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Chicago, IL 60601
tel 312-233-7000
reference no.: 40265066

March 5, 2014

Town of Middleton
7555 West Old Sauk Road
Verona, WI 53593-9700
Attention: Mr. David Shaw, Town Administrator

Re: *Middleton Town, Wisconsin, General Obligation*

Dear Mr. Shaw:

Pursuant to your request for a rating on the above-referenced obligations, Standard & Poor's Ratings Services ("Ratings Services") has assigned a rating of "AAA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the ratings on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

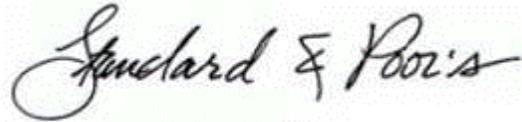
Please send hard copies to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Standard & Poor's Ratings Services.

Sincerely yours,

A handwritten signature in black ink that reads "Standard & Poor's". The signature is written in a cursive, flowing style. The word "Standard" is written in a larger, more prominent script, followed by "&" and "Poor's". The signature is set against a light green, textured background that resembles a stamp or a piece of paper.

Standard & Poor's Ratings Services

sf
enclosures

Summary:

Middleton, Wisconsin; General Obligation

Credit Profile

Middleton Twn taxable GO prom nts (Build America Bnds)

Long Term Rating AAA/Stable Upgraded

Middleton Twn GO

Long Term Rating AAA/Stable Upgraded

Rationale

Standard & Poor's Ratings Services raised its long-term rating to 'AAA' from 'AA+' on the town of Middleton, Wis.' general obligation (GO) debt based on the application of our local GO criteria released Sept. 12, 2013. The outlook is stable.

The town's full faith credit and resources and GO pledge secures the bonds.

The rating reflects our assessment of the following factors for the town:

- We view Middleton's local economy as very strong, with projected per capita effective buying income at 184% of the national average and per capita market value at roughly \$167,800. Middleton, with an estimated population of 6,021, is in Dane County, just west of the cities of Middleton and Madison, the latter of which is the state's capital and the location of the University of Wisconsin's main campus. The town is primarily a bedroom community and uses roughly half of its annual budget for capital-intensive road construction and maintenance, while contracting out most other services, including fire, police, and emergency medical services. The 2012 unemployment rate in Dane County was 4.7%. In our view, the town benefits from participation in the broad and diverse Madison metropolitan statistical area (MSA).
- Middleton's management conditions are strong with "good" financial practices under our financial management assessment (FMA) methodology, indicating our view that the government maintains adequate policies in some but not all key areas. Strengths of the assessment, in our opinion, include strong revenue and expenditure assumptions in the budgeting process, strong oversight in terms of monitoring progress against the budget during the year, strong investment management policies, and long-term capital planning. The town lacks a formal reserve policy but has an informal target to maintain general fund reserves at 20% to 25% of expenditures.
- Middleton's budgetary flexibility is, in our opinion, very strong. The town ended fiscal 2012 with a \$3.3 million available general fund balance. The town also has unrestricted reserves in its capital projects and parks funds, which we understand can be used for general fund operations with board approval. With the addition of these funds, the town had \$5.36 million (203% of general fund expenditures) in available reserves in 2012. Management reports that the total available fund balance remained at roughly the same level in 2013. The town plans to slowly draw down reserves for capital purposes, but we believe that it will maintain reserves in excess of 75% through at least 2015.
- In our view, very strong liquidity supports Middleton's finances, with total government available cash to government fund expenditures at 135% and cash to debt service at more than 6x. Based on past issuance of debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs if necessary.
- Middleton's budgetary performance is, in our opinion, adequate overall, with deficits of \$8,571 (0.3%) for the general

fund and \$268,270 (6.4%) for the total governmental funds in fiscal 2012. On an unaudited basis, the town ended fiscal 2013 with surpluses in both the general fund and total governmental funds, partly a result of not completing capital projects that were included in the original budget. Management anticipates ending 2014 with balanced results for the general fund and a deficit for total governmental funds. The projected deficit is the result of a planned use of reserves for capital purposes. We believe the town will be structurally balanced in fiscal 2015.

- Middleton's debt and contingent liability profile is adequate, in our opinion. Total governmental fund debt service to total governmental fund expenditures is 21.2%, and net direct debt to total governmental funds revenue is 136.1%. Net debt to market value is low at 1.8%, which is a positive credit factor, in our view. Eighty-five percent of the town's direct debt is scheduled to be retired within 10 years. The town participates in the Wisconsin Retirement System, a cost-sharing, multi-employer, defined benefit, public employee retiree system. It has historically fulfilled 100% of the annual required contribution, which totaled 1.2% of expenditures in fiscal 2012. We do not anticipate that this cost will increase substantially in the near term. The city does not offer other postemployment benefits to its employees.
- We consider the Institutional Framework score for Wisconsin towns adequate.

Outlook

The stable outlook reflects our belief that the town will maintain at least adequate budgetary performance and very strong budgetary flexibility and liquidity. We do not anticipate lowering the rating in the two-year outlook horizon because we believe that strong management practices will enable the town to maintain balanced operations and very strong reserves. The town's very strong income and wealth levels, as well as its participation in the Madison MSA, provide additional rating stability.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Wisconsin Local Governments

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.