<u>1,292,699</u>	<u>1,438,663</u>	<u>145,964</u>
INTERDEPARTMENTAL CHARGES FOR SERVICES				
Administration reimbursements - Utilities	103,000	103,000	103,000	-
Administration reimbursements - TIF	1,451,530	1,451,530	1,401,530	(50,000)
Administration reimbursements - Landfill	6,000	6,000	6,000	-
Administration reimbursements - Fire District	2,600	2,600	2,600	-
Other cost recovery	-	-	15,000	15,000
Total interdepartmental charges for services	<u>1,563,130</u>	<u>1,563,130</u>	<u>1,528,130</u>	<u>(35,000)</u>
SPECIAL ASSESSMENTS				
Curb, gutter, and sidewalks	120,000	120,000	91,860	(28,140)
Interest on special assessments	1,000	1,000	-	(1,000)
Total special assessments	<u>121,000</u>	<u>121,000</u>	<u>91,860</u>	<u>(29,140)</u>
INVESTMENT INCOME				
	<u>365,000</u>	<u>365,000</u>	<u>149,429</u>	<u>(215,571)</u>
COMMERCIAL REVENUES				
Rent of City buildings and offices	48,000	48,000	89,574	41,574
Insurance claim settlement	-	-	10,706	10,706
Sale of materials	1,200	1,200	1,664	464
Miscellaneous	-	-	31,802	31,802
Impact fees	167,223	167,223	304,487	137,264
Interlocking ignition device	-	-	750	750
Total commercial revenues	<u>216,423</u>	<u>216,423</u>	<u>438,983</u>	<u>222,560</u>
OTHER FINANCING SOURCES				
Sale of City property	200,000	200,000	2,471,459	2,271,459
Transfers in	254,794	454,794	9,677	(445,117)
Transfer in - Water Utility	390,000	390,000	381,498	(8,502)
Total other financing sources	<u>844,794</u>	<u>1,044,794</u>	<u>2,862,634</u>	<u>1,817,840</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 20,429,005</u>	<u>\$ 19,869,940</u>	<u>\$ 22,281,689</u>	<u>\$ 2,411,749</u>

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF EXPENDITURES - ACTUAL AND BUDGET
GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
Council	\$ 67,872	\$ 68,572	\$ 66,201	\$ 2,371
Police commission	9,000	9,000	1,686	7,314
Landmarks commission	600	600	500	100
Middleton youth commission	18,035	18,035	32,495	(14,460)
Art committee	3,000	3,000	4,075	(1,075)
Sustainability committee	8,000	-	-	-
Municipal court	103,743	104,143	86,452	17,691
General administration	676,727	680,489	718,817	(38,328)
Information technology	594,513	591,513	522,511	69,002
Elections	14,200	14,200	17,423	(3,223)
Board of review	350	350	-	350
Independent auditing	50,000	50,000	71,871	(21,871)
Legal counseling	205,000	205,000	225,698	(20,698)
Special legal counsel	5,000	5,000	-	5,000
Buildings and grounds	132,938	132,938	123,922	9,016
Illegal taxes and tax refunds	5,000	5,000	29,130	(24,130)
Property and liability insurance	365,942	365,942	401,229	(35,287)
Income continuation insurance	18,000	18,000	15,100	2,900
Contingency	253,265	235,000	3,409	231,591
Group life insurance	23,000	23,000	12,567	10,433
Vision care	-	-	(1,081)	1,081
Bank fees	-	3,938	4,572	(634)
Miscellaneous	-	1,452	283	1,169
Additional expenditures-prior years	-	-	39,903	(39,903)
Total general government	<u>2,554,185</u>	<u>2,535,172</u>	<u>2,376,763</u>	<u>158,409</u>
PUBLIC SAFETY				
Police administration	538,931	538,931	517,373	21,558
Police patrol	3,568,314	3,582,551	3,624,860	(42,309)
Code compliance	74,356	74,356	71,979	2,377
Training	-	-	925	(925)
Police uniform allowance and equipment	-	-	1,044	(1,044)
School patrol	13,900	13,900	13,285	615
Fire suppression	717,818	717,818	701,644	16,174
Public fire protection	373,144	373,144	421,329	(48,185)
EMS	1,308,283	1,308,283	1,673,739	(365,456)
Building inspector	107,960	107,960	115,890	(7,930)
Electrical inspector	97,449	97,449	94,991	2,458
Plumbing inspection	62,238	62,238	61,270	968
Emergency preparedness	4,425	4,425	2,336	2,089
Sealer of weights and measures	5,000	5,000	4,400	600
Erosion control enforcement	20,000	20,000	18,032	1,968
Communications	452,747	452,747	441,419	11,328
Total public safety	<u>7,344,565</u>	<u>7,358,802</u>	<u>7,764,516</u>	<u>(405,714)</u>

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF EXPENDITURES - ACTUAL AND BUDGET
GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC WORKS				
Machinery	\$ 315,148	\$ 315,148	\$ 321,978	\$ (6,830)
Garage	59,500	59,500	53,218	6,282
Public works salaries and fringes	622,574	622,574	517,869	104,705
Protective equipment	3,500	3,500	2,945	555
Engineering	586,544	586,544	746,738	(160,194)
Street maintenance	12,600	12,600	14,240	(1,640)
Street cleaning	9,300	9,300	6,539	2,761
Snow and ice control	74,700	74,700	87,084	(12,384)
Traffic signals	19,800	19,800	15,166	4,634
Traffic signs and markings	28,000	37,300	40,420	(3,120)
Street lighting	114,000	105,000	107,363	(2,363)
Tree and brush	2,000	2,000	216	1,784
Storm sewers	8,000	8,000	15,941	(7,941)
Mass transit	308,016	308,016	320,000	(11,984)
Garbage collection	508,000	508,000	503,768	4,232
Sanitary landfill	62,321	62,321	62,521	(200)
Recycling	226,000	226,000	224,465	1,535
Total public works	<u>2,960,003</u>	<u>2,960,303</u>	<u>3,040,471</u>	<u>(80,168)</u>
HEALTH AND HUMAN SERVICES				
Aging	<u>415,577</u>	<u>415,577</u>	<u>402,763</u>	<u>12,814</u>
LEISURE ACTIVITIES				
Library	1,777,879	-	-	-
Cable television	15,000	4,235	-	4,235
Recreation programs and events	60,153	70,918	60,093	10,825
Recreation administration	109,594	109,594	137,042	(27,448)
Swimming pool	268,961	268,961	262,283	6,678
Summer recreation	78,650	78,650	72,682	5,968
Parks	787,520	787,520	734,225	53,295
Total leisure activities	<u>3,097,757</u>	<u>1,319,878</u>	<u>1,266,325</u>	<u>53,553</u>
CONSERVATION AND DEVELOPMENT				
Water resources	21,459	23,469	27,820	(4,351)
Conservancy land commission	68,100	68,100	60,304	7,796
Planning commission	282,360	294,860	295,044	(184)
Other	-	-	8,686	(8,686)
Forestry	172,505	172,505	107,504	65,001
Total conservation and development	<u>544,424</u>	<u>558,934</u>	<u>499,358</u>	<u>59,576</u>
OTHER FINANCING USES				
Transfers out - 2009 Capital Construction Fund	-	-	4,090	(4,090)
Transfers out - Library Fund	-	1,043,814	1,043,814	-
Transfers out - Debt Service Fund	3,505,971	3,505,971	2,775,790	730,181
Transfers out - Golf Fund	5,523	5,523	-	5,523
Total other financing uses	<u>3,511,494</u>	<u>4,555,308</u>	<u>3,823,694</u>	<u>731,614</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 20,428,005</u>	<u>\$ 19,703,974</u>	<u>\$ 19,173,890</u>	<u>\$ 530,084</u>

CITY OF MIDDLETON, WISCONSIN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2011

	Subdividers' Deposits	Lost and Damaged Books	Library Gift	Library Endowment	Library Fund	Airport	Safety Impact Fee and Other	Economic Development Grant	Tourism Commission	Police Activities	EMS Activities	Public Land Activities	Senior Center Activities	Total Nonmajor Governmental Funds
ASSETS														
Cash and investments	\$ 1,469,112	62,616	\$ 30,261	191,654	\$ 83,484	\$ 438,494	\$ 43,032	255,193	556,570	\$ 16,926	\$ 230,941	\$ 2,647	\$ 120,843	\$ 3,501,773
Accounts receivable	-	-	-	-	-	434	-	-	244,943	-	-	-	-	245,377
Loans receivable	-	-	-	-	-	-	-	42,812	-	-	-	-	-	42,812
TOTAL ASSETS	\$ 1,469,112	\$ 62,616	\$ 30,261	\$ 191,654	\$ 83,484	\$ 438,928	\$ 43,032	\$ 298,005	\$ 801,513	\$ 16,926	\$ 230,941	\$ 2,647	\$ 120,843	\$ 3,789,962
LIABILITIES AND FUND BALANCES														
LIABILITIES														
Accounts payable	\$ 14,650	\$ 152	\$ -	\$ -	\$ 34,371	\$ 3,693	459	\$ -	\$ 27,692	\$ -	\$ -	\$ 162	\$ 110	\$ 81,289
Deposits	33,470	-	-	-	-	-	-	-	-	-	-	-	-	33,470
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	48,120	152	-	-	34,371	3,693	459	-	27,692	-	-	162	110	114,759
FUND BALANCES														
Nonspendable	-	-	-	-	-	-	-	42,812	-	-	-	-	-	42,812
Restricted	-	-	30,261	191,654	-	-	38,525	255,193	-	-	230,941	-	-	746,574
Assigned	1,420,992	62,464	-	-	49,113	435,235	4,048	-	773,821	16,926	-	2,485	120,733	2,885,817
Total fund balances	1,420,992	62,464	30,261	191,654	49,113	435,235	42,573	298,005	773,821	16,926	230,941	2,485	120,733	3,675,203
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,469,112	\$ 62,616	\$ 30,261	\$ 191,654	\$ 83,484	\$ 438,928	\$ 43,032	\$ 298,005	\$ 801,513	\$ 16,926	\$ 230,941	\$ 2,647	\$ 120,843	\$ 3,789,962

CITY OF MIDDLETON, WISCONSIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2011

	Subdividers' Deposits	Lost and Damaged Books	Library Gift	Library Endowment	Library Fund	Airport	Safety Impact Fee and Other	Economic Development Grant	Tourism Commission	Police Activities	EMS Activities	Public Land Activities	Senior Center Activities	Total Nonmajor Governmental Funds
REVENUES														
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,012,432	\$ -	\$ -	\$ -	\$ -	\$ 1,012,432
Intergovernmental	-	-	-	-	734,064	-	-	-	-	3,203	5,805	-	15,675	758,747
Licenses and permits	260,814	-	-	-	-	-	114,362	-	-	-	76,116	-	-	451,292
Public charges for services	-	34,851	-	-	11,678	114,001	2,000	-	-	-	-	-	-	162,530
Investment income	-	-	-	8,497	-	-	-	7,886	-	-	-	-	-	16,383
Miscellaneous	-	-	3,300	-	-	-	1,243	-	-	7,779	-	18,231	17,170	47,723
Total revenues	<u>260,814</u>	<u>34,851</u>	<u>3,300</u>	<u>8,497</u>	<u>745,742</u>	<u>114,001</u>	<u>117,605</u>	<u>7,886</u>	<u>1,012,432</u>	<u>10,982</u>	<u>81,921</u>	<u>18,231</u>	<u>32,845</u>	<u>2,449,107</u>
EXPENDITURES														
Current:														
Public safety	-	-	-	-	-	-	-	-	-	12,620	10,493	-	-	23,113
Leisure activities	-	14,018	2,129	-	1,740,443	-	4,564	-	697,868	-	-	15,951	23,883	2,498,856
Conservation and development	99,654	-	-	-	-	55,740	-	-	-	-	-	-	-	155,394
Total expenditures	<u>99,654</u>	<u>14,018</u>	<u>2,129</u>	<u>-</u>	<u>1,740,443</u>	<u>55,740</u>	<u>4,564</u>	<u>-</u>	<u>697,868</u>	<u>12,620</u>	<u>10,493</u>	<u>15,951</u>	<u>23,883</u>	<u>2,677,363</u>
Excess of revenues over (under) expenditures	161,160	20,833	1,171	8,497	(994,701)	58,261	113,041	7,886	314,564	(1,638)	71,428	2,280	8,962	(228,256)
OTHER FINANCING SOURCES (USES)														
Transfers in	-	-	-	-	1,043,814	-	-	-	-	-	-	-	-	1,043,814
Transfers out	-	-	-	-	-	-	(176,900)	-	-	-	-	-	-	(176,900)
Net change in fund balances	<u>161,160</u>	<u>20,833</u>	<u>1,171</u>	<u>8,497</u>	<u>49,113</u>	<u>58,261</u>	<u>(63,859)</u>	<u>7,886</u>	<u>314,564</u>	<u>(1,638)</u>	<u>71,428</u>	<u>2,280</u>	<u>8,962</u>	<u>638,658</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,259,832</u>	<u>41,631</u>	<u>29,090</u>	<u>183,157</u>	<u>-</u>	<u>376,974</u>	<u>106,432</u>	<u>290,119</u>	<u>459,257</u>	<u>18,564</u>	<u>159,513</u>	<u>205</u>	<u>111,771</u>	<u>3,036,545</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,420,992</u>	<u>\$ 62,464</u>	<u>\$ 30,261</u>	<u>\$ 191,654</u>	<u>\$ 49,113</u>	<u>\$ 435,235</u>	<u>\$ 42,573</u>	<u>\$ 298,005</u>	<u>\$ 773,821</u>	<u>\$ 16,926</u>	<u>\$ 230,941</u>	<u>\$ 2,485</u>	<u>\$ 120,733</u>	<u>\$ 3,675,203</u>

**CITY OF MIDDLETON, WISCONSIN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND
December 31, 2011**

	<u>TIF District No. 5</u>	<u>2008 Capital Construction</u>	<u>2009 Capital Construction</u>	<u>2010 Capital Construction</u>	<u>Public Works Capital Construction</u>	<u>Public Lands Capital Construction</u>	<u>General Capital Projects</u>	<u>Total Capital Projects Funds</u>
ASSETS								
Cash and investments	\$ 1,068	\$ 4,090	\$ -	\$ -	\$ 472,751	\$ 254,146	\$ 548,821	\$ 1,280,876
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 2,840	\$ 4,090	\$ -	\$ -	\$ 10,144	\$ 11,101	\$ 27,247	\$ 55,422
Advance from other funds	2,244,808	-	-	-	-	-	-	2,244,808
Total liabilities	<u>2,247,648</u>	<u>4,090</u>	<u>-</u>	<u>-</u>	<u>10,144</u>	<u>11,101</u>	<u>27,247</u>	<u>2,300,230</u>
FUND BALANCES								
Restricted	-	-	-	-	462,607	243,045	521,574	1,227,226
Unassigned	(2,246,580)	-	-	-	-	-	-	(2,246,580)
Total fund balances	<u>(2,246,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,607</u>	<u>243,045</u>	<u>521,574</u>	<u>(1,019,354)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,068</u>	<u>\$ 4,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 472,751</u>	<u>\$ 254,146</u>	<u>\$ 548,821</u>	<u>\$ 1,280,876</u>

CITY OF MIDDLETON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2011

	TIF District No. 5	2008 Capital Construction	2009 Capital Construction	2010 Capital Construction	Public Works Capital Construction	Public Lands Capital Construction	General Capital Projects	Total Capital Projects Funds
REVENUES								
Taxes	\$ 76,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,699
Intergovernmental	25,720	-	-	132,798	-	14,356	-	172,874
Investment income	62	-	-	-	898	436	444	1,840
Miscellaneous	-	-	3,655	-	-	14,410	1,000	19,065
Total revenues	<u>102,481</u>	<u>-</u>	<u>3,655</u>	<u>132,798</u>	<u>898</u>	<u>29,202</u>	<u>1,444</u>	<u>270,478</u>
EXPENDITURES								
Current:								
General government	112,080	-	-	-	-	-	-	112,080
Conservation and development	1,791,423	-	-	-	-	-	-	1,791,423
Capital outlay	-	4,089	-	430,378	941,768	694,794	405,591	2,476,620
Debt service - debt issuance costs	-	-	-	-	-	-	39,175	39,175
Total expenditures	<u>1,903,503</u>	<u>4,089</u>	<u>-</u>	<u>430,378</u>	<u>941,768</u>	<u>694,794</u>	<u>444,766</u>	<u>4,419,298</u>
Excess of revenues over (under) expenditures	(1,801,022)	(4,089)	3,655	(297,580)	(940,870)	(665,592)	(443,322)	(4,148,820)
OTHER FINANCING SOURCES (USES)								
Long-term debt issued	-	-	-	-	1,267,650	615,100	617,250	2,500,000
Premium on debt	-	-	-	-	-	-	49,084	49,084
Proceeds from sale of capital assets	-	-	-	-	47,000	-	-	47,000
Interfund transfers	-	16,588	23,235	(1,291,391)	88,477	293,537	869,554	-
Transfers in	-	4,090	-	-	-	-	-	4,090
Transfers out	-	-	-	(285,636)	-	-	(570,992)	(856,628)
Net change in fund balances	(1,801,022)	16,589	26,890	(1,874,607)	462,257	243,045	521,574	(2,405,274)
FUND BALANCES - BEGINNING OF YEAR	<u>(445,558)</u>	<u>(16,589)</u>	<u>(26,890)</u>	<u>1,874,607</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>1,385,920</u>
FUND BALANCES - END OF YEAR	<u>\$ (2,246,580)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,607</u>	<u>\$ 243,045</u>	<u>\$ 521,574</u>	<u>\$ (1,019,354)</u>