



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

TOWN OF MIDDLETON

**FINANCIAL STATEMENTS WITH
AUDITOR'S REPORT**

For the Year Ended December 31, 2011

Quality service through our commitment to clients and staff.

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Town of Middleton

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December 31, 2011

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

May 29, 2012

To the Town Board
Town of Middleton
Dane County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middleton, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middleton, Wisconsin, as of December 31, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Town implemented the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" as of January 1, 2011.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages i through viii and 26 and 27 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.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin

TOWN OF MIDDLETON

7555 W. OLD SAUK ROAD

VERONA, WI 53593

Management's Discussion and Analysis

For the Year Ending December 31, 2011

This narrative supplements the Town of Middleton financial statements as they pertain to financial activities of the Town for the fiscal year ended December 31, 2011. The Town of Middleton continues to use the provisions of the Governmental Accounting Standards Board (GASB) Statement #'s 34 & 37 *Basic Financial Statements – Management Discussion and Analysis for State and Local Governments* and # 38 *Certain Financial Statement Disclosures* which were adopted as of December 31, 2007 and used for the first time with the preparation of the 2008 financial statements. The Town of Middleton also implemented GASB 54 as of January 1, 2011 when the Board approved its Fund Balance Policy on December 2, 2011.

Financial Highlights

When revenues exceed expenses, the result is an increase in net assets and when expenses exceed revenues, the result is a decrease in net assets. You can think of this relationship between revenues and expenses as the Town's operating results. Over time, increases or decreases in the Town's net assets, as measured in the Statement of Activities, indicate if the Town's financial position is improving or deteriorating. However, the Town's goal is to provide services that improve the quality of life for our residents, not to generate profits. For this reason, you will need to consider many other non-financial factors, such as the safety of our residents, the condition of our roads, parks and trails as well as the preservation of open space, in assessing the overall performance of our Town.

- The assets of the Town exceeded its liabilities as of December 31, 2011 by \$13,534,815.
- Total net assets increased by \$491,441.
- As of December 31, 2011, governmental funds reported combined ending fund balances of \$5,748,960. This includes the non-spendable fund balance of \$128,767, the committed fund balance of \$10,000, the assigned fund balance of \$4,865,671, and the unassigned fund balance of \$744,522. As of December 31, 2011, the Unassigned Fund balance for the general fund was \$744,522 or approximately 31% of total General Fund expenditures.
- General obligation debt decreased by \$654,378 during 2011.

Fund Financial Statement Highlights

- I. **Revenue:** Total property tax revenue of \$2,726,454 represents a decrease of \$182,626 (-6.3%) from 2010. Of the \$2,726,454 in property tax revenue, \$1,584,575 (58.1%) was used for the Town's General Fund, another \$244,781 (8.9%) for capital improvement projects and the remaining \$897,098 (33%) was applied to debt service obligations.
- Intergovernmental revenue was up \$203,859 (50%) from 2010 primarily due to a onetime payment of \$279,011 from American Transmission Company for the construction of the Rockdale West Middleton transmission line. There were also decreases of \$9,130 (-4.5%) in State Transportation Aid and \$7,987 (-35.4%) from the State for the Recycling Grant. A decrease of \$49,932 (-95%) in grants was a return to normal after a joint stormwater project with the City of Verona produced higher than normal revenue in 2010.
 - License and permits were up \$18,315 (13.6%) as there were six more new-home starts in 2011, for a total of eighteen.
 - Interest income increased by \$11,186 (20%), as we invested the proceeds (\$1,890,000) from the Build America Bond (BAB) prior to using them for the reconstruction of Old Sauk Road.
 - Miscellaneous income decreased by over \$236,000 (-54%) because of onetime items in 2010, in particular the stormwater project constructed for the City of Verona.

II. Expenditures: Total expenditures increased by \$308,183 (7%) from 2010.

- General Government expenditures were under 2010 expenditures by \$73,495 (-12.9%) primarily due to Legal Expenses decreasing by \$25,996 and Office Salaries and benefits decreasing by \$26,246.
- Public Safety expenditures increased from 2010 by \$56,877 (9.2%) due primarily to the Fire District’s costs increasing by \$34,676. Costs for contracted Police services increased by \$22,989 due to timing of the last invoice.
- Public Works spent \$653,217 (37%) more than in 2010 in a Capitol Improvement project to reconstruct Old Sauk Road.
- Conservation & Development expenditures increased by \$1,612 (18.5%).
- Culture, Recreation and Education expenses decreased by \$44,041 (-16.6%).

Capital Expenditures for 2011:

Town Hall Maintenance		\$37,275
New Server		\$4,825
Trails		\$9,592
Utility Vehicle		\$15,200
Road Improvement Program		\$1,472,324
Elderberry Road	70,270	
Twin Valley Road	16,812	
Old Sauk Road	1,385,242	

Total Capital Expenditures \$1,539,216

III. Miscellaneous items:

Recent Levies:		<u>Mill rate (/\$1,000 of Value)</u>
1. 2011 levy payable in 2012	\$2,743,540	\$2.66037
2. 2010 levy payable in 2011	\$2,726,454	\$2.67819
3. 2009 levy payable in 2010	\$2,909,080	\$2.71986
4. 2008 levy payable in 2009	\$2,832,686	\$2.82328
5. 2007 levy payable in 2008	\$2,321,271	\$2.34578

The Town issued \$1,890 in General Obligation Bonds (the BAB) in 2010 that financed the reconstruction of Old Sauk Road. Details for the bond are provided below:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2011	\$205	0.80%
2012	\$200	1.00%
2013	\$205	1.20%
2014	\$205	1.50%
2015	\$205	1.80%
2016	\$210	2.20%
2017	\$215	2.60%
2018	\$220	3.00%
2019	\$225	3.25%

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which are comprised of three components:

- 1) Government-wide financial statements.
- 2) Fund financial statements.
- 3) Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government; public safety; public works; health and social services; parks and recreation; and conservation and development. The Town has no business-type activities.

Financial statements of the Town are available from its office.

The government-wide financial statements can be found on page 1 and 2 of this report.

Fund financial statements. A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Middleton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Parks Fund, Debt Service Fund, and a Capital Projects Fund, all major funds.

The Town adopts an annual budget for the General, Parks, Debt Service and Capital Projects Funds. Supplementary budgetary comparison statements have been provided for the General and Parks Funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on page 3 to 6 of this report.

Fiduciary funds. Fiduciary funds are used to account for assets held by a governmental unit acting as a trustee or agent for individuals, organization, other governmental units, or other funds of the same governmental unit. They are custodial in nature (assets equal liabilities) and do not measure results of operations.

The fiduciary fund financial statements can be found on page 7 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 8 to 25 of this report.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. Assets exceeded liabilities by \$13,534,815 at the close of 2011.

Town of Middleton's Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Assets:		
Current and other assets	\$ 9,365,999	\$ 10,139,804
Capital assets	14,810,367	14,364,397
Total Assets	<u>24,176,366</u>	<u>24,504,201</u>
Liabilities:		
Long-term liabilities outstanding	6,352,891	7,006,495
Other liabilities	4,288,660	4,454,332
Total Liabilities	<u>10,641,551</u>	<u>11,460,827</u>
Net Assets:		
Invested in capital assets, net of related debt	8,534,098	9,866,971
Restricted	-	1,541,188
Unrestricted	5,000,717	1,635,215
Total Net Assets	<u>\$ 13,534,815</u>	<u>\$ 13,043,374</u>

The Town’s net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Infrastructure placed in service prior to January 1, 2004, such as roads, storm sewers, and culverts, are reflected in these reports.

The table below provides a summary of the Town's operating results and their impact on net assets for 2011. In 2011, the Town relied primarily on property taxes to fund its operations. Taxes account for approximately \$2.7 million (66%) of total revenue. Program revenues, in the form of charges for services were 11.7 percent, and operating grants and contributions were 5.9 percent.

Town of Middleton's Change in Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for services and fees, fines and costs	\$ 480,464	\$ 562,991
Operating grants and contributions	241,652	317,167
General revenues:		
Property taxes	2,726,664	2,920,490
Other taxes	29,101	28,527
Grants and contributions not restricted to specific programs	371,169	92,276
Unrestricted interest and investments	67,111	55,983
Gain on sale of asset	-	38,000
Miscellaneous	200,219	300,552
Total Revenues	4,116,380	4,315,986
Expenses:		
General government	538,440	580,387
Public safety	710,491	653,613
Public works	1,893,856	1,886,085
Culture and recreation	233,162	213,113
Conservation and development	10,323	14,683
Interest on long-term debt	238,667	212,081
Total Expenses	3,624,939	3,559,962
Increase in net assets	491,441	756,024
Net assets - January 1	13,043,374	12,287,350
Net assets - December 31	\$ 13,534,815	\$ 13,043,374

FINANCIAL ANALYSIS OF THE TOWN OF MIDDLETON'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, the Town's governmental funds reported combined ending fund balances of \$5,748,960, a decrease of \$592,594 from the prior year. The general fund has an unassigned fund balance of \$744,522.

The general fund is the chief operating fund of the Town. At the end of the current year, the unassigned balance of the General Fund was \$744,522, while the total fund balance reached \$3,400,967. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. The unassigned fund balance represents 31% of total general fund expenditures.

Differences between the original budget and the final budget did not change the amount of appropriations from the original budgeted amounts.

Capital Assets and Debt Obligations

Capital assets. The investment in capital assets for its governmental activities as of December 31, 2011 amounts to \$14,810,367 (net of accumulated depreciation). This investment in capital assets includes land, equipment, buildings, improvements, and infrastructure construction in progress. Infrastructure placed in service prior to January 1, 2004 (roads, storm sewers, and culverts) is included. The net increase in the Town's investment in capital assets for the current year was \$445,970.

Town of Middleton's Capital Assets (net of accumulated depreciation)

	Governmental Activities	
	2011	2010
Land	\$ 4,865,230	\$ 4,865,230
Construction in Progress	70,270	264,628
Buildings and Improvements	3,689,311	3,642,444
Vehicles	598,550	598,550
Equipment	748,847	728,822
Infrastructure	14,123,788	12,721,734
Less: Accumulated Depreciation	<u>(9,285,629)</u>	<u>(8,457,011)</u>
Total	<u>\$ 14,810,367</u>	<u>\$ 14,364,397</u>

Additional information on capital assets can be found in Note 4 on page 19 of this report.

Long-term debt. On 12/31/11, the Town had total long-term debt outstanding of \$6,966,269, which was general obligation debt backed by the full faith of the Town. During the fiscal year, the Town's general obligation debt decreased by \$654,378.

Town of Middleton's Outstanding Debt General Obligation Debt

	Governmental Activities	
	2011	2010
General Obligation Debt:	\$ 6,966,269	\$ 7,620,647
Total	<u>\$ 6,966,269</u>	<u>\$ 7,620,647</u>

Additional information on the Town's long-term debt can be found in Note 5 on pages 20 to 21 of this report.

Collateralization of Accounts

It is the Town's policy to have all accounts fully insured. On December 30, 2011, funds were transferred from the Tax checking account, which is fully insured by the FDIC because of the Frank – Dodd Act, to the Tax savings account. As the savings account is interest bearing, it is not fully insured as the checking account is. The bank has assured us that they will fully collateralize all accounts that are not fully insured by the FDIC. Because the dollar amount in the savings account was not assessed for collateral purposes until the next business day, January 3, 2012, these excess funds (\$884,535) were not collateralized nor insured for these three days. There were no business days during this time. In addition, our depository banks were well capitalized by regulatory standards at December 31, 2011. Thus, our deposits were not at risk during the three day gap. We have discussed this issue with the bank and they have told us that in the future, they will increase the collateralization amount in anticipation of the deposit. This will not be an issue going forward.

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances. Questions, concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Middleton Administrator, 7555 W Old Sauk Rd, Verona WI 53593.

BASIC FINANCIAL STATEMENTS

**Town of Middleton
Dane County, WI**

**Statement of Net Assets
December 31, 2011**

	Governmental Activities
ASSETS	
Cash and Equivalents	\$ 6,026,998
Taxes Receivable	3,040,365
Other Receivables	247,705
Other Assets	50,931
Capital Assets	
Land, Improvements, and Construction in Progress	4,935,500
Other Capital Assets, Net of Depreciation	9,874,867
Total Capital Assets	14,810,367
Total Assets	\$ 24,176,366
 LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 488,361
Deferred Revenues - Taxes	3,040,365
Deferred Revenues - Building Permit Deposits	30,000
Due to Other Governments	30,673
Accrued Interest	32,400
Long-Term Liabilities	
Due Within One Year:	
Notes	659,378
Compensated Absences	7,483
Due in More Than One Year:	
Notes	6,302,354
Compensated Absences	50,537
Total Liabilities	10,641,551
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,534,098
Unrestricted	5,000,717
Total Net Assets	13,534,815
Total Liabilities and Net Assets	\$ 24,176,366

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Statement of Activities
For the Year Ended December 31, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
General Government	\$ 538,440	\$ 67,501	\$ -	\$ (470,939)
Public Safety	710,491	11,258	29,983	(669,250)
Public Works	1,893,856	377,965	211,669	(1,304,222)
Culture and Recreation	233,162	690	-	(232,472)
Conservation and Development	10,323	23,050	-	12,727
Interest on Long-term Debt	238,667	-	-	(238,667)
Total Governmental Activities	<u>\$ 3,624,939</u>	<u>\$ 480,464</u>	<u>\$ 241,652</u>	<u>(2,902,823)</u>

General Revenues:

Taxes:	
Property taxes, levied for general purposes	1,584,785
Property taxes, levied for debt service	897,098
Property taxes, levied for capital projects	244,781
Room taxes	29,101
Grants and contributions not restricted to specific programs	371,169
Unrestricted investment earnings	67,111
Miscellaneous	200,219
Total General Revenues	<u>3,394,264</u>
Change in Net Assets	491,441
Net Assets - Beginning	13,043,374
Net Assets - Ending	<u>\$ 13,534,815</u>

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Balance Sheet
Governmental Funds
For the Year Ended December 31, 2011**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 3,805,705	\$ -	\$ 841,777	\$ 1,379,516	\$ 6,026,998
Receivables:					
Taxes	1,806,848	893,896	339,621	-	3,040,365
Delinquent Personal Property Taxes	103,862	-	-	-	103,862
Special Assessments	1,615	-	-	-	1,615
Accounts	22,344	-	-	119,884	142,228
Due from Other Funds	-	-	-	22,317	22,317
Prepaid Expenses	23,290	-	-	-	23,290
Total Assets	<u>\$ 5,763,664</u>	<u>\$ 893,896</u>	<u>\$ 1,181,398</u>	<u>\$ 1,521,717</u>	<u>\$ 9,360,675</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	302,976	\$ -	\$ 14,240	\$ 1,071	\$ 318,287
Accrued Liabilities	169,883	-	-	190	170,073
Deposits	30,000	-	-	-	30,000
Due to Other Funds	22,317	-	-	-	22,317
Payable to Other Governments	30,673	-	-	-	30,673
Deferred Revenue	1,806,848	893,896	339,621	-	3,040,365
Total Liabilities	<u>2,362,697</u>	<u>893,896</u>	<u>353,861</u>	<u>1,261</u>	<u>3,611,715</u>
Fund Balances:					
Nonspendable	128,767	-	-	-	128,767
Committed	10,000	-	-	-	10,000
Assigned	2,517,678	-	827,537	1,520,456	4,865,671
Unassigned	744,522	-	-	-	744,522
Total Fund Balances	<u>3,400,967</u>	<u>-</u>	<u>827,537</u>	<u>1,520,456</u>	<u>5,748,960</u>
Total Liabilities and Fund Balances	<u>\$ 5,763,664</u>	<u>\$ 893,896</u>	<u>\$ 1,181,398</u>	<u>\$ 1,521,717</u>	<u>\$ 9,360,675</u>

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2011**

Total fund balance, governmental funds	\$	5,748,960
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net assets.		
		14,810,367
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
		32,177
Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net assets.		
Compensated absences		(58,020)
Accrued interest		(32,400)
General obligation debt		(6,966,269)
		<hr/>
Net assets of governmental activities in the statement of net assets	\$	<u><u>13,534,815</u></u>

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011**

	General Fund	Debt Service	Capital Projects	Parks Fund	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,584,575	\$ 897,098	\$ 244,781	\$ -	\$ 2,726,454
Other Taxes	10,896	-	-	20,371	31,267
Intergovernmental	612,821	-	-	-	612,821
License and Permits	152,988	-	-	-	152,988
Fines, Forfeits and Penalties	11,258	-	-	-	11,258
Public Charges for Services	293,263	-	-	21,000	314,263
Interest Income	24,237	12,486	15,670	14,717	67,110
Miscellaneous Income	196,984	-	-	1,235	198,219
Total Revenues	2,887,022	909,584	260,451	57,323	4,114,380
EXPENDITURES					
Current:					
General Government	491,191	75	4,034	-	495,300
Public Safety	676,221	-	-	-	676,221
Public Works	1,065,381	-	1,353,043	-	2,418,424
Culture, Recreation and Education	142,729	-	-	78,055	220,784
Conservation and Development	10,323	-	-	-	10,323
Debt Service					
Principal Repayment	-	654,378	-	-	654,378
Interest/Issue Expense	-	233,544	-	-	233,544
Total Expenditures	2,385,845	887,997	1,357,077	78,055	4,708,974
Excess (Deficiency) of Revenues Over Expenditures	501,177	21,587	(1,096,626)	(20,732)	(594,594)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Assets	-	-	2,000	-	2,000
Transfers In	1,071,587	-	-	-	1,071,587
Transfers Out	-	(1,071,587)	-	-	(1,071,587)
Total Other Financing Sources and Uses	1,071,587	(1,071,587)	2,000	-	2,000
Net Change in Fund Balances	1,572,764	(1,050,000)	(1,094,626)	(20,732)	(592,594)
Fund Balances - Beginning	1,828,203	1,050,000	1,922,163	1,541,188	6,341,554
Fund Balances - Ending	\$ 3,400,967	\$ -	\$ 827,537	\$ 1,520,456	\$ 5,748,960

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011**

Net change in fund balances - total governmental funds:	\$	(592,594)
---	----	-----------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$1,274,588) were more than depreciation (\$828,618) in the current period.		445,970
--	--	---------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term liabilities on the statement of net assets. Also, governmental funds report the effect of issuance costs, premium, discounts and similar items when the debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities.

Principal payments on long-term debt		654,378
Increase in accrued interest		(1,100)
Amortization of debt issuance costs/discount		(4,023)
Increase in accrued compensated absences		(11,190)
 Change in net assets of governmental activities	 \$	 <u>491,441</u>

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2011**

	<u>Tax Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 8,515,819
Receivables:	
Taxes Receivable	10,014,360
Other Receivables	332,247
Total Assets	<u>\$ 18,862,426</u>
LIABILITIES	
Due to Other Funds	\$ 3,041,347
Due to Other Governments	15,821,079
Total Liabilities	<u>\$ 18,862,426</u>

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Middleton, Wisconsin conform to generally accepted accounting principles in the United States of America as applicable to governmental units.

A. Reporting Entity

This report includes all of the funds of the Town of Middleton. The reporting entity for the Town 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. 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. This report does not contain any component units.

B. Government-Wide and Fund Financial Statements

"Government-wide" financial statements are basic financial statements required for all governmental units. The statement of net assets and the statement of activities are the two required statements. Both statements are prepared on the full accrual basis. In accordance with accounting standards for governmental units, the Town uses the modified accrual basis of accounting for governmental fund financial statements.

In addition, all funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note 1.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the standard concentrates on major funds versus non-major funds.

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Town does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town 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 instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

- 1. Summary of Significant Accounting Policies (Continued)**
B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the Town believes is particularly important to financial statement users may be reported as a major fund.

The Town reports the following major governmental funds:

Major Governmental Funds

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

Parks Fund – used to account for the Town’s park related projects and related revenue sources. Revenue sources include seventy percent of room tax (tourism) and park fees charged to developers of new lots. These monies are set aside for future park development and may be used for annual park maintenance.

General Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt.

Capital Projects Fund – used to account for resources to be used for the acquisition or construction of capital infrastructures.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

- 1. Summary of Significant Accounting Policies (Continued)**
- B. Government-Wide and Fund Financial Statements (Continued)**

Major Governmental Funds (Continued)

The Town, in addition to the major funds identified above, reports the following fund type:

Fiduciary Funds

Tax Agency - used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The Town reports its Tax Agency activity in a fiduciary fund.

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

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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. "Measurable" means the amount of the transaction can be determined. "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 Town considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)

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

Intergovernmental aids and grants are recognized as revenues in the period the Town is entitled to the resources and the amounts are available. Amounts owed to the Town, which are not available, are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recognized as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the county are reported as receivables and nonspendable fund balance in the general fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The Town reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the Town 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 Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, and Net Assets or Equity

1) Cash and Cash Equivalents/Investments

Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the Town's individual major funds, and in the aggregate for non-major and agency funds.

All deposits of the Town are made in board designated official depositories and are secured as required by State Statute. The Town may designate, as an official depository, any bank or savings association. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

See Footnote 3 for additional information.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity (Continued)

2) Taxes Receivable

Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes attach as an enforceable lien as of January 1. The Town's portion of taxes is recorded as a receivable in the general fund. The County acts as the collecting agency for all Town taxes. Since Town property taxes are not considered available until January 1 of the year following the levy, they are recorded as deferred revenues in the funds budgeted therefore. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2011 tax roll:

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

3) Inventories and Prepaid Items

Inventories

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not material.

Prepaid Items

Expenditures paid in advance of the period the expenditure is incurred are recorded as prepaid assets.

4) Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets including infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund from which the disbursements are made. Generally accepted accounting principles require that these fixed assets be capitalized at cost in the government-wide financial statements. Contributed fixed assets are to be recorded in the government-wide financial statements at fair market value at the time received. Interest incurred during construction is not capitalized.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity (Continued)

4) Capital Assets (Continued)

Government-Wide Statements

Depreciation on governmental fixed assets is calculated straight-line based on the estimated useful life of assets. The estimated useful life of assets is determined by industry standards as recommended by GASB.

5) Compensated Absences

Under terms of employment, employees are granted sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements.

Accumulated vacation pay benefits may be carried over at the employee's anniversary date not to exceed 5 days. Sick pay can be accumulated to a maximum of 120 days. Accumulated vacation and sick pay is estimated to be \$58,020 at December 31, 2011. This amount is not included as a liability on the fund financial statements, but is reported as a liability on the government-wide financial statements.

6) Long-Term Obligations

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 bond payable and accrued compensated absences.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Other Financing Sources" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure of the debt service fund in the year in which the debt matures or is repaid, whichever is earlier.

7) Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)
D. Assets, Liabilities, and Net Assets or Equity (Continued)

8) Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

Fund Statements

In 2011, the Town implemented the following GASB statement:

GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions.*” The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the Town’s financial statements have changed as a result of implementing this Statement.

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has stated intended use as established by the Town board to assign amounts for specific purposes.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)

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

8) Equity Classifications

Fund Statements

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

When restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

E. Budgetary Information

Budgets

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to the end of August, the Board requests proposed details of expenditures from the various departments for the following fiscal year. Proposed department expenditures are submitted to the Clerk who determines the details of required revenues, and in turn, submits the proposed revenues and expenditures to the Town Board. The budget is legally enacted by Board resolution in December.

Budgetary control is exercised at the departmental level; however, the Board must approve any revisions that alter the total expenditures of a grouping of accounts. Unassigned appropriations lapse at year-end.

The Town adopted an annual budget for the General Fund, the Parks Fund, the Capital Projects Fund and the Debt Service Fund. These budgets are adopted in accordance with State Statutes and are presented in accordance with accounting principles generally accepted in the United States of America. Budgets reflect the original approved budget of the above funds and any subsequent revisions authorized by the Town's Board.

F. Excess Expenditures over Appropriations

The Town controls expenditures at the department level. Some individual line items experienced expenditures, which exceeded appropriations. The detail of those items can be found in the Town's year-end budget to actual report.

G. Inter-fund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions are reported as transfers.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

2. Explanation of Certain Differences between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and government-wide statements certain financial transactions are treated differently.

A. Explanation of Differences between Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

1. Capital related differences include (1) the difference between recording an expenditure for the purpose of capital items in the governmental fund statements and (2) depreciation expense on those items as recorded in the statement of activities.
2. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.
3. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest expense is recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net assets. In addition, debt proceeds are recorded as other financing sources in the governmental fund statements, whereas they are recorded as a liability in the government-wide statements.

3. Cash and Cash Equivalents/Investments

As previously discussed, cash for all Town funds are pooled for investment purposes. At December 31, 2011, the cash and investments consist of the following:

Deposits in Local Government Investment Pool	\$ 358,035
Deposits in Certificates of Deposit	4,334,540
Deposits in Financial Institutions, Interest Bearing Accounts	9,277,538
Deposits in Financial Institutions, Non-Interest Bearing Accounts	572,704
	\$ 14,542,817

Cash and investments as of December 31, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 6,026,998
Fiduciary Funds:	
Cash and Investments	8,515,819
Total Cash and Investments	\$ 14,542,817

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

3. Cash and Cash Equivalents/Investments, (Continued)

Investments Authorized by Wisconsin Statutes

Investment of Town funds is restricted by State statutes. Available investments are limited to:

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes;
- (7) Agreements in which a public depository agrees to repay funds advanced to it by the Town plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government;
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options;
- (9) Repurchase agreements with public depositories, with certain conditions;
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts. In addition, the banks used by the Town participate in the Dodd-Frank Act. Under this program, the FDIC provides unlimited protection to all noninterest-bearing accounts through December 31, 2012. Bank accounts and the local government investment pool 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 be significant to individual organizations.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

3. Cash and Cash Equivalents/Investments (Continued)

Per the Town's investment policy, the objective is to mitigate any risks involving the Town's deposits. Additionally, investments of longer than 12 months in duration shall be limited to 50% of the combined fund balance at any given time.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Town has no investment policy that would further limit its investment choices beyond state law. It is the policy of the Town, to at no time put its deposits at risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the Town would not be able to recover the value of its investment of collateral securities that are in the possession of another party.

As outlined in the Town's investment policy, all funds collected by the Town shall be deposited with chartered financial institutions that have FDIC insurance and are located in Dane County. It is the objective of the Town to mitigate any risk involving its deposits. As such, all deposits in the name of the Town shall be fully insured and protected. The Town will accept deposit protection through a choice of the prevailing FDIC program and/or collateralized securities pledged to the Town. At no time shall the Town put its deposits at risk.

The Town maintained collateralized deposits with two local banking institutions. As of December 31, 2011, the institutions have purchased guarantee bonds to provide coverage for balances which exceed the FDIC insurance and the State Deposit Guarantee Fund coverage. The Town's deposits were exposed to custodial credit risk as follows:

Insured by Federal and State Deposit Insurance	\$ 2,623,947
Collateralized	9,760,000
Uninsured and Uncollateralized	902,533
Total Deposit in Financial Institutions	<u>\$ 13,286,480</u>

Under the Dodd Frank Act, the Town's tax collections checking account is fully insured. On the last business day of the year the Town transferred funds from the tax collection checking account to the tax collection savings account to take advantage of higher interest rates. Due to the timing of the collateralization agreement, the transfer resulted in funds being uninsured as of the close of that business day. On January 3, 2012, the next business day, additional collateral was applied to the checking account and all funds were protected.

Concentration of Credit Risk

The Town's investment policy does not allow for an investment in any one investment type in excess of fifty percent of the Town's combined fund balance. No Town investment represents 5% or more of the total investments.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

4. Capital Assets

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

	Balance 1/1/11	Additions	Retirements	Balance 12/31/11
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 4,865,230	\$ -	\$ -	\$ 4,865,230
Construction in progress	264,628	1,228,159	1,422,517	70,270
Total Non-Depreciable Capital Assets	5,129,858	1,228,159	1,422,517	4,935,500
Capital Assets Being Depreciated:				
Buildings and Improvements	3,642,444	46,867	-	3,689,311
Infrastructure	12,721,734	1,402,054	-	14,123,788
Equipment	728,822	20,025	-	748,847
Vehicles	598,550	-	-	598,550
Capital Assets Being Depreciated	17,691,550	1,468,946	-	19,160,496
Total Capital Assets	22,821,408	2,697,105	1,422,517	24,095,996
Less: Accumulated Depreciation	(8,457,011)	(828,618)	-	(9,285,629)
Capital Assets Net of Depreciation	\$ 14,364,397	\$ 1,868,487	\$ 1,422,517	\$ 14,810,367

Depreciation expense was charged to functions as follows:

General Government	\$ 48,785
Public Works	34,270
Public Safety	723,593
Recreation	21,970
Total Governmental Activities	\$ 828,618

Retirements reflected in the construction work in progress amount include re-categorization of capital assets to the proper accounts. In 2011, the Town reclassified assets from construction work in progress to infrastructure and building and improvements.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

5. Long-Term Obligations

General Obligation Debt

All general obligation notes and bond payable are backed by the full faith and credit of the Town. Notes and bonds will be retired by future property tax levies accumulated by the debt service fund.

	Balance 1/1/2011	Issued	Retired	Balance 12/31/2011	Current Portion
Governmental Activities:					
Total general obligation debt	\$ 7,620,647	\$ -	\$ 654,378	\$ 6,966,269	\$ 659,378
Compensated Absences	46,830	11,190	-	58,020	7,483
	<u>\$ 7,667,477</u>	<u>\$ 11,190</u>	<u>\$ 654,378</u>	<u>\$ 7,024,289</u>	<u>\$ 666,861</u>

General obligation long-term debt issues outstanding at December 31, 2011 and total outstanding were as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/11
G.O. Promissory Note	12/18/2007	12/18/2017	3.80%	\$ 1,543,781	\$ 926,269
			3.00-		
G.O. Bonds	3/20/2009	3/1/2024	4.375%	2,885,000	2,655,000
			2.75 –		
G.O. Bonds	3/20/2009	3/1/2029	4.70%	1,795,000	1,700,000
G.O. Promissory Notes (Build America Bond)	11/22/10	3/1/2019	.80- 3.25%	1,890,000	<u>1,685,000</u>
Total general obligation debt					<u>\$ 6,966,269</u>

Debt Service Requirements to Maturity

Years	General Long-Term Debt		
	Principal	Interest	Totals
2012	\$ 659,378	\$ 234,519	\$ 893,897
2013	674,378	217,291	891,669
2014	689,378	198,505	887,883
2015	699,378	177,663	877,041
2016	714,378	155,305	869,683
2017-2021	2,319,379	444,196	2,763,575
2022-2026	825,000	173,258	998,258
2027-2029	385,000	27,845	412,845
Totals	<u>\$ 6,966,269</u>	<u>\$ 1,628,582</u>	<u>\$ 8,594,851</u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

5. Long-Term Obligations, (Continued)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Town may not exceed five percent of the equalized value of taxable property within the Town's jurisdiction. The debt limit as of December 31, 2011 was \$50,780,080. Total general obligation debt outstanding at year end was \$6,966,269.

6. Governmental Net Assets

Governmental net assets as reported on the statement of net assets as of December 31, 2011 is as follows:

Invested in Capital Assets, Less Outstanding Debt	
Capital Assets, Net	\$ 14,364,367
Outstanding Debt	<u>(5,830,269)</u>
	<u>8,534,098</u>
Unrestricted	5,000,717
Total Net Assets	<u><u>\$ 13,534,815</u></u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

7. Governmental Fund Balances

Governmental fund balances reported on the governmental funds balance sheet at December 31, 2011 include the following:

	General	Capital Projects	Parks Fund	Total
Non-spendable				
Delinquent personal property taxes and special assessments	\$ 105,477	\$ -	\$ -	\$ 105,477
Prepaid Expenses	23,290	-	-	23,290
Total non-spendable	128,767	-	-	128,767
Committed				
Sheriff Sinking Fund	10,000	-	-	10,000
Total committed	10,000	-	-	10,000
Assigned				
Sanitary sewer	27,219	-	-	27,219
Hall Maintenance	48,250	-	-	48,250
Capital Purchases	316,998	827,537	-	1,144,535
Park Development & Maintenance	-	-	1,520,456	1,520,456
Fire District	424,463	-	-	424,463
Storm Water	160,000	-	-	160,000
Roads	180,000	-	-	180,000
Old Sauk Road Project	459,648	-	-	459,648
Park Maintenance	900,000	-	-	900,000
Other	1,100	-	-	1,100
Total assigned	2,517,678	827,537	1,520,456	4,865,671
Unassigned	744,522	-	-	744,522
Total	\$ 3,400,967	\$ 827,537	\$ 1,520,456	\$ 5,748,960

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

8. Employees' Retirement System

2011 Wisconsin Act 10 and 32 contained a number of provisions that affected the Wisconsin Retirement System ("WRS"), a cost-sharing defined benefit multiple-employer public employee retirement system (PERS). First, the Acts made changes to WRS contribution rates and how the contributions are allocated to the accounts of WRS members. Second, Act 10 prohibited WRS employers from paying the WRS employee required contribution with a few exceptions. Act 32 also changed the eligibility requirements for employees initially working for a WRS employer on or after July 1, 2011.

All eligible Town employees participate in the Wisconsin Retirement System. All permanent employees expected to work over 600 hours a year (non-teachers) are eligible to participate in the System. Employees hired after July 1, 2011 are required to work 1,200 hours. Covered employees in the General and Protective categories were required by statute to contribute 5.0% of their salary to the plan in 2011. The contribution rate increased to 5.8% under the changes of Acts 10 and 32. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for the Town of Middleton employees covered by the system for the year ended December 31, 2011 was \$392,802; the employer's total payroll was \$436,912. The total required contribution for the year ended December 31, 2011 was \$45,565 or 11.6 percent of covered payroll. Of this amount, \$7,664 was paid by employees and \$37,901 was paid by the Town. Total contributions for the years ending December 31, 2010 and 2009 were \$41,026 and \$36,704, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 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. 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 July 1, 2011 are immediately vested. Employees who initially become WRS members on or after July 1, 2011, are not eligible for WRS retirement annuity or lump sum retirement benefits until they have five years of creditable service.

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 WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

9. Interfund Balances

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". At December 31, 2011 the general fund owed the parks fund \$22,317.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

10. Transfers

The following is a schedule of interfund transfers for the year ended December 31, 2011:

Transferred To	Transferred From	Amount	Purpose
General Fund	Debt Service Fund	<u>\$ 1,071,587</u>	Reassigned Fund Balance

11. Joint Ventures

The Towns of Middleton, Westport and Springfield and City of Middleton jointly operate a fire district, which is called the Middleton Fire District, which provides fire protection service. The communities share in the annual operation of the district based on the ratio of equalized values of each member. The equalized valuation percentage for the participating municipalities is as follows:

Town of Middleton	24.43%
Town of Westport	6.04%
Town of Springfield	5.72 %
City of Middleton	<u>63.81%</u>
Total	<u>100.00%</u>

The governing body is made up of citizens 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 Town expenditures totaled \$295,445 to the district for 2011. The Town believes that the district will continue to provide services in the future at similar rates.

Financial information of the district as of December 31, 2011 is available directly from the district's office.

12. Rental Income

The Town has entered into a lease agreement with the Dane County Sheriff's Department to provide space for their precinct in the Town's Hall which was finished in 1998. The lease agreement, which commenced in May of 1998 is for 15 years and calls for quarterly payments to the Town of \$6,012 for rent and annual \$2,000 sinking fund requirement. The annual sinking fund requirements began in 2007 and \$10,000 is reported as committed fund balance in the fund financial statements. Rental income for 2011 was \$26,048.

The Town has constructed Fire Station #2 for the Middleton Fire District which was completed in November, 2008. The lease to the Fire District is for 30 years and may be extended for an additional 10 year term. The lease calls for quarterly payments of \$34,280 beginning August 1, 2009 and ending on May 1, 2029. Rental income from this lease was \$137,120 in 2011.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2011

13. Rental Income (Continued)

Minimum rentals to be received on this lease are as follows:

2012	\$ 137,120
2013	137,120
2014	137,120
2015	137,120
2016-2020	685,600
2021-2025	685,600
2026-2029	479,920

The Town also receives rental income for use of land that the Town owns. These rental agreements are negotiated yearly. Rental income for 2011 was \$2,580.

14. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

15. Commitments and Contingencies

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

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Funding for the operating budget of the Town comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the Town. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Town.

16. Subsequent Events

Subsequent to year-end the Town approved the following:

- Purchase of a Town vehicle in an amount not to exceed \$18,275.
- Awarded a bid in the amount of \$27,063 for a storm water project.

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Middleton
Dane County, WI**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,584,575	\$ 1,584,575	\$ 1,584,575	\$ -
Other Taxes	6,200	6,200	10,896	4,696
Intergovernmental	496,922	496,922	612,821	115,899
License and Permits	107,900	107,900	152,988	45,088
Fines, Forfeits and Penalties	12,000	12,000	11,258	(742)
Public Charges for Services	297,875	297,875	293,263	(4,612)
Interest Income	30,950	30,950	24,237	(6,713)
Miscellaneous Income	182,055	182,055	196,984	14,929
Total Revenues	<u>2,718,477</u>	<u>2,718,477</u>	<u>2,887,022</u>	<u>168,545</u>
EXPENDITURES				
Current:				
General Government	630,997	630,997	491,191	139,806
Public Safety	696,646	696,646	676,221	20,425
Public Works	1,229,861	1,229,861	1,065,381	164,480
Culture, Recreation and Education	170,281	170,281	142,729	27,552
Conservation and Development	21,621	21,621	10,323	11,298
Total Expenditures	<u>2,749,406</u>	<u>2,749,406</u>	<u>2,385,845</u>	<u>363,561</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,929)</u>	<u>(30,929)</u>	<u>501,177</u>	<u>532,106</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,071,587	1,071,587
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>1,071,587</u>	<u>1,071,587</u>
Net Change in Fund Balances	(30,929)	(30,929)	1,572,764	1,603,693
Fund Balances - Beginning	1,828,203	1,828,203	1,828,203	-
Fund Balances - Ending	<u>\$ 1,797,274</u>	<u>\$ 1,797,274</u>	<u>\$ 3,400,967</u>	<u>\$ 1,603,693</u>

**Town of Middleton
Dane County, WI**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Parks Fund
For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other Taxes	\$ 14,000	\$ 14,000	\$ 20,371	\$ 6,371
Public Charges for Services	-	-	21,000	21,000
Interest Income	15,000	15,000	14,717	(283)
Miscellaneous Income	12,000	12,000	1,235	(10,765)
Total Revenues	<u>41,000</u>	<u>41,000</u>	<u>57,323</u>	<u>16,323</u>
EXPENDITURES				
Current:				
Culture, Recreation and Education	112,311	112,311	78,055	34,256
Total Expenditures	<u>112,311</u>	<u>112,311</u>	<u>78,055</u>	<u>34,256</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(71,311)</u>	<u>(71,311)</u>	<u>(20,732)</u>	<u>50,579</u>
Net Change in Fund Balances	(71,311)	(71,311)	(20,732)	50,579
Fund Balances - Beginning	1,541,188	1,541,188	1,541,188	-
Fund Balances - Ending	<u>\$ 1,469,877</u>	<u>\$ 1,469,877</u>	<u>\$ 1,520,456</u>	<u>\$ 50,579</u>