

CITY OF MIDDLETON, WISCONSIN
Middleton, Wisconsin

FINANCIAL STATEMENTS
December 31, 2012

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Independent Auditors' Report

Common Council
City of Middleton, Wisconsin
Middleton, Wisconsin

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 50 through 51 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middleton, Wisconsin'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 as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Middleton, Wisconsin
August 14, 2013

BASIC FINANCIAL STATEMENTS

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF NET POSITION
December 31, 2012

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Cash and investments	\$ 23,804,174	\$ 6,076,796	\$ 29,880,970	\$ 223,419
Receivables (net of allowance for uncollectible accounts)				
Taxes	22,193,114	-	22,193,114	-
Delinquent taxes	17,975	-	17,975	-
Accounts	804,319	912,756	1,717,075	-
Interest	16,099	10,133	26,232	-
Loans	1,161,250	-	1,161,250	562,697
Special assessments	1,713,470	2,101,584	3,815,054	-
Other	33,878	-	33,878	-
Due from other governments	58,000	-	58,000	-
Internal balances	3,002,575	(3,002,575)	-	-
Prepaid items	193,201	-	193,201	-
Restricted assets - cash and investments	-	55,165	55,165	-
Property held for future use	-	301,087	301,087	-
Capital assets not being depreciated	28,024,895	2,511,163	30,536,058	154,000
Capital assets being depreciated	<u>50,286,070</u>	<u>35,554,503</u>	<u>85,840,573</u>	<u>2,143,782</u>
Total assets	<u>131,309,020</u>	<u>44,520,612</u>	<u>175,829,632</u>	<u>3,083,898</u>
LIABILITIES				
Accounts payable	1,374,697	336,633	1,711,330	13,632
Deposits	429,761	-	429,761	-
Accrued liabilities	661,149	49,084	710,233	-
Due to other governments	153	-	153	-
Investment in joint venture	545,219	-	545,219	-
Noncurrent liabilities:				
Due within one year	11,988,836	671,605	12,660,441	-
Due in more than one year	<u>49,719,284</u>	<u>5,750,308</u>	<u>55,469,592</u>	-
Total liabilities	<u>64,719,099</u>	<u>6,807,630</u>	<u>71,526,729</u>	<u>13,632</u>
DEFERRED INFLOWS OF RESOURCES				
Subsequent year tax levy	<u>22,193,114</u>	<u>-</u>	<u>22,193,114</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	25,305,516	31,978,016	57,283,532	2,297,782
Restricted				
Debt service	4,660,087	-	4,660,087	-
Community development	3,643,124	-	3,643,124	-
Library	235,150	-	235,150	-
Impact fees	154,566	-	154,566	-
Equipment replacement	-	55,165	55,165	-
Unrestricted	<u>10,398,364</u>	<u>5,679,801</u>	<u>16,078,165</u>	<u>772,484</u>
TOTAL NET POSITION	<u>\$ 44,396,807</u>	<u>\$ 37,712,982</u>	<u>\$ 82,109,789</u>	<u>\$ 3,070,266</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, 2012

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business Type Activities	Totals	
Primary Government								
Governmental activities:								
General government	\$ 4,523,508	\$ 1,640,879	\$ 466,711	\$ -	\$ (2,415,918)	\$ -	\$ (2,415,918)	
Health and human services	434,778	21,783	50,953	-	(362,042)	-	(362,042)	
Public safety	8,370,063	1,508,641	176,075	-	(6,685,347)	-	(6,685,347)	
Public works	4,412,170	120,161	1,228,025	776,756	(2,287,228)	-	(2,287,228)	
Leisure activities	4,806,093	439,759	798,206	131,788	(3,436,340)	-	(3,436,340)	
Conservation and economic development	2,890,340	208,504	226,506	-	(2,455,330)	-	(2,455,330)	
Interest and fiscal charges	2,347,693	-	-	-	(2,347,693)	-	(2,347,693)	
Total governmental activities	<u>27,784,645</u>	<u>3,939,727</u>	<u>2,946,476</u>	<u>908,544</u>	<u>(19,989,898)</u>	<u>-</u>	<u>(19,989,898)</u>	
Business-type activities:								
Water	1,656,283	2,290,946	-	118,692	-	753,355	753,355	
Sewer	1,898,574	1,885,048	-	60,515	-	46,989	46,989	
Pleasant View Golf Course	1,844,019	1,881,715	-	-	-	37,696	37,696	
Total business-type activities	<u>5,398,876</u>	<u>6,057,709</u>	<u>-</u>	<u>179,207</u>	<u>-</u>	<u>838,040</u>	<u>838,040</u>	
Total primary government	<u>\$ 33,183,521</u>	<u>\$ 9,997,436</u>	<u>\$ 2,946,476</u>	<u>\$ 1,087,751</u>	<u>(19,989,898)</u>	<u>838,040</u>	<u>(19,151,858)</u>	
Component Unit								
Community Development Authority	\$ 178,653	\$ 31,245	\$ -	\$ -				\$ (147,408)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					13,482,661	-	13,482,661	-
Property taxes, levied for tax increment district					5,525,247	-	5,525,247	-
Other taxes					1,543,914	-	1,543,914	-
Cable television franchise fees					197,355	-	197,355	-
Intergovernmental revenues not restricted to specific programs					592,244	-	592,244	-
Investment income					170,893	51,352	222,245	40,421
Gain on sale of City property					232,617	-	232,617	-
Miscellaneous					108,952	-	108,952	-
Total general revenues					<u>21,853,883</u>	<u>51,352</u>	<u>21,905,235</u>	<u>40,421</u>
Transfers					<u>381,958</u>	<u>(381,958)</u>	<u>-</u>	<u>-</u>
Change in net position					<u>2,245,943</u>	<u>507,434</u>	<u>2,753,377</u>	<u>(106,987)</u>
NET POSITION - BEGINNING OF YEAR (restated)					<u>42,150,864</u>	<u>37,205,548</u>	<u>79,356,412</u>	<u>3,177,253</u>
NET POSITION - END OF YEAR					<u>\$ 44,396,807</u>	<u>\$ 37,712,982</u>	<u>\$ 82,109,789</u>	<u>\$ 3,070,266</u>

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

**CITY OF MIDDLETON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012**

	<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	\$ 6,615,867	\$ 5,321,962	\$ 2,691,113	\$ 5,190,211	\$ 3,985,021	\$ 23,804,174
Receivables (net)						
Taxes						
Tax levy	13,581,431	-	8,611,683	-	-	22,193,114
Special assessments on tax roll	9,091	-	294,851	-	-	303,942
Other	33,878	-	-	-	-	33,878
Delinquent taxes	17,975	-	-	-	-	17,975
Accounts	551,766	-	-	-	252,553	804,319
Interest	16,099	-	-	-	-	16,099
Loans	-	-	1,161,250	-	-	1,161,250
Special assessments	21,629	-	1,387,899	-	-	1,409,528
Due from other governments	58,000	-	-	-	-	58,000
Advances to other funds	2,594,780	-	433,150	-	-	3,027,930
Prepaid items	193,201	-	-	-	-	193,201
TOTAL ASSETS	<u>\$ 23,693,717</u>	<u>\$ 5,321,962</u>	<u>\$ 14,579,946</u>	<u>\$ 5,190,211</u>	<u>\$ 4,237,574</u>	<u>\$ 53,023,410</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,012,607	\$ 726	\$ 32,872	\$ 65,483	\$ 263,009	\$ 1,374,697
Deposits	-	-	-	-	429,761	429,761
Due to other funds	25,355	-	-	-	-	25,355
Due to other governments	153	-	-	-	-	153
Total liabilities	<u>1,038,115</u>	<u>726</u>	<u>32,872</u>	<u>65,483</u>	<u>692,770</u>	<u>1,829,966</u>
DEFERRED INFLOWS OF RESOURCES						
Subsequent year tax levy	13,581,431	-	8,611,683	-	-	22,193,114
Loans receivable	-	-	1,161,250	-	-	1,161,250
Special assessments	21,629	-	1,682,750	-	-	1,704,379
Other receivables	156,379	-	-	-	-	156,379
	<u>13,759,439</u>	<u>-</u>	<u>11,455,683</u>	<u>-</u>	<u>-</u>	<u>25,215,122</u>
FUND BALANCES						
Nonspendable	2,805,956	-	433,150	-	-	3,239,106
Restricted						
Debt service	-	5,321,236	-	-	-	5,321,236
Community development	-	-	2,658,241	-	276,133	2,934,374
Library	-	-	-	-	235,150	235,150
Capital improvements	-	-	-	5,124,728	275,600	5,400,328
EMS Impact fees	-	-	-	-	154,566	154,566
Assigned						
Subdividers deposits	-	-	-	-	938,648	938,648
Library	-	-	-	-	71,953	71,953
Airport	-	-	-	-	63,522	63,522
Tourism	-	-	-	-	1,078,638	1,078,638
Public safety	534,000	-	-	-	18,692	552,692
Senior center	-	-	-	-	107,616	107,616
Post employment benefits	1,331,060	-	-	-	-	1,331,060
Debt service	650,000	-	-	-	-	650,000
Other	56,000	-	-	-	324,286	380,286
Unassigned	3,519,147	-	-	-	-	3,519,147
Total fund balances	<u>8,896,163</u>	<u>5,321,236</u>	<u>3,091,391</u>	<u>5,124,728</u>	<u>3,544,804</u>	<u>25,978,322</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 23,693,717</u>	<u>\$ 5,321,962</u>	<u>\$ 14,579,946</u>	<u>\$ 5,190,211</u>	<u>\$ 4,237,574</u>	<u>\$ 53,023,410</u>

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

**CITY OF MIDDLETON, WISCONSIN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2012**

Fund balances - total governmental funds	\$ 25,978,322
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	78,310,965
Some receivables that are not currently available are reported as unearned revenue or deferred inflows of resources in the fund financial statements, but are recognized as revenue when earned in the government-wide statements.	
Loans	1,161,250
Special assessments	1,704,379
Other receivables	156,379
Investment (deficit) in joint venture is not a financial resource and, therefore, is not reported in the funds.	(545,219)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term debt	(57,960,000)
Debt discount or premium	(170,177)
Compensated absences	(3,577,943)
Accrued interest payable	<u>(661,149)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 44,396,807</u>

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, 2012

	General	Debt Service	TIF District No. 3	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 13,942,219	\$ -	\$ 5,525,247	\$ -	\$ 1,080,740	\$ 20,548,206
Intergovernmental	2,207,630	-	466,711	35,824	777,720	3,487,885
Licenses and permits	765,637	-	-	-	217,253	982,890
Fines, forfeitures, and penalties	280,513	-	-	-	-	280,513
Public charges for services	1,343,732	-	-	-	261,183	1,604,915
Intergovernmental charges for services	1,537,130	-	-	-	-	1,537,130
Special assessments	108,274	-	189,008	-	-	297,282
Investment income	73,037	152	206,665	710	18,567	299,131
Miscellaneous	130,118	-	110,000	1,997	55,255	297,370
Total revenues	<u>20,388,290</u>	<u>152</u>	<u>6,497,631</u>	<u>38,531</u>	<u>2,410,718</u>	<u>29,335,322</u>
EXPENDITURES						
Current						
General government	2,643,610	-	1,680,274	51,113	-	4,374,997
Public safety	7,723,830	-	-	-	1,398	7,725,228
Public works	3,122,255	-	-	-	-	3,122,255
Health and human services	434,778	-	-	-	-	434,778
Leisure activities	1,341,157	-	-	-	2,839,480	4,180,637
Conservation and economic development	528,656	-	-	1,229,751	534,123	2,292,530
Debt service						
Principal	-	10,243,304	1,010,000	-	-	11,253,304
Debt issuance costs	-	35,200	3,924	18,475	-	57,599
Interest and fiscal charges	-	1,592,065	56,195	-	-	1,648,260
Capital outlay	-	-	543,537	2,659,146	-	3,202,683
Total expenditures	<u>15,794,286</u>	<u>11,870,569</u>	<u>3,293,930</u>	<u>3,958,485</u>	<u>3,375,001</u>	<u>38,292,271</u>
Excess of revenues over (under) expenditures	4,594,004	(11,870,417)	3,203,701	(3,919,954)	(964,283)	(8,956,949)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	6,837,955	2,312,045	10,015,000	-	19,165,000
Discount on debt issued	-	(128,155)	(8,120)	(35,900)	-	(172,175)
Premium on debt issued	-	189,063	-	82,236	-	271,299
Proceeds from sale of capital assets	232,617	-	-	-	-	232,617
Transfers in	412,024	10,056,865	-	2,700	1,260,022	11,731,611
Transfers out	<u>(4,197,241)</u>	<u>-</u>	<u>(6,696,209)</u>	<u>-</u>	<u>(426,137)</u>	<u>(11,319,587)</u>
Net change in fund balances	1,041,404	5,085,311	(1,188,583)	6,144,082	(130,398)	10,951,816
FUND BALANCES - BEGINNING OF YEAR	<u>7,854,759</u>	<u>235,925</u>	<u>4,279,974</u>	<u>(1,019,354)</u>	<u>3,675,202</u>	<u>15,026,506</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,896,163</u>	<u>\$ 5,321,236</u>	<u>\$ 3,091,391</u>	<u>\$ 5,124,728</u>	<u>\$ 3,544,804</u>	<u>\$ 25,978,322</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, 2012**

Net change in fund balances - total governmental funds \$ 10,951,816

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.	3,202,683
Capital assets contributed by other governments	351,063
Less: Some items are reported as capital outlay but are not capitalized	(1,015,035)
Depreciation is reported in the government-wide statements	(1,823,826)

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.	(270,372)
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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	(19,165,000)
Debt and leases retired	11,253,304

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.	(72,848)
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Some expenses in the statement of activities do not require the
use of current financial resources and, therefore, are not
reported as expenditures in the governmental funds.

Compensated absences	(424,884)
Debt premium and discount	(90,647)
Loss on refunding	(535,878)
Accrued interest on debt	(114,433)

Change in net position of governmental activities	<u>\$ 2,245,943</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Business-type Activities			
	Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	Totals
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 3,676,320	\$ 2,397,327	\$ 3,149	\$ 6,076,796
Accounts receivable	434,534	478,222	-	912,756
Accrued interest	7,764	2,369	-	10,133
Due from other funds	11,538	13,817	-	25,355
Total current assets	<u>4,130,156</u>	<u>2,891,735</u>	<u>3,149</u>	<u>7,025,040</u>
NONCURRENT ASSETS				
Restricted cash and investments	-	55,165	-	55,165
Special assessments receivable	-	2,101,584	-	2,101,584
Property held for future use	301,087	-	-	301,087
Capital assets:				
Property and equipment	24,712,131	14,724,275	11,436,027	50,872,433
Less: Accumulated depreciation	<u>(7,751,022)</u>	<u>(4,121,506)</u>	<u>(934,239)</u>	<u>(12,806,767)</u>
Total capital assets, net	<u>16,961,109</u>	<u>10,602,769</u>	<u>10,501,788</u>	<u>38,065,666</u>
Total noncurrent assets	<u>17,262,196</u>	<u>12,759,518</u>	<u>10,501,788</u>	<u>40,523,502</u>
Total assets	<u>21,392,352</u>	<u>15,651,253</u>	<u>10,504,937</u>	<u>47,548,542</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	7,478	300,181	28,974	336,633
Accrued interest	-	-	49,084	49,084
Accrued compensated absences	24,463	24,463	-	48,926
Current portion of long-term debt	-	-	622,679	622,679
Total current liabilities	<u>31,941</u>	<u>324,644</u>	<u>700,737</u>	<u>1,057,322</u>
NONCURRENT LIABILITIES				
Accrued compensated absences	130,803	41,981	112,553	285,337
Advances from other funds	-	-	3,027,930	3,027,930
General obligation debt	-	-	5,464,971	5,464,971
Total noncurrent liabilities	<u>130,803</u>	<u>41,981</u>	<u>8,605,454</u>	<u>8,778,238</u>
Total liabilities	<u>162,744</u>	<u>366,625</u>	<u>9,306,191</u>	<u>9,835,560</u>
NET POSITION				
Net investment in capital assets	16,961,109	10,602,769	4,414,138	31,978,016
Restricted for equipment replacement	-	55,165	-	55,165
Unrestricted	<u>4,268,499</u>	<u>4,626,694</u>	<u>(3,215,392)</u>	<u>5,679,801</u>
Total net position	<u>\$ 21,229,608</u>	<u>\$ 15,284,628</u>	<u>\$ 1,198,746</u>	<u>\$ 37,712,982</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 POSITION
PROPRIETARY FUNDS**

For the Year Ended December 31, 2012

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Pleasant View Golf Course	
OPERATING REVENUES				
Charges for services and sales	\$ 2,290,946	\$ 1,885,048	\$ 1,881,715	\$ 6,057,709
OPERATING EXPENSES				
Operation and maintenance	1,181,980	1,614,103	1,544,160	4,340,243
Depreciation	472,008	283,256	118,422	873,686
Total operating expenses	<u>1,653,988</u>	<u>1,897,359</u>	<u>1,662,582</u>	<u>5,213,929</u>
Operating income (loss)	<u>636,958</u>	<u>(12,311)</u>	<u>219,133</u>	<u>843,780</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	41,731	9,621	-	51,352
Interest on long-term debt	<u>(2,295)</u>	<u>(1,215)</u>	<u>(181,437)</u>	<u>(184,947)</u>
Total nonoperating revenues (expenses)	<u>39,436</u>	<u>8,406</u>	<u>(181,437)</u>	<u>(133,595)</u>
Income (loss) before capital contributions and transfers	676,394	(3,905)	37,696	710,185
CAPITAL CONTRIBUTIONS	118,692	60,515	30,066	209,273
TRANSFERS OUT	<u>(412,024)</u>	<u>-</u>	<u>-</u>	<u>(412,024)</u>
Change in net position	383,062	56,610	67,762	507,434
NET POSITION - BEGINNING OF YEAR	<u>20,846,546</u>	<u>15,228,018</u>	<u>1,130,984</u>	<u>37,205,548</u>
NET POSITION - END OF YEAR	<u>\$ 21,229,608</u>	<u>\$ 15,284,628</u>	<u>\$ 1,198,746</u>	<u>\$ 37,712,982</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, 2012**

	Business-type Activities Enterprise Funds			Totals
	Water	Sewer	Pleasant View Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 2,224,446	\$ 1,917,374	\$ 1,883,155	\$ 6,024,975
Payments to suppliers for goods and services	(837,202)	(1,639,506)	(982,114)	(3,458,822)
Payments to employees for services	(269,582)	(75,880)	(490,061)	(835,523)
Net cash provided by operating activities	<u>1,117,662</u>	<u>201,988</u>	<u>410,980</u>	<u>1,730,630</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(412,024)	-	-	(412,024)
Advance from TIF No. 3	-	-	230,000	230,000
Net cash provided by (used in) noncapital financing activities	<u>(412,024)</u>	<u>-</u>	<u>230,000</u>	<u>(182,024)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(88,631)	(8,770)	(15,000)	(112,401)
Premium received on issuance of debt	-	-	110,716	110,716
Principal paid on capital debt	(255,000)	(135,000)	(495,000)	(885,000)
Interest paid on capital debt	(6,885)	(3,645)	(239,466)	(249,996)
Net cash used in capital and related financing activities	<u>(350,516)</u>	<u>(147,415)</u>	<u>(638,750)</u>	<u>(1,136,681)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments sold and matured	1,065,041	2,266	-	1,067,307
Investments purchased	(1,533,588)	-	-	(1,533,588)
Interest income received	54,167	14,615	-	68,782
Net cash provided by (used in) investing activities	<u>(414,380)</u>	<u>16,881</u>	<u>-</u>	<u>(397,499)</u>
Net increase (decrease) in cash and cash equivalents	(59,258)	71,454	2,230	14,426
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>818,115</u>	<u>1,777,004</u>	<u>919</u>	<u>2,596,038</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 758,857</u>	<u>\$ 1,848,458</u>	<u>\$ 3,149</u>	<u>\$ 2,610,464</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, 2012

	Business-type Activities			Totals
	Enterprise Funds			
	Water	Sewer	Pleasant View Golf Course	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 636,958	\$ (12,311)	\$ 219,133	\$ 843,780
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	472,008	283,256	118,422	873,686
Depreciation charged to sewer utility	43,627	-	-	43,627
Changes in noncash components of working capital				
Accounts receivable	(52,498)	(65,768)	1,440	(116,826)
Other accounts receivable	-	75,556	-	75,556
Special assessments receivable	-	22,538	-	22,538
Due from other funds	45,308	53,357	-	98,665
Accounts payable	(60,240)	(163,049)	5,741	(217,548)
Accrued compensated absences	32,499	8,409	66,244	107,152
Net cash provided by operating activities	<u>\$ 1,117,662</u>	<u>\$ 201,988</u>	<u>\$ 410,980</u>	<u>\$ 1,730,630</u>
Reconciliation of cash and cash equivalents to the statement of net assets - proprietary funds				
Cash and investments	\$ 3,676,320	\$ 2,397,327	\$ 3,149	\$ 6,076,796
Restricted cash and investments	-	55,165	-	55,165
Less: Noncash equivalents	<u>(2,917,463)</u>	<u>(604,034)</u>	<u>-</u>	<u>(3,521,497)</u>
Cash and cash equivalents, end of year	<u>\$ 758,857</u>	<u>\$ 1,848,458</u>	<u>\$ 3,149</u>	<u>\$ 2,610,464</u>
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES				
Developer financed additions to Utility capital assets	<u>\$ 118,692</u>	<u>\$ 60,515</u>	<u>-</u>	<u>\$ 179,207</u>
City financed additions to Golf Course capital assets	<u>-</u>	<u>-</u>	<u>\$ 30,066</u>	<u>\$ 30,066</u>

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

**CITY OF MIDDLETON, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012**

	<u>Tax Roll</u>	<u>Fire District</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and investments	\$ 22,619,229	\$ -	\$ 22,619,229
Taxes receivable	14,255,885	-	14,255,885
Due from other governmental units	<u>-</u>	<u>181,300</u>	<u>181,300</u>
Total assets	<u>\$ 36,875,114</u>	<u>\$ 181,300</u>	<u>\$ 37,056,414</u>
LIABILITIES			
Accounts payable	\$ -	\$ 80,507	\$ 80,507
Due to other governmental units	<u>36,875,114</u>	<u>100,793</u>	<u>36,975,907</u>
Total liabilities	<u>\$ 36,875,114</u>	<u>\$ 181,300</u>	<u>\$ 37,056,414</u>

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

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position 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, deferred outflows, liabilities, deferred inflows, net position/fund balance, 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.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

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 for expenditures outlined in the TIF project plan and related revenues and proceeds from long-term borrowing.

Capital Projects Fund - accounts for proceeds from long-term borrowing and other resources to be used for 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, 2012

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

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

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

Government-Wide Financial Statements

The government-wide statement of net position 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.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 inflows. 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 unearned revenues. Amounts received prior to the entitlement period are also recorded as unearned revenues.

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 inflows. Delinquent special assessments being held for collection by the county are reported as receivables and deferred inflows 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.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports unearned revenues and deferred inflows on its governmental funds balance sheet. Deferred inflows arise from taxes levied in the current year which are for the subsequent year's operations, special assessments to be collected in future years and loans receivable to be collected in future years. For governmental fund financial statements, unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 unearned 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, deferred outflows, liabilities, deferred inflows 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, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position 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 market 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position 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, 2012, 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 position.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Receivables (Continued)

Property tax calendar - 2012 tax roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax deed - 2012 delinquent real estate taxes	October 2015

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 position. 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 inflows 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, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position 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 position.

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, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position 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 position. 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.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. 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, and 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 \$106,904. The number of participants currently eligible to receive benefits is 21.

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, 2012 are determined on the basis of current salary rates and include salary-related payments.

7. 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 are reported as other financing sources, premium or discount on debt is reported as other financing sources or uses, 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 debt 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 position.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. 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.

8. 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.

9. Equity Classifications

Government-Wide Statements

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

- a. *Net investment in capital assets* - 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 position* - Consists of net position 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 position* - All other net position 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, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. 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.

10. 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, 2012.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 2 - 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.

Excess Expenditures over Appropriations

The following individual funds experienced excess expenditures over appropriations:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General Fund			
General government	\$ 2,643,259	\$ 2,643,610	\$ 351
Leisure activities	1,339,790	1,341,157	1,367
Safety impact fee and other	-	102,065	102,065
Economic development grant	-	22,396	22,396
Lost and damaged books	39,000	57,995	18,995
Library endowment fund	8,000	8,975	975
Airport fund	87,700	489,606	401,906
Public land special revenue and activities fund	10,000	152,640	142,640

The legal level of budget control is the function level in the General Fund and the total expenditures in all other funds. The City controls expenditures at the departmental level for management purposes. 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.

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.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Petty cash	\$ 1,000		
Demand deposits			
Noninterest bearing	30,719,565	\$ 26,032,437	Custodial credit
Certificates of deposit	5,857,365	5,857,365	Custodial credit
Money market	9,313,303	9,313,303	Custodial credit
Total deposits	<u>45,890,233</u>	<u>41,203,105</u>	
Investments			
Madison Community Foundation	200,722	200,722	Credit, interest rate
Local Government Investment Pool (LGIP)	6,686,928	6,686,928	Credit, interest rate
Total investments	<u>6,887,650</u>	<u>6,887,650</u>	
 Total cash and investments	 <u>\$ 52,778,883</u>	 <u>\$ 48,090,755</u>	
 Reconciliation to the statement of net assets:			
Unrestricted cash and investments	\$ 29,880,970		
Restricted cash and investments	55,165		
Fiduciary funds - Agency Fund	22,619,229		
	<u>52,555,364</u>		
 Cash and investments held for component unit:			
Unrestricted	223,419		
	<u>223,419</u>		
 Total cash and investments	 <u>\$ 52,778,783</u>		

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

As of January 1, 2013, FDIC coverage was changed to \$250,000 for demand deposits and \$250,000 for time and savings deposits.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

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, 2012, 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, 2012, \$13,920,668 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 had \$6,686,928 invested in the local government investment pool, which had a weighted average maturity of 73 days. In addition, the City had \$200,722 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, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables

	<u>General</u>	<u>TIF District No. 3</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Taxes	\$ 13,642,375	\$ 8,906,534	\$ -	\$ -	\$ -	\$ 22,548,909
Accounts	1,902,134	-	252,553	434,534	478,222	3,067,443
Interest	16,099	-	-	7,764	2,369	26,232
Loans	-	1,161,250	22,442	-	-	1,183,692
Special assessments	21,629	1,387,899	-	-	2,101,584	3,511,112
Other governments	<u>58,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,000</u>
Total receivables	15,640,237	11,455,683	274,995	442,298	2,582,175	30,395,388
Less allowance for uncollectibles	<u>(1,350,368)</u>	<u>-</u>	<u>(22,442)</u>	<u>-</u>	<u>-</u>	<u>(1,372,810)</u>
Net total receivables	<u>\$ 14,289,869</u>	<u>\$ 11,455,683</u>	<u>\$ 252,553</u>	<u>\$ 442,298</u>	<u>\$ 2,582,175</u>	<u>\$ 29,022,578</u>

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

	<u>TIF District No. 3</u>	<u>Sewer</u>	<u>Total</u>
Amounts not expected to be collected within one year	<u>\$ 2,549,149</u>	<u>\$ 2,101,584</u>	<u>\$ 4,650,733</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

C. Deferred Inflows and Unearned Revenue

Governmental funds report deferred inflows and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds 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 inflows reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property taxes	\$ -	22,193,114	22,193,114
Loan receivable	1,161,250	-	1,161,250
Special assessments not yet due	1,704,379	-	1,704,379
EMS and other receivables	156,379	-	156,379
	\$ 3,022,008	\$ 22,193,114	\$ 25,215,122

For economic development loans, the City is limited by the Wisconsin Economic Development Corporation 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, 2012, 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, 2012 was \$55,165.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2012 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	\$ 7,335,597	\$ -	\$ -	\$ 7,335,597
Right of way	18,751,280	-	-	18,751,280
Construction in progress	332,682	1,605,336	-	1,938,018
Total capital assets not being depreciated	<u>26,419,559</u>	<u>1,605,336</u>	<u>-</u>	<u>28,024,895</u>
Capital assets being depreciated				
Land improvements	7,023,936	32,575	21,000	7,035,511
Buildings	18,189,101	263,914	-	18,453,015
Machinery and equipment	4,950,976	341,431	102,575	5,189,832
Streets-infrastructure	20,070,844	233,559	-	20,304,403
Storm sewers-infrastructure	8,848,680	-	-	8,848,680
Traffic signals-infrastructure	1,311,022	20,744	-	1,331,766
Sidewalks-infrastructure	3,079,676	41,152	-	3,120,828
Bridges-infrastructure	3,278,231	-	-	3,278,231
Rail spur-infrastructure	482,163	-	-	482,163
Total capital assets being depreciated	<u>67,234,629</u>	<u>933,375</u>	<u>123,575</u>	<u>68,044,429</u>
Less: accumulated depreciation for				
Land improvements	2,178,528	315,047	21,000	2,472,575
Buildings	3,485,701	449,726	-	3,935,427
Machinery and equipment	2,814,473	403,558	102,575	3,115,456
Streets-infrastructure	3,251,049	303,051	-	3,554,100
Storm sewers-infrastructure	2,039,461	176,974	-	2,216,435
Traffic signals-infrastructure	557,999	53,271	-	611,270
Sidewalks-infrastructure	1,272,803	62,417	-	1,335,220
Bridges-infrastructure	355,135	43,710	-	398,845
Rail spur-infrastructure	102,959	16,072	-	119,031
Total accumulated depreciation	<u>16,058,108</u>	<u>1,823,826</u>	<u>123,575</u>	<u>17,758,359</u>
Capital assets being depreciated, net of depreciation	<u>51,176,521</u>	<u>(890,451)</u>	<u>-</u>	<u>50,286,070</u>
Total capital assets, net of depreciation	<u>\$ 77,596,080</u>	<u>\$ 714,885</u>	<u>\$ -</u>	<u>\$ 78,310,965</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - 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	-	6,056	-	6,056
Total capital assets not being depreciated	<u>222,277</u>	<u>6,056</u>	<u>-</u>	<u>228,333</u>
Capital assets being depreciated				
Source of supply	781,509	-	-	781,509
Pumping	2,774,446	48,740	27,000	2,796,186
Treatment	343,242	-	-	343,242
Transmission and distribution	19,787,047	124,593	-	19,911,640
Administrative and general assets	623,287	27,934	-	651,221
Total capital assets being depreciated	<u>24,309,531</u>	<u>201,267</u>	<u>27,000</u>	<u>24,483,798</u>
Less: accumulated depreciation for				
Source of supply	315,261	25,790	-	341,051
Pumping	1,213,574	97,574	27,000	1,284,148
Treatment	338,726	1,922	-	340,648
Transmission and distribution	4,845,102	367,790	-	5,212,892
Administrative and general assets	549,724	22,559	-	572,283
Total accumulated depreciation	<u>7,262,387</u>	<u>515,635</u>	<u>27,000</u>	<u>7,751,022</u>
Capital assets being depreciated, net of depreciation	<u>17,047,144</u>	<u>(314,368)</u>	<u>-</u>	<u>16,732,776</u>
Total capital assets, net of depreciation	<u>\$ 17,269,421</u>	<u>\$ (308,312)</u>	<u>\$ -</u>	<u>\$ 16,961,109</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Sewer Utility				
Capital assets not being depreciated				
Land and land rights	\$ 66,830	\$ -	\$ -	\$ 66,830
Capital assets being depreciated				
Collection system	12,739,758	60,515	-	12,800,273
Collection system pumping	1,317,850	8,770	2,000	1,324,620
Administrative and general assets	532,552	-	-	532,552
Total capital assets being depreciated	<u>14,590,160</u>	<u>69,285</u>	<u>2,000</u>	<u>14,657,445</u>
Less: accumulated depreciation	<u>3,840,250</u>	<u>283,256</u>	<u>2,000</u>	<u>4,121,506</u>
Capital assets being depreciated, net of depreciation	<u>10,749,910</u>	<u>(213,971)</u>	<u>-</u>	<u>10,535,939</u>
Total capital assets, net of depreciation	<u>\$ 10,816,740</u>	<u>\$ (213,971)</u>	<u>\$ -</u>	<u>\$ 10,602,769</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - 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	557,427	45,066	-	602,493
Total capital assets being depreciated	<u>9,174,961</u>	<u>45,066</u>	<u>-</u>	<u>9,220,027</u>
Less: accumulated depreciation for				
Land improvements	271,261	42,445	-	313,706
Buildings	191,247	19,125	-	210,372
Equipment	353,309	56,852	-	410,161
Total accumulated depreciation	<u>815,817</u>	<u>118,422</u>	<u>-</u>	<u>934,239</u>
Capital assets being depreciated, net of depreciation	<u>8,359,144</u>	<u>(73,356)</u>	<u>-</u>	<u>8,285,788</u>
Total capital assets, net of depreciation	<u>\$ 10,575,144</u>	<u>\$ (73,356)</u>	<u>\$ -</u>	<u>\$ 10,501,788</u>
Total net capital assets- business-type activities	<u>\$ 38,661,305</u>	<u>\$ (595,639)</u>	<u>\$ -</u>	<u>\$ 38,065,666</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 37,923
Public safety	489,577
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks, bridges, and rail spur	809,118
Conservation and development	12,542
Leisure activities	<u>474,666</u>
Total governmental activities depreciation expense	<u>\$ 1,823,826</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Business-type activities

Water Utility	\$ 515,635
Depreciation	(43,627)
Depreciation charged to Sewer Utility operation and maintenance expenses	<u>472,008</u>
Sewer Utility	283,256
Pleasant View Golf Course	<u>118,422</u>
Total business-type activities depreciation expense	<u><u>\$ 873,686</u></u>

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	\$ 11,538
Sewer Utility	General Fund	<u>13,817</u>
Total fund financial statements		<u><u>\$ 25,355</u></u>

For the statement of net position, 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.

The General Fund and TIF District No. 3 have advanced funds to the Pleasant View Golf Course. No repayment schedules have been established on the advances to the Pleasant View Golf Course and these amounts are not expected to be paid within one year. The principal purpose of these advances is to finance costs internally rather than borrowing externally. For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund Receivables/Payables and Transfers (Continued)

The following is a schedule of interfund advances.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Pleasant View Golf Course	\$ 2,594,780
TIF District No. 3	Pleasant View Golf Course	<u>433,150</u>
Total fund financial statements		<u>\$ 3,027,930</u>

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	\$ -	\$ 3,175,656	\$ -	\$ 1,021,585	\$ 4,197,241
TIF District No. 3	-	6,696,209	-	-	6,696,209
Water Utility	412,024	-	-	-	412,024
Nonmajor Special Revenue Funds	<u>-</u>	<u>185,000</u>	<u>2,700</u>	<u>238,437</u>	<u>426,137</u>
Totals	<u>\$ 412,024</u>	<u>\$ 10,056,865</u>	<u>\$ 2,700</u>	<u>\$ 1,260,022</u>	<u>\$ 11,731,611</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.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated. In addition, capital assets transferred from governmental funds to enterprise funds are reported as transfers.

Total interfund transfers - fund financial statements	\$ 11,731,611
Transfers within governmental activities	(11,319,587)
Capital assets transferred from governmental funds to the Pleasant View Golf Course	<u>(30,066)</u>
Transfers - government-wide financial statements	<u>\$ 381,958</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2012 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	\$ 49,038,304	\$ 19,165,000	\$ 10,243,304	\$ 57,960,000	\$ 11,975,000
Loss on refunding	(535,878)	-	(535,878)	-	-
Debt premium and discount	79,530	99,124	8,477	170,177	13,836
	<u>48,581,956</u>	<u>19,264,124</u>	<u>9,715,903</u>	<u>58,130,177</u>	<u>11,988,836</u>
Other liabilities:					
Vested compensated absences	3,153,059	1,262,072	837,188	3,577,943	-
Capital leases	1,010,000	-	1,010,000	-	-
Total other liabilities	<u>4,163,059</u>	<u>1,262,072</u>	<u>1,847,188</u>	<u>3,577,943</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 52,745,015</u>	<u>\$ 20,526,196</u>	<u>\$ 11,563,091</u>	<u>\$ 61,708,120</u>	<u>\$ 11,988,836</u>
Business-type activities					
Bonds and notes payable					
General obligation debt	\$ 6,885,000	\$ 3,100,000	\$ 3,985,000	\$ 6,000,000	\$ 595,000
Debt premium	-	110,716	23,066	87,650	27,679
	<u>6,885,000</u>	<u>3,210,716</u>	<u>4,008,066</u>	<u>6,087,650</u>	<u>622,679</u>
Other liabilities:					
Vested compensated absences	227,111	143,670	36,518	334,263	48,926
Total business-type activities long-term liabilities	<u>\$ 7,112,111</u>	<u>\$ 3,354,386</u>	<u>\$ 4,044,584</u>	<u>\$ 6,421,913</u>	<u>\$ 671,605</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, 2012, was \$135,581,975. Total general obligation debt outstanding at year end was \$63,960,000.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - 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 12/31/12
Governmental Activities					
General Obligation Debt					
2003 General obligation promissory notes	05/01/03	09/01/13	2.00%-3.40%	\$ 9,980,000	\$ 2,400,000
2004 General obligation promissory notes	06/15/04	03/01/14	2.50%-4.25%	1,910,000	420,000
2006 General obligation promissory notes	06/01/06	12/01/13	4.00%-4.25%	2,000,000	400,000
2006 General obligation promissory notes	12/27/06	12/01/16	3.75%-4.00%	2,330,000	930,000
2008 General obligation refunding bonds	06/02/08	12/01/27	3.00%-4.00%	6,530,000	6,150,000
2008 General obligation promissory notes	06/09/08	12/01/17	3.50%-4.00%	2,000,000	1,600,000
2008 General obligation promissory notes	12/30/08	12/01/17	3.00%-4.25%	2,750,000	2,300,000
2010 General obligation refunding bonds	04/15/10	09/01/29	1.45%-8.5%	10,110,000	9,760,000
2010 General obligation promissory notes	04/15/10	09/01/17	1.20%-3.80%	2,010,000	1,560,000
2010 Taxable general obligation refunding bonds	11/23/10	09/01/20	.85%-3.75%	6,580,000	6,245,000
2010 General obligation refunding bonds	11/23/10	09/01/20	2.00%-4.00%	4,625,000	4,530,000
2011 General obligation promissory notes	05/09/11	09/01/19	2.00%-3.00%	2,500,000	2,500,000
2012 Taxable note anticipation notes	05/12/12	06/01/13	0.95%	5,000,000	5,000,000
2012 Taxable general obligation promissory notes	05/12/12	03/01/19	.46%-1.85%	2,540,000	2,540,000
2012 General obligation promissory notes	05/12/12	09/01/20	2.00%-2.25%	2,015,000	2,015,000
2012 General obligation promissory notes	12/28/12	09/01/21	1.00%-2.00%	4,500,000	4,500,000
2012 General obligation refunding bonds	12/28/12	09/01/23	1.05%-3.80%	5,110,000	<u>5,110,000</u>
Total governmental activities-general obligation debt					<u>\$ 57,960,000</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - 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 12/31/12</u>
Business-type Activities					
General Obligation Debt					
2006 General obligation promissory notes	12/27/06	12/01/16	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	1,700,000
2012 General obligation refunding bonds	02/27/12	03/01/16	2.0%	3,100,000	<u>3,100,000</u>
Total business-type activities - general obligation debt					<u>\$ 6,000,000</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>	
2013	\$ 11,975,000	\$ 1,399,110	\$ 595,000	\$ 177,300	\$ 14,146,410
2014	5,025,000	1,223,785	735,000	164,000	7,147,785
2015	4,970,000	1,102,358	825,000	148,400	7,045,758
2016	4,955,000	1,016,041	2,145,000	130,700	8,246,741
2017	5,160,000	877,663	300,000	66,875	6,404,538
2018-22	15,605,000	2,720,825	1,400,000	122,100	19,847,925
2023-27	6,990,000	1,291,516	-	-	8,281,516
2028-32	<u>3,280,000</u>	<u>279,635</u>	<u>-</u>	<u>-</u>	<u>3,559,635</u>
Totals	<u>\$ 57,960,000</u>	<u>\$ 9,910,933</u>	<u>\$ 6,000,000</u>	<u>\$ 809,375</u>	<u>\$ 74,680,308</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.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Governmental Activities Net Position/Fund Balances

Governmental Activities

Governmental activities net position reported on the government wide statement of net assets at December 31, 2012 include the following:

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 78,310,965
Less: related long-term debt (excluding unspent capital related debt proceeds)	<u>(53,005,449)</u>
Total invested in capital assets, net of related debt	<u>25,305,516</u>
Restricted	
Debt service	4,660,087
Community development	3,643,124
Library	235,150
Impact fees	<u>154,566</u>
	<u>8,692,927</u>
Unrestricted	<u>10,398,364</u>
Total governmental activities net position	<u><u>\$ 44,396,807</u></u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Governmental Activities Net Position/Fund Balances (Continued)

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2012 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	\$ 193,201	\$ -	\$ -	\$ -	\$ -	\$ 193,201
Advances to other funds	2,594,780	-	433,150	-	-	3,027,930
Noncurrent receivables	17,975	-	-	-	-	17,975
	<u>2,805,956</u>	<u>-</u>	<u>433,150</u>	<u>-</u>	<u>-</u>	<u>3,239,106</u>
Restricted						
Debt service	-	5,321,236	-	-	-	5,321,236
Community development	-	-	2,658,241	-	276,133	2,934,374
Library	-	-	-	-	235,150	235,150
Capital improvements	-	-	-	5,124,728	275,600	5,400,328
Impact fees	-	-	-	-	154,566	154,566
	<u>-</u>	<u>5,321,236</u>	<u>2,658,241</u>	<u>5,124,728</u>	<u>941,449</u>	<u>14,045,654</u>
Assigned						
Subdividers' deposits	-	-	-	-	938,648	938,648
Library	-	-	-	-	71,953	71,953
Airport	-	-	-	-	63,522	63,522
Tourism	-	-	-	-	1,078,638	1,078,638
Public safety	534,000	-	-	-	18,692	552,692
Senior center	-	-	-	-	107,616	107,616
Post employment benefits	1,331,060	-	-	-	-	1,331,060
Debt service	650,000	-	-	-	-	650,000
Other	56,000	-	-	-	324,286	380,286
	<u>2,571,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,603,355</u>	<u>5,174,415</u>
Unassigned	<u>3,519,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,519,147</u>
Total fund balances	<u>\$ 8,896,163</u>	<u>\$ 5,321,236</u>	<u>\$ 3,091,391</u>	<u>\$ 5,124,728</u>	<u>\$ 3,544,804</u>	<u>\$ 25,978,322</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Governmental Activities Net Position/Fund Balances (Continued)

Business-Type Activities

Business-type activities net position reported on the government-wide and proprietary funds statement of net position at December 31, 2012 include the following:

	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Totals</u>
Capital assets	\$ 24,712,131	\$ 14,724,275	\$ 11,436,027	\$ 50,872,433
Accumulated depreciation	(7,751,022)	(4,121,506)	(934,239)	(12,806,767)
Subtotals	16,961,109	10,602,769	10,501,788	38,065,666
Less capital related long-term debt	-	-	6,087,650	6,087,650
Net investment in capital assets	16,961,109	10,602,769	4,414,138	31,978,016
Restricted for equipment replacement	-	55,165	-	55,165
Unrestricted	4,268,499	4,626,694	(3,215,392)	5,679,801
 Total business-type activities net position	 <u>\$ 21,229,608</u>	 <u>\$ 15,284,628</u>	 <u>\$ 1,198,746</u>	 <u>\$ 37,712,982</u>

I. Component Unit

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

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	(668,417)	(62,493)	-	(730,910)	-
 Totals	 <u>\$ 2,360,275</u>	 <u>\$ (62,493)</u>	 <u>\$ -</u>	 <u>\$ 2,297,782</u>	

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

I. Component Unit (Continued)

	<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.	\$ 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.	550,000	-	550,000	-	-
	1,010,000	-	1,010,000	-	-
Less: Unamortized debt discounts	(10,423)	-	(10,423)	-	-
Totals	<u>\$ 999,577</u>	<u>\$ -</u>	<u>\$ 999,577</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 - OTHER INFORMATION

A. Employees' Retirement System

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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the System. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the System.

Covered employees are required to contribute one-half of the actuarially determined contribution rate for general category employees, and executives and elected officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 4 - OTHER INFORMATION (Continued)

A. Employees' Retirement System (Continued)

Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.90%	5.90%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.90%	9.00%
Protective without Social Security	5.90%	11.30%

The payroll for City employees covered by the System for the year ended December 31, 2012 was \$8,599,193; the employer's total payroll was \$9,409,117. The total required contribution for the year ended December 31, 2012 was \$1,181,687 or 13.7% of covered payroll. Of this amount, \$834,715 was contributed by the employer for the current year and \$346,971 was contributed by the employees for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$974,735 and 986,206, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65, (62 for elected officials, 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service), are entitled to receive a retirement benefit. Employees may retire at age 55, (50 for protective occupation employees), and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. The final average earnings are the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 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, 2012**

NOTE 4 - 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.

Expenditures of the City's Tax Increment Districts are subject to review and audit by the Wisconsin Department of Revenue and the overlapping taxation districts. The City has allocated certain expenditures for administration, public safety, public lands administration, and transit services which were reimbursed to the City's General Fund. For 2011 and 2012, these costs amount to approximately \$2.8 million. Review by the Wisconsin Department of Revenue or the overlapping taxation districts could result in a portion of these expenditures being disallowed.

The City has entered into various development agreements in connection with the Tax Increment Districts. Under the terms of these agreements, the City has made commitments for development incentives or reimbursements. Commitments for projects undertaken through 2012 totaled \$5,806,000 of which \$4,343,625 has been paid. The remaining commitment is \$1,462,375.

D. Joint Ventures

Metropolitan Refuse District, Inc.

The City of Middleton and the Villages of Shorewood Hills and Waunakee are members of the Metropolitan Refuse District, Inc. (District), which owns and operates the closed local sanitary landfill. The landfill stopped accepting waste at the end of 1996. The three member communities share in the operational costs of the District based on estimated population, with the 2012 percentages as follows:

City of Middleton	56%
Village of Shorewood Hills	5%
Village of Waunakee	39%

The District is made up of member from each community. For the City, the corporate member is the Mayor or the Mayor's appointed designee. For each of the Villages, the corporate member is the Village President or the Village President's appointed designee. At the annual meeting, members appoint directors and officers as the governing body. The governing body has authority to adopt its own budget and control of financial affairs of the District. The District's fund balance at September 30, 2012 is a deficit of \$956,525. 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 56%, which amounts to \$545,219 of the District's net deficit. The City's share of the net deficit has been reported in the government-wide statement of net position. The City made payments totaling \$51,412 to the District in 2012. The City will continue to support the District's postclosure care costs in the future.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012**

NOTE 4 - OTHER INFORMATION (Continued)

D. Joint Ventures (Continued)

Metropolitan Refuse District, Inc. (Continued)

The District's closed 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 four 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.

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 \$1,224,340 to the District in 2012 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.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 - OTHER INFORMATION (Continued)

E. Restatement

The City of Middleton adopted GASB Statement No. 63, *Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Recognized as Assets and Liabilities* as of January 1, 2012. GASB Statement No. 63 impacted financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. GASB Statement No. 65 impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The impact of adoptions of these statements resulted in the Statement of Net Assets becoming the Statement of Net Position. Additionally, certain items previously reported as assets or liabilities have been classified and reported as deferred inflows or outflows.

The standard eliminates the provision for capitalizing and amortizing debt issue costs. Debt issue costs are considered expense at the time the debt is issued.

Net position, December 31, 2011, as previously reported	\$ 42,258,111
Adjustment for debt issuance costs	<u>(107,246)</u>
Net position, December 31, 2011, as restated	<u>\$ 42,150,865</u>

F. Subsequent Events

On January 4, 2013, the City paid off the 2012 Taxable Note Anticipation Notes of \$5 million from the proceeds of the 2012 General Obligation Refunding Bonds of \$5,110,000 which were recorded in the Debt Service Fund.

Management evaluated subsequent events through August 14, 2013, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2012, but prior to August 14, 2013 that provide additional evidence about conditions that existed at December 31, 2012, have been recognized in the financial statements for the year ended December 31, 2012. Events or transactions that provided evidence about conditions that did not exist at December 31, 2012 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, 2012.

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, 2012

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 13,805,594	\$ 13,805,594	\$ 13,942,219	\$ 136,625
Intergovernmental	1,850,349	1,850,349	2,207,630	357,281
Licenses and permits	577,400	564,400	765,637	201,237
Fines, forfeitures, and penalties	300,000	300,000	280,513	(19,487)
Public charges for services	1,204,411	1,067,411	1,343,732	276,321
Interdepartmental charges for services	1,537,130	1,537,130	1,537,130	-
Special assessments	130,000	121,000	108,274	(12,726)
Investment income	170,000	170,000	73,037	(96,963)
Miscellaneous	543,295	106,221	130,118	23,897
Total revenues	<u>20,118,179</u>	<u>19,522,105</u>	<u>20,388,290</u>	<u>866,185</u>
EXPENDITURES				
Current				
General government	2,580,261	2,643,259	2,643,610	(351)
Public safety	7,768,437	7,746,397	7,723,830	22,567
Public works	3,227,084	3,221,700	3,122,255	99,445
Health and human services	437,024	437,024	434,778	2,246
Leisure activities	1,329,990	1,339,790	1,341,157	(1,367)
Conservation and development	564,337	567,837	528,656	39,181
Total expenditures	<u>15,907,133</u>	<u>15,956,007</u>	<u>15,794,286</u>	<u>161,721</u>
Excess of revenues over expenditures	<u>4,211,046</u>	<u>3,566,098</u>	<u>4,594,004</u>	<u>1,027,906</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	25,000	25,000	232,617	207,617
Transfers in	390,000	390,000	412,024	22,024
Transfers out	<u>(4,626,046)</u>	<u>(4,193,972)</u>	<u>(4,197,241)</u>	<u>(3,269)</u>
Total other financing sources (uses)	<u>(4,211,046)</u>	<u>(3,778,972)</u>	<u>(3,552,600)</u>	<u>226,372</u>
Net change in fund balance	-	(212,874)	1,041,404	1,254,278
FUND BALANCE - Beginning	<u>7,854,759</u>	<u>7,854,759</u>	<u>7,854,759</u>	<u>-</u>
FUND BALANCE - Ending	<u>\$ 7,854,759</u>	<u>\$ 7,641,885</u>	<u>\$ 8,896,163</u>	<u>\$ 1,254,278</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2012**

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</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	<u>Excess</u> <u>Expenditures</u> <u>Over Budget</u>
General Fund			
General government	\$ 2,643,259	\$ 2,643,610	\$ 351
Leisure activities	1,339,790	1,341,157	1,367
Safety impact fee and other	-	102,065	102,065
Economic development grant	-	22,396	22,396
Lost and damaged books	39,000	57,995	18,995
Library endowment fund	8,000	8,975	975
Airport fund	87,700	489,606	401,906
Public land special revenue and activities fund	10,000	152,640	142,640

The legal level of budget control is the function level in the General Fund and the total expenditures in all other funds. The City controls expenditures at the departmental level for management purposes. 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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
TAXES				
General property tax	\$ 13,403,494	\$ 13,403,494	\$ 13,438,561	\$ 35,067
Fees in lieu of taxes	44,100	44,100	44,100	-
Room tax	353,000	353,000	463,174	110,174
Interest and penalties on taxes	5,000	5,000	(3,616)	(8,616)
Total taxes	<u>13,805,594</u>	<u>13,805,594</u>	<u>13,942,219</u>	<u>136,625</u>
INTERGOVERNMENTAL				
Shared taxes from state	280,000	280,000	322,235	42,235
State aid - road allotment	1,164,746	1,164,746	1,164,746	-
State aid - exempt computer aid	135,000	135,000	203,311	68,311
State aid - fire insurance dues	76,000	76,000	88,941	12,941
State aid - law enforcement	86,000	86,000	78,509	(7,491)
Federal and state aid - other	55,250	55,250	281,814	226,564
County aid - signals	8,200	8,200	7,971	(229)
County aid - senior citizens	45,153	45,153	50,953	5,800
County aid - youth center	-	-	9,150	9,150
Total intergovernmental	<u>1,850,349</u>	<u>1,850,349</u>	<u>2,207,630</u>	<u>357,281</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	38,000	38,000	35,576	(2,424)
Operators' licenses	12,000	12,000	15,010	3,010
Contractors' licenses	6,000	6,000	8,538	2,538
Alarm licenses	9,000	9,000	9,250	250
Cigarette licenses	300	300	1,260	960
Bicycle licenses	100	100	-	(100)
Dog and cat licenses	5,500	5,500	4,717	(783)
Cable TV franchise license	200,000	200,000	197,355	(2,645)
Other miscellaneous licenses	4,000	4,000	2,060	(1,940)
Building permits	160,000	160,000	288,362	128,362
Electrical permits	35,000	35,000	58,500	23,500
Plumbing permits	35,000	35,000	64,131	29,131
Erosion control permits	5,000	5,000	34,735	29,735
Other public land fees	8,000	-	-	-
Zoning permits	6,500	1,500	22,250	20,750
Park reservation permits	53,000	53,000	23,893	(29,107)
Total licenses and permits	<u>577,400</u>	<u>564,400</u>	<u>765,637</u>	<u>201,237</u>
FINES, FORFEITURES, AND PENALTIES				
Court penalties	180,000	180,000	169,547	(10,453)
Parking violations	40,000	40,000	37,207	(2,793)
Court costs	80,000	80,000	73,759	(6,241)
Total fines, forfeitures, and penalties	<u>300,000</u>	<u>300,000</u>	<u>280,513</u>	<u>(19,487)</u>

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
PUBLIC CHARGES FOR SERVICES				
Clerk fees	\$ 10,000	\$ 10,000	\$ 8,807	\$ (1,193)
Vehicle registration fees	-	-	468	468
Police special services	27,000	12,000	315	(11,685)
Police department fees	25,000	25,000	7,947	(17,053)
Ambulance services	567,253	567,253	700,826	133,573
EMS fixed cost abatement	184,158	184,158	195,687	11,529
Plan commission charges	11,000	11,000	25,785	14,785
Senior citizens	21,000	13,000	21,783	8,783
Swimming pool	234,000	234,000	243,737	9,737
Summer recreation	70,000	-	92,078	92,078
Fall-Winter-Spring recreation	-	-	37,723	37,723
Public works charges	11,000	11,000	6,887	(4,113)
Other recreation	44,000	-	1,689	1,689
Total public charges for services	<u>1,204,411</u>	<u>1,067,411</u>	<u>1,343,732</u>	<u>276,321</u>
INTERDEPARTMENTAL CHARGES FOR SERVICES				
Administration reimbursements - Utilities	128,000	128,000	128,000	-
Administration reimbursements - TIF	1,401,530	1,401,530	1,401,530	-
Administration reimbursements - Landfill	5,000	5,000	5,000	-
Administration reimbursements - Fire District	2,600	2,600	2,600	-
Total interdepartmental charges for services	<u>1,537,130</u>	<u>1,537,130</u>	<u>1,537,130</u>	<u>-</u>
SPECIAL ASSESSMENTS				
Curb, gutter, and sidewalks	120,000	120,000	108,274	(11,726)
Street improvements	9,000	-	-	-
Interest on special assessments	1,000	1,000	-	(1,000)
Total special assessments	<u>130,000</u>	<u>121,000</u>	<u>108,274</u>	<u>(12,726)</u>
INVESTMENT INCOME				
	<u>170,000</u>	<u>170,000</u>	<u>73,037</u>	<u>(96,963)</u>
COMMERCIAL REVENUES				
Rent of City buildings and offices	40,000	40,000	48,000	8,000
Erosion control and stormwater reimbursements	5,000	-	-	-
Donations	-	-	1,246	1,246
Sale of materials	8,000	8,000	10,547	2,547
BAB subsidy	247,074	-	-	-
Miscellaneous	57,471	57,471	36,826	(20,645)
Annual environmental impact fee	185,000	-	32,624	32,624
Event/trip revenue	-	-	225	225
Interlocking ignition device	750	750	650	(100)
Total commercial revenues	<u>543,295</u>	<u>106,221</u>	<u>130,118</u>	<u>23,897</u>
OTHER FINANCING SOURCES				
Sale of City property	25,000	25,000	232,617	207,617
Transfer in - Water Utility	390,000	390,000	412,024	22,024
Total other financing sources	<u>415,000</u>	<u>415,000</u>	<u>644,641</u>	<u>229,641</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES				
	<u>\$ 20,533,179</u>	<u>\$ 19,937,105</u>	<u>\$ 21,032,931</u>	<u>\$ 1,095,826</u>

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF EXPENDITURES - ACTUAL AND BUDGET
GENERAL FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
GENERAL GOVERNMENT				
Council	\$ 67,295	\$ 68,210	\$ 67,206	\$ 1,004
Police commission	8,710	8,710	4,848	3,862
Landmarks commission	3,484	484	351	133
Middleton youth commission	18,035	18,035	29,644	(11,609)
Art committee	-	3,000	259	2,741
Sustainability committee	7,744	-	7,365	(7,365)
Municipal court	109,766	109,766	99,428	10,338
General administration	717,733	764,117	832,022	(67,905)
Information technology	614,630	659,004	639,675	19,329
Elections	83,430	85,430	77,057	8,373
Board of review	300	300	-	300
Independent auditing	45,000	50,000	42,005	7,995
Legal counseling	205,000	200,000	236,692	(36,692)
Special legal counsel	4,500	9,500	6,862	2,638
Buildings and grounds	152,978	145,732	133,758	11,974
Illegal taxes and tax refunds	5,000	35,817	32,334	3,483
Property and liability insurance	400,000	369,183	369,183	-
Income continuation insurance	16,000	16,000	(830)	16,830
Contingency	100,656	64,971	-	64,971
Group life insurance	20,000	20,000	15,842	4,158
Vision care	-	-	736	(736)
Bank fees	-	10,000	9,309	691
Miscellaneous	-	5,000	39,998	(34,998)
Additional expenditures-prior years	-	-	(134)	134
Total general government	<u>2,580,261</u>	<u>2,643,259</u>	<u>2,643,610</u>	<u>(351)</u>
PUBLIC SAFETY				
Police administration	691,334	691,334	683,321	8,013
Police patrol	3,572,657	3,572,657	3,541,215	31,442
Code compliance	76,400	78,400	78,839	(439)
Training	-	-	1,072	(1,072)
School patrol	13,285	13,285	14,335	(1,050)
Fire suppression	740,948	740,948	783,389	(42,441)
Public fire protection	437,391	437,391	437,391	-
EMS	1,424,346	1,402,306	1,376,821	25,485
Building inspector	115,347	113,347	122,091	(8,744)
Electrical inspector	102,131	102,131	99,114	3,017
Plumbing inspection	65,302	65,302	64,821	481
Emergency preparedness	12,903	12,903	20,930	(8,027)
Sealer of weights and measures	5,000	5,000	4,400	600
Erosion control enforcement	16,000	16,000	23,370	(7,370)
Communications	495,393	495,393	472,721	22,672
Total public safety	<u>7,768,437</u>	<u>7,746,397</u>	<u>7,723,830</u>	<u>22,567</u>

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF EXPENDITURES - ACTUAL AND BUDGET
GENERAL FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
PUBLIC WORKS				
Machinery	\$ 341,306	\$ 341,306	\$ 319,944	\$ 21,362
Garage	45,500	45,500	49,019	(3,519)
Public works salaries and fringes	644,940	644,096	614,561	29,535
Protective equipment	3,500	3,500	3,513	(13)
Engineering	694,961	699,383	685,622	13,761
Street maintenance	51,137	33,975	47,843	(13,868)
Street cleaning	8,900	8,900	9,709	(809)
Snow and ice control	75,000	68,000	69,770	(1,770)
Traffic signals	22,850	29,550	20,169	9,381
Traffic signs and markings	28,200	45,000	27,608	17,392
Street lighting	123,800	107,000	106,234	766
Tree and brush	2,000	2,000	1,467	533
Storm sewers	13,000	13,000	18,556	(5,556)
Mass transit	359,878	368,378	344,205	24,173
Garbage collection	525,000	525,000	520,487	4,513
Sanitary landfill	51,412	51,412	51,412	-
Recycling	235,700	235,700	232,136	3,564
Total public works	<u>3,227,084</u>	<u>3,221,700</u>	<u>3,122,255</u>	<u>99,445</u>
HEALTH AND HUMAN SERVICES				
Aging	<u>437,024</u>	<u>437,024</u>	<u>434,778</u>	<u>2,246</u>
LEISURE ACTIVITIES				
Cable television	15,000	4,235	-	4,235
Recreation programs and events	56,654	67,419	37,499	29,920
Recreation administration	125,192	111,242	121,848	(10,606)
Swimming pool	280,860	280,860	325,435	(44,575)
Summer recreation	69,019	69,319	61,403	7,916
Parks	783,265	806,715	794,972	11,743
Total leisure activities	<u>1,329,990</u>	<u>1,339,790</u>	<u>1,341,157</u>	<u>(1,367)</u>
CONSERVATION AND DEVELOPMENT				
Water resources	30,459	30,459	30,097	362
Conservancy land commission	75,250	75,250	39,496	35,754
Planning commission	307,632	320,632	315,077	5,555
Other	27,000	7,500	19,473	(11,973)
Forestry	123,996	133,996	124,513	9,483
Total conservation and development	<u>564,337</u>	<u>567,837</u>	<u>528,656</u>	<u>39,181</u>
OTHER FINANCING USES				
Transfers out - nonmajor Special Revenue Funds	-	-	3,270	(3,270)
Transfers out - Library Fund	1,018,315	1,018,315	1,018,315	-
Transfers out - Debt Service Fund	3,607,731	3,175,657	3,175,656	1
Total other financing uses	<u>4,626,046</u>	<u>4,193,972</u>	<u>4,197,241</u>	<u>(3,269)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 20,533,179</u>	<u>\$ 20,149,979</u>	<u>\$ 19,991,527</u>	<u>\$ 158,452</u>

CITY OF MIDDLETON, WISCONSIN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2012

	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	\$ 1,658,454	\$ 24,317	\$ 34,428	\$ 200,722	\$ 79,430	\$ 69,947	\$ 105,966	\$ 276,133	\$ 1,008,467	\$ 18,692	\$ 154,566	\$ 246,048	\$ 107,851	\$ 3,985,021
Accounts receivable	-	-	-	-	-	-	-	-	252,553	-	-	-	-	252,553
TOTAL ASSETS	\$ 1,658,454	\$ 24,317	\$ 34,428	\$ 200,722	\$ 79,430	\$ 69,947	\$ 105,966	\$ 276,133	\$ 1,261,020	\$ 18,692	\$ 154,566	\$ 246,048	\$ 107,851	\$ 4,237,574
LIABILITIES AND FUND BALANCES														
LIABILITIES														
Accounts payable	\$ 14,445	\$ -	\$ -	\$ -	\$ 31,794	\$ 6,425	\$ -	\$ -	\$ 182,382	\$ -	\$ -	\$ 27,728	\$ 235	\$ 263,009
Deposits	429,761	-	-	-	-	-	-	-	-	-	-	-	-	429,761
Total liabilities	444,206	-	-	-	31,794	6,425	-	-	182,382	-	-	27,728	235	692,770
FUND BALANCES														
Restricted	275,600	-	34,428	200,722	-	-	-	276,133	-	-	154,566	-	-	941,449
Assigned	938,648	24,317	-	-	47,636	63,522	105,966	-	1,078,638	18,692	-	218,320	107,616	2,603,355
Total fund balances	1,214,248	24,317	34,428	200,722	47,636	63,522	105,966	276,133	1,078,638	18,692	154,566	218,320	107,616	3,544,804
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,658,454	\$ 24,317	\$ 34,428	\$ 200,722	\$ 79,430	\$ 69,947	\$ 105,966	\$ 276,133	\$ 1,261,020	\$ 18,692	\$ 154,566	\$ 246,048	\$ 107,851	\$ 4,237,574

CITY OF MIDDLETON, WISCONSIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2012

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,080,740	\$ -	\$ -	\$ -	\$ -	\$ 1,080,740
Intergovernmental	-	-	-	-	766,589	-	-	-	-	230	8,625	-	2,276	777,720
Licenses and permits	53,813	-	-	-	-	-	163,440	-	-	-	-	-	-	217,253
Public charges for services	-	19,848	-	-	16,607	117,894	-	-	-	-	-	106,834	-	261,183
Investment income	-	-	-	18,043	-	-	-	524	-	-	-	-	-	18,567
Miscellaneous	-	-	7,901	-	12,755	-	1,683	-	-	-	-	23,204	9,712	55,255
Total revenues	53,813	19,848	7,901	18,043	795,951	117,894	165,123	524	1,080,740	230	8,625	130,038	11,988	2,410,718
EXPENDITURES														
Current:														
Public safety	-	-	-	-	-	-	-	-	-	1,398	-	-	-	1,398
Leisure activities	-	57,995	3,734	8,975	1,813,043	-	2,065	-	775,923	-	-	152,640	25,105	2,839,480
Conservation and development	22,120	-	-	-	-	489,607	-	22,396	-	-	-	-	-	534,123
Total expenditures	22,120	57,995	3,734	8,975	1,813,043	489,607	2,065	22,396	775,923	1,398	-	152,640	25,105	3,375,001
Excess of revenues over (under) expenditures	31,693	(38,147)	4,167	9,068	(1,017,092)	(371,713)	163,058	(21,872)	304,817	(1,168)	8,625	(22,602)	(13,117)	(964,283)
OTHER FINANCING SOURCES (USES)														
Transfers in	-	-	-	-	1,018,315	-	335	-	-	2,935	-	238,437	-	1,260,022
Transfers out	(238,437)	-	-	-	(2,700)	-	(100,000)	-	-	-	(85,000)	-	-	(426,137)
Net change in fund balances	(206,744)	(38,147)	4,167	9,068	(1,477)	(371,713)	63,393	(21,872)	304,817	1,767	(76,375)	215,835	(13,117)	(130,398)
FUND BALANCES - BEGINNING OF YEAR	1,420,992	62,464	30,261	191,654	49,113	435,235	42,573	298,005	773,821	16,925	230,941	2,485	120,733	3,675,202
FUND BALANCES - END OF YEAR	\$ 1,214,248	\$ 24,317	\$ 34,428	\$ 200,722	\$ 47,636	\$ 63,522	\$ 105,966	\$ 276,133	\$ 1,078,638	\$ 18,692	\$ 154,566	\$ 218,320	\$ 107,616	\$ 3,544,804

**CITY OF MIDDLETON, WISCONSIN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
December 31, 2012**

	TIF District No. 5	Public Works Capital Construction	Public Lands Capital Construction	General Capital Projects	Total
ASSETS					
Cash and investments	\$ 1,488,295	\$ 2,511,810	\$ 608,576	\$ 581,530	\$ 5,190,211
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,635	\$ 49,113	\$ 14,600	\$ 135	\$ 65,483
Advance from other funds	-	-	-	-	-
Total liabilities	1,635	49,113	14,600	135	65,483
FUND BALANCES					
Restricted	1,486,660	2,462,697	593,976	581,395	5,124,728
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,488,295	\$ 2,511,810	\$ 608,576	\$ 581,530	\$ 5,190,211

CITY OF MIDDLETON, WISCONSIN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
For the Year Ended December 31, 2012

	<u>TIF District No. 5</u>	<u>Public Works Capital Construction</u>	<u>Public Lands Capital Construction</u>	<u>General Capital Projects</u>	<u>Total</u>
REVENUES					
Intergovernmental	\$ 34,074	\$ -	\$ 1,750	\$ -	\$ 35,824
Investment income	483	143	13	71	710
Miscellaneous	1,997	-	-	-	1,997
Total revenues	<u>36,554</u>	<u>143</u>	<u>1,763</u>	<u>71</u>	<u>38,531</u>
EXPENDITURES					
Current:					
General government	51,113	-	-	-	51,113
Conservation and development	1,229,751	-	-	-	1,229,751
Capital outlay	-	956,751	791,864	910,531	2,659,146
Debt service - debt issuance costs	8,000	-	-	10,475	18,475
Total expenditures	<u>1,288,864</u>	<u>956,751</u>	<u>791,864</u>	<u>921,006</u>	<u>3,958,485</u>
Excess of revenues over (under) expenditures	(1,252,310)	(956,608)	(790,101)	(920,935)	(3,919,954)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	5,000,000	2,881,085	903,530	1,230,385	10,015,000
Discount on debt issued	(14,450)	-	-	(21,450)	(35,900)
Premium on debt issued	-	-	-	82,236	82,236
Transfers in	-	75,613	237,502	(310,415)	2,700
Net change in fund balances	3,733,240	2,000,090	350,931	59,821	6,144,082
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>(2,246,580)</u>	<u>462,607</u>	<u>243,045</u>	<u>521,574</u>	<u>(1,019,354)</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,486,660</u>	<u>\$ 2,462,697</u>	<u>\$ 593,976</u>	<u>\$ 581,395</u>	<u>\$ 5,124,728</u>