



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

TOWN OF MIDDLETON

**FINANCIAL STATEMENTS WITH
AUDITOR'S REPORT**

For the Year Ended December 31, 2012

Quality service through our commitment to clients and staff.

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Town of Middleton

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December 31, 2012

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Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

April 5, 2013

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

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.

Auditor's 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 of 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 auditor's 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.



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, 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.

New Accounting Policies

As discussed in Note 1 to the financial statements, in 2012 the Town of Middleton adopted new accounting guidance. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through vii and 27 through 28 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, 2012

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, 2012. 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 position and when expenses exceed revenues, the result is a decrease in net position. 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 position, 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 and deferred inflows as of December 31, 2012 by \$13,875,945.
- Total net position increased by \$368,767.
- As of December 31, 2012, governmental funds reported combined ending fund balances of \$5,480,690. This includes the Non-spendable Fund balance of \$107,880, the Committed Fund balance of \$10,670, the Assigned Fund balance of \$4,461,564, and the Unassigned Fund balance of \$900,576. This Unassigned Fund balance was approximately 34% of total General Fund expenditures.
- General obligation debt decreased by \$659,378 during 2012.

Fund Financial Statement Highlights

- I. Revenue:** Total property tax revenue of \$2,743,540 represents an increase of \$17,086 (.63%) from 2011. Of the \$2,743,540 in property tax revenue, \$1,510,023 (55.0%) was used for the Town's General Fund, another \$339,621 (12.4%) for capital improvement projects and the remaining \$893,896 (32.6%) was applied to debt service obligations.
- Intergovernmental Fund revenue was down \$288,667 (-47%) from 2011 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 \$19,445 (-10%) in State Transportation Aid.

- License and permits were up \$32,316 (21%) due in part to TDS pulling many excavation permits for a fiber optic project and nineteen more new-home starts than in 2011, for a total of thirty-six.
- Interest income for the general fund increased by \$7,534 (25%), as we continued to invest the Town's reserves in Certificates of Deposits. In total, all funds interest income decreased by \$14,517.
- Miscellaneous income increased by over \$47,784 (158%) because of money received from the insurance company for hail damage to the town hall and park shelter roofs.

II. Expenditures: General Fund Expenditures increased by \$256,015 (11%) from 2011.

- General Government expenditures were over 2011 expenditures by \$75,338 (15%) primarily due to Assessor Contract increasing by \$36,961 for the first year of two years reassessment payments, Election Expenses and Wages increasing by \$19,619 for six elections, Legal Expenses increasing by \$33,333 for work on the American Transmission Company and employee manual, and Office Salaries and benefits decreasing by \$49,984 due to the wages and benefits for the Inspector reclassified to Public Safety.
- Public Safety expenditures increased from 2011 by \$76,326 (11%) due primarily to the wages for the Inspector being reclassified from General Government.
- Public Works spent \$70,924 (7%) more than in 2011 due to an increase in road maintenance projects such as chip sealing and an increase in street signage to rotate out older signs.
- Conservation & Development expenditures increased by \$16,470 (160%) due to project work on a neighborhood plan for the Windermere Keewatin area.
- Recreation increased by \$16,957 (12%) due mainly to parts of Pope Farm Conservancy moving out of development and into maintenance.

Capital Expenditures for 2012:

Town Vehicle		\$ 17,694
Middleton Fire District assessment for a Fire Truck		\$168,825
Pioneer Park Parking Lot		\$ 55,315
Road Improvement Program		\$ 99,441
Pioneer & Mineral Point	\$46,885	
Willow Lane Guardrail	\$815	
Blackhawk Road	\$44,942	
Elderberry (Adjustment)	\$-4,113	
Old Sauk Road	\$10,912	
Stormwater		\$162,872
Twin Valley Road	\$122,443	
Sabaka and Vickiann	\$40,429	
Total Capital Expenditures		<u>\$504,147</u>

III. Miscellaneous items:

Recent Levies:		<u>Mill rate (/ \$1,000 of Value)</u>
1. 2012 levy payable in 2013	\$2,775,660	\$2.66397
2. 2011 levy payable in 2012	\$2,743,540	\$2.66037
3. 2010 levy payable in 2011	\$2,726,454	\$2.67819
4. 2009 levy payable in 2010	\$2,909,080	\$2.71986
5. 2008 levy payable in 2009	\$2,832,686	\$2.82328

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 (from pages 1-26).

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 position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent year. All changes in net position 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 pages 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.

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. Assets exceeded liabilities and deferred inflows by \$13,875,945 at the close of 2012.

Town of Middleton's Net Position

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Assets:		
Current and other assets	\$ 8,852,102	\$ 9,365,999
Capital assets	14,814,848	14,810,367
Total Assets	<u>23,666,950</u>	<u>24,176,366</u>
Liabilities:		
Long-term liabilities outstanding	5,707,005	6,352,891
Other liabilities	1,010,504	1,248,295
Total Liabilities	<u>6,717,509</u>	<u>7,601,186</u>
Deferred Inflows:		
Tax Levy	3,073,496	3,040,365
Total Deferred Inflows	<u>3,073,496</u>	<u>3,040,365</u>
Net Position:		
Net investment in capital assets	8,984,579	8,534,098
Unrestricted	4,891,366	5,000,717
Total Net Position	<u>\$ 13,875,945</u>	<u>\$ 13,534,815</u>

The Town's net position 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 position for 2012. In 2012, the Town relied primarily on property taxes to fund its operations. Taxes account for approximately \$2.7 million (63%) of total revenue. Program revenues, in the form of charges for services were 12 percent, and operating grants and contributions were 6 percent.

Town of Middleton's Change in Net Position

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for services and fees, fines and costs	\$ 504,556	\$ 480,464
Operating grants and contributions	257,426	241,652
Capital grants and contributions	430,116	-
General revenues:		
Property taxes	2,743,782	2,726,664
Other taxes	29,094	29,101
Grants and contributions		
not restricted to specific programs	71,776	371,169
Unrestricted interest and investments	52,593	67,111
Gain on sale of asset	-	-
Miscellaneous	240,954	200,219
Total Revenues	4,330,297	4,116,380
Expenses:		
General government	595,848	538,440
Public safety	955,642	710,491
Public works	1,920,039	1,893,856
Culture and recreation	241,280	233,162
Conservation and development	26,792	10,323
Interest on long-term debt	221,929	238,667
Total Expenses	3,961,530	3,624,939
Increase in net position	368,767	491,441
Restatement	(27,637)	-
Net position - January 1	13,534,815	13,043,374
Net position - December 31	\$ 13,875,945	\$ 13,534,815

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, 2012, the Town's governmental funds reported combined ending fund balances of \$5,480,690, a decrease of \$268,270 from the prior year. The general fund has an unassigned fund balance of \$900,576.

The general fund is the chief operating fund of the Town. At the end of the current year the total fund balance was \$3,392,396. As a measure of the general fund's liquidity, it may be useful to compare both Unreserved Fund balance and total fund balance to total General Fund expenditures. The Unassigned Fund balance represents 34% of total general fund expenditures.

There were two budget amendments, one to account for the expensive of replacing the roof and the associated claim payment and the other moving the inspector's wages from General Government to Public Safety.

Capital assets.

The investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$14,814,848 (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 \$4,481.

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

	Governmental Activities	
	2012	2011
Land	\$ 4,865,230	\$ 4,865,230
Construction in Progress	-	70,270
Buildings and Improvements	2,200,323	2,030,841
Buildings - Fire Station #2	1,658,470	1,658,470
Vehicles	616,244	598,550
Equipment	756,187	748,847
Infrastructure	14,876,328	14,123,788
Less: Accumulated Depreciation	(10,157,934)	(9,285,629)
Total	<u>\$ 14,814,848</u>	<u>\$ 14,810,367</u>

Additional information on capital assets can be found in Note 4 on page 20 of this report.

Long-term debt.

On 12/31/12, the Town had total long-term debt outstanding of \$6,306,891, 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 \$659,378.

Town of Middleton's Outstanding Debt

General Obligation Debt

	Governmental Activities	
	2012	2011
General Obligation Debt	\$ 4,671,891	\$ 5,266,269
General Obligation Debt - Fire Station #2	1,635,000	1,700,000
Total	<u>\$ 6,306,891</u>	<u>\$ 6,966,269</u>

Additional information on the Town's long-term debt can be found in Note 5 on pages 21 to 22 of this report.

Collateralization of Accounts

The Town has policies and procedures in place to make sure it's deposits are fully insured and collateralized. The \$4,118,499 of uninsured and uncollateralized deposits disclosed was due to bank error. This situation has been addressed and corrected.

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 Position
December 31, 2012**

	Governmental Activities
ASSETS	
Cash and Equivalents	\$ 5,642,952
Taxes Receivable	3,073,799
Other Receivables	135,351
Capital Assets	
Land, Improvements, and Construction in Progress	4,865,230
Other Capital Assets, Net of Depreciation	9,949,618
Total Capital Assets	14,814,848
Total Assets	\$ 23,666,950
 LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 216,070
Building Permit Deposits	44,000
Due to Other Governments	37,846
Accrued Interest	30,700
Long-Term Liabilities	
Due Within One Year:	
Bonds and Notes	674,378
Compensated Absences	7,510
Due in More Than One Year:	
Bonds and Notes	5,628,540
Compensated Absences	78,465
Total Liabilities	6,717,509
 DEFERRED INFLOWS	
Tax Levy	3,073,496
Total Deferred Inflows	3,073,496
 NET POSITION	
Net Investment in Capital Assets	8,984,579
Unrestricted	4,891,366
Total Net Position	13,875,945
Total Liabilities, Deferred Inflows and Net Position	\$ 23,666,950

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Statement of Activities
For the Year Ended December 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
General Government	\$ 595,848	\$ 70,665	\$ 5,049	\$ -	\$ (520,134)
Public Safety	955,642	11,292	33,634	-	(910,716)
Public Works	1,920,039	396,774	189,629	430,116	(903,520)
Culture and Recreation	241,280	675	-	-	(240,605)
Conservation and Development	26,792	25,150	29,114	-	27,472
Interest on Long-Term Debt	221,929	-	-	-	(221,929)
Total Governmental Activities	<u>\$ 3,961,530</u>	<u>\$ 504,556</u>	<u>\$ 257,426</u>	<u>\$ 430,116</u>	<u>(2,769,432)</u>

General Revenues:

Taxes:	
Property taxes, levied for general purposes	1,510,265
Property taxes, levied for debt service	893,896
Property taxes, levied for capital projects	339,621
Room taxes	29,094
Grants and contributions not restricted to specific programs	71,776
Unrestricted investment earnings	52,593
Miscellaneous	240,954
Total General Revenues	<u>3,138,199</u>
Change in Net Position	368,767
Net Position - Beginning (Restated)	<u>13,507,178</u>
Net Position - Ending	<u>\$ 13,875,945</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, 2012**

	<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	\$ 3,579,113	\$ -	\$ 672,617	\$ 1,391,222	\$ 5,642,952
Receivables:					
Taxes	2,103,358	880,428	90,013	-	3,073,799
Delinquent Personal Property Taxes	103,958	-	-	-	103,958
Special Assessments	3,922	-	-	-	3,922
Accounts	19,570	-	-	7,900	27,470
Due from Other Funds	-	-	-	19,617	19,617
Total Assets	<u>\$ 5,809,921</u>	<u>\$ 880,428</u>	<u>\$ 762,630</u>	<u>\$ 1,418,739</u>	<u>\$ 8,871,718</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 92,086	\$ -	\$ 1,521	\$ 1,541	\$ 95,148
Accrued Liabilities	120,921	-	-	-	120,921
Deposits	44,000	-	-	-	44,000
Due to Other Funds	19,617	-	-	-	19,617
Payable to Other Governments	37,846	-	-	-	37,846
Total Liabilities	<u>314,470</u>	<u>-</u>	<u>1,521</u>	<u>1,541</u>	<u>317,532</u>
Deferred Inflows:					
Tax Levy	<u>2,103,055</u>	<u>880,428</u>	<u>90,013</u>	<u>-</u>	<u>3,073,496</u>
Fund Balances:					
Nonspendable	107,880	-	-	-	107,880
Committed	10,670	-	-	-	10,670
Assigned	2,373,270	-	671,096	1,417,198	4,461,564
Unassigned	900,576	-	-	-	900,576
Total Fund Balances	<u>3,392,396</u>	<u>-</u>	<u>671,096</u>	<u>1,417,198</u>	<u>5,480,690</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 5,809,921</u>	<u>\$ 880,428</u>	<u>\$ 762,630</u>	<u>\$ 1,418,739</u>	<u>\$ 8,871,718</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 Position
December 31, 2012**

Total fund balance, governmental funds	\$	5,480,690
Amounts reported for governmental activities in the statement of net position 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 position.		14,814,848
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 position.		3,973
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 position.		
Compensated absences		(85,975)
Accrued interest		(30,700)
General obligation debt		(6,306,891)
Net position of governmental activities in the statement of net position	\$	<u><u>13,875,945</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, 2012**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 1,510,023	\$ 893,896	\$ 339,621	\$ -	\$ 2,743,540
Other Taxes	9,442	-	-	20,366	29,808
Intergovernmental	324,154	-	-	-	324,154
License and Permits	185,304	-	-	-	185,304
Fines, Forfeits and Penalties	11,292	-	-	-	11,292
Public Charges for Services	303,289	-	-	4,200	307,489
Interest Income	31,771	680	8,085	12,057	52,593
Miscellaneous Income	245,903	-	-	100	246,003
Total Revenues	<u>2,621,178</u>	<u>894,576</u>	<u>347,706</u>	<u>36,723</u>	<u>3,900,183</u>
EXPENDITURES					
Current:					
General Government	566,529	20	17,694	-	584,243
Public Safety	752,548	-	168,825	-	921,373
Public Works	1,136,305	-	262,314	-	1,398,619
Culture, Recreation and Education	159,686	-	55,314	139,981	354,981
Conservation and Development	26,792	-	-	-	26,792
Debt Service					
Principal Repayment	-	659,378	-	-	659,378
Interest/Issue Expense	-	223,067	-	-	223,067
Total Expenditures	<u>2,641,860</u>	<u>882,465</u>	<u>504,147</u>	<u>139,981</u>	<u>4,168,453</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(20,682)</u>	<u>12,111</u>	<u>(156,441)</u>	<u>(103,258)</u>	<u>(268,270)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	12,111	-	-	-	12,111
Transfers Out	-	(12,111)	-	-	(12,111)
Total Other Financing Sources and Uses	<u>12,111</u>	<u>(12,111)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(8,571)	-	(156,441)	(103,258)	(268,270)
Fund Balances - Beginning	3,400,967	-	827,537	1,520,456	5,748,960
Fund Balances - Ending	<u>\$ 3,392,396</u>	<u>\$ -</u>	<u>\$ 671,096</u>	<u>\$ 1,417,198</u>	<u>\$ 5,480,690</u>

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, 2012**

Net change in fund balances - total governmental funds:	\$	(268,270)
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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 (\$876,786) were more than depreciation (\$872,305) in the current period.		4,481
--	--	-------

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 position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term liabilities on the statement of net position. 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		659,378
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Decrease in accrued interest		1,700
------------------------------	--	-------

Amortization of debt issuance costs/discount		(567)
--	--	-------

Increase in accrued compensated absence		(27,955)
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Change in net position of governmental activities:	<u>\$</u>	<u>368,767</u>
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See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Statement of Fiduciary Net Postion
Fiduciary Fund
December 31, 2012**

	<u>Tax Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 9,437,989
Receivables:	
Taxes Receivable	10,129,048
Other Receivables	333,247
Total Assets	<u>\$ 19,900,284</u>
LIABILITIES	
Due to Other Funds	\$ 3,073,799
Due to Other Governments	16,826,485
Total Liabilities	<u>\$ 19,900,284</u>

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

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 position 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 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. 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, 2012

- 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 position/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 and deferred outflows, liabilities and deferred inflows, 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, 2012

- 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 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 deferred inflows. 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 inflows. 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, 2012

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

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 inflows. 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 inflows on its governmental funds balance sheet. Deferred inflows arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred inflows arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows 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 deferred inflows 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. New Accounting Pronouncements

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Town has implemented the provisions of these statements as reflected in the 2012 financial statements. The effects of the implementation of this standard on the financial statements are detailed in Note 6.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies (Continued)
E. Assets, Liabilities, and Net Position 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 fiduciary 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.

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 inflows in the funds budgeted therefore. Taxes are levied in December on the assessed value as of the prior January 1.

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 sale – 2012 delinquent real estate taxes	October 2015

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.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

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

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.

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 \$85,975 at December 31, 2012. 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) Deferred Outflows and Inflows of Resources

Deferred outflow of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

7) 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, 2012

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

8) 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.

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 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 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 position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

The Town follows the provisions of 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.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

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

9) Equity Classifications (Continued)

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. The Board has designated authority to the Town Clerk to assign funds.

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.

F. 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.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

G. Excess Expenditures over Appropriations

The Town controls expenditures at the department level. Some individual line items experienced expenditures, which exceeded appropriations as follows:

Fund	Department	Excess over Budget
General	General Government	\$ 7,210
General	Conservation and Development	10,171
Parks	Culture, Recreation and Education	15,680

H. 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.

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 position. 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.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

3. Cash and Cash Equivalents/Investments

As previously discussed, cash for all Town funds are pooled for investment purposes. At December 31, 2012, the cash and investments consist of the following:

Deposits in Local Government Investment Pool	\$ 150,911
Deposits in Certificates of Deposit	3,963,026
Deposits in Financial Institutions, Interest Bearing Accounts	6,549,617
Deposits in Financial Institutions, Non-Interest Bearing Accounts	4,417,387
	\$ 15,080,941
	\$ 15,080,941

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 5,642,952
Fiduciary Funds:	
Cash and Investments	9,437,989
Total Cash and Investments	\$ 15,080,941
	\$ 15,080,941

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.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$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, 2012, 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.

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.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

3. Cash and Cash Equivalents/Investments (Continued)

The Town maintained collateralized deposits with two local banking institutions. As of December 31, 2012, 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	\$ 6,589,667
Collateralized	4,190,307
Uninsured and Uncollateralized	4,118,499
Total Deposit in Financial Institutions	<u>\$ 14,898,473</u>

The Town has policies and procedures in place to make sure it's deposits are fully insured and collateralized. The \$4,118,499 of uninsured and uncollateralized deposits disclosed above was due to bank error.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances during the year exceeding uninsured amounts at the balance sheet date.

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, 2012

4. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2012 was as follows:

	Balance 1/1/12	Additions	Retirements	Balance 12/31/12
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 4,865,230	\$ -	\$ -	\$ 4,865,230
Construction in progress	70,270	44,942	115,212	-
Total Non-Depreciable Capital Assets	<u>4,935,500</u>	<u>44,942</u>	<u>115,212</u>	<u>4,865,230</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,689,311	169,482	-	3,858,793
Infrastructure	14,123,788	752,540	-	14,876,328
Equipment	748,847	7,340	-	756,187
Vehicles	598,550	17,694	-	616,244
Capital Assets Being Depreciated	<u>19,160,496</u>	<u>947,056</u>	<u>-</u>	<u>20,107,552</u>
Total Capital Assets	24,095,996	991,998	115,212	24,972,782
Less: Accumulated Depreciation	<u>(9,285,629)</u>	<u>(872,305)</u>	<u>-</u>	<u>(10,157,934)</u>
Capital Assets Net of Depreciation	<u>\$ 14,810,367</u>	<u>\$ 119,693</u>	<u>\$ 115,212</u>	<u>\$ 14,814,848</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 53,253
Public Works	34,269
Public Safety	763,378
Recreation	21,405
Total Governmental Activities	<u>\$ 872,305</u>

Retirements reflected in the construction work in progress amount include re-categorization of capital assets to the proper accounts. In 2012, the Town reclassified assets from construction work in progress to infrastructure.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

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 1/1/2012	Issued	Retired	Balance 12/31/2012	Current Portion
Governmental Activities:					
Total general obligation debt	\$ 6,966,269	\$ -	\$ 659,378	\$ 6,306,891	\$ 674,378
Compensated Absences	58,020	27,955	-	85,975	7,510
	<u>\$ 7,024,289</u>	<u>\$ 27,955</u>	<u>\$ 659,378</u>	<u>\$ 6,392,866</u>	<u>\$ 681,888</u>

General obligation long-term debt issues outstanding at December 31, 2012 and total outstanding were as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/12
G.O. Promissory Note	12/18/2007	12/18/2017	3.80% 3.00-	\$ 1,543,781	\$ 771,891
G.O. Bonds	3/20/2009	3/1/2024	4.375% 2.75 –	2,885,000	2,415,000
G.O. Bonds	3/20/2009	3/1/2029	4.70%	1,795,000	1,635,000
G.O. Promissory Notes (Build America Bond)	11/22/10	3/1/2019	.80- 3.25%	1,890,000	<u>1,485,000</u>
Total general obligation debt					<u>\$ 6,306,891</u>

Debt Service Requirements to Maturity

Years	General Long-Term Debt		
	Principal	Interest	Totals
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	734,379	131,194	865,573
2018-2022	1,775,000	363,829	2,138,829
2023-2027	755,000	137,705	892,705
2028-2029	265,000	12,571	277,571
Totals	<u>\$ 6,306,891</u>	<u>\$ 1,394,063</u>	<u>\$ 7,700,954</u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

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, 2012 was \$51,473,290. Total general obligation debt outstanding at year end was \$6,306,891.

6. Governmental Net position

Governmental net position as reported on the statement of net position as of December 31, 2012 is as follows:

Net Investment in Capital Assets		
Capital Assets, Net	\$	14,814,848
Outstanding Debt		<u>(5,830,269)</u>
		<u>8,984,579</u>
Unrestricted		4,891,366
Total Net Assets	\$	<u><u>13,875,945</u></u>

Restatement of Net Position

As a result of the new accounting standard described in Note 1, net position has been restated as of January 1, 2012. The restatement represents the amount of unamortized debt issuance costs that under the new standards should be expensed in the year incurred and no longer amortized over the life of the debt issue.

Net position has been restated as follows:

Net Position - As Stated December 31, 2011	\$	13,534,815
Adjustment for new accounting standard		<u>(27,637)</u>
Net Position - As restated January 1, 2012	\$	<u><u>13,507,178</u></u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

7. Governmental Fund Balances

Governmental fund balances reported on the governmental funds balance sheet at December 31, 2012 include the following:

	General	Capital Projects	Parks Fund	Total
Non-spendable				
Delinquent personal property taxes and special assessments	\$ 107,880	\$ -	\$ -	\$ 107,880
Prepaid Expenses	-	-	-	-
Total non-spendable	107,880	-	-	107,880
Committed				
Sheriff Sinking Fund	10,670	-	-	10,670
Total committed	10,670	-	-	10,670
Assigned				
Ball Field Maintenance	20,000			20,000
Sanitary sewer	34,040	-	-	34,040
Hall Maintenance	60,250			60,250
Capital Purchases	411,609	671,096		1,082,705
Park Development & Maintenance	-		1,417,198	1,417,198
Fire District	255,638			255,638
Storm Water	204,400			204,400
Roads	180,000			180,000
Park Maintenance	750,000			750,000
Other	457,333			457,333
Total assigned	2,373,270	671,096	1,417,198	4,461,564
Unassigned	900,576	-	-	900,576
Total	\$ 3,392,396	\$ 671,096	\$ 1,417,198	\$ 5,480,690

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

8. Employees' Retirement System

All eligible Town employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year (440 hours for teachers and school district educational support employees) are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Covered employees are required by statute to contribute one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions 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. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.00%
Protective without Social Security	5.9%	11.3%

The payroll for the Town of Middleton employees covered by the system for the year ended December 31, 2012 was \$423,057; the employer's total payroll was \$481,240. The total required contribution for the year ended December 31, 2012 was \$49,921 or 11.8 percent of covered payroll. Of this amount, \$24,960 was paid by employees and \$24,961 was paid by the Town. Total contributions for the years ending December 31, 2011 and 2010 were \$45,565 and \$41,026, 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 is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Participants hired after June 30, 2011 are fully vested after five years.

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.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

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, 2012 the general fund owed the parks fund \$19,616.

10. Transfers

The following is a schedule of interfund transfers for the year ended December 31, 2012:

Transferred To	Transferred From	Amount	Purpose
General Fund	Debt Service Fund	<u>\$ 12,111</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’s expenditures totaled \$471,576 to the district for 2012. This amount includes \$168,825 for the Town’s portion of the capital budget. 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, 2012 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 \$10,670 is reported as committed fund balance in the fund financial statements. Rental income for 2012 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 2012.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2012

12. Rental Income (Continued)

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

2013	\$ 137,120
2014	137,120
2015	137,120
2016	137,120
2017-2021	685,600
2022-2026	685,600
2027-2029	342,800

The Town also receives rental income for use of land that the Town owns. These rental agreements are negotiated yearly. Rental income for 2012 was \$2,580.

Subsequent to year end the Town agreed to a lease extension with the Dane County Sheriff's Department. The term of the extension is five years commencing on April 1, 2013 and terminating on March 31, 2018. The lease calls for quarterly rental payments of \$5,225 due to the Town. The extension also specifies annual sinking fund contributions of \$2,000 and annual snow plowing fees of \$1,000 due in quarterly installments.

13. 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.

14. 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.

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, 2012**

	<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	\$ 1,510,041	\$ 1,510,041	\$ 1,510,023	\$ (18)
Other Taxes	6,200	6,200	9,442	3,242
Intergovernmental	279,135	279,135	324,154	45,019
License and Permits	63,200	63,200	185,304	122,104
Fines, Forfeits and Penalties	10,000	10,000	11,292	1,292
Public Charges for Services	297,375	297,375	303,289	5,914
Interest Income	30,950	30,950	31,771	821
Miscellaneous Income	175,055	175,055	245,903	70,848
Total Revenues	<u>2,371,956</u>	<u>2,371,956</u>	<u>2,621,178</u>	<u>249,222</u>
EXPENDITURES				
Current:				
General Government	585,027	559,319	566,529	(7,210)
Public Safety	726,008	792,008	752,548	39,460
Public Works	1,330,343	1,330,343	1,136,305	194,038
Culture, Recreation and Education	160,714	180,199	159,686	20,513
Conservation and Development	16,621	16,621	26,792	(10,171)
Total Expenditures	<u>2,818,713</u>	<u>2,878,490</u>	<u>2,641,860</u>	<u>236,630</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(446,757)</u>	<u>(506,534)</u>	<u>(20,682)</u>	<u>485,852</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	12,111	12,111
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>12,111</u>	<u>12,111</u>
Net Change in Fund Balances	(446,757)	(506,534)	(8,571)	497,963
Fund Balances - Beginning	3,400,967	3,400,967	3,400,967	-
Fund Balances - Ending	<u>\$ 2,954,210</u>	<u>\$ 2,894,433</u>	<u>\$ 3,392,396</u>	<u>\$ 497,963</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, 2012**

	<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	\$ 20,366	\$ 6,366
Public Charges for Services	-	-	4,200	4,200
Interest Income	7,000	7,000	12,057	5,057
Miscellaneous Income	-	-	100	100
Total Revenues	<u>21,000</u>	<u>21,000</u>	<u>36,723</u>	<u>15,723</u>
EXPENDITURES				
Current:				
Culture, Recreation and Education	124,301	124,301	139,981	(15,680)
Total Expenditures	<u>124,301</u>	<u>124,301</u>	<u>139,981</u>	<u>(15,680)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(103,301)</u>	<u>(103,301)</u>	<u>(103,258)</u>	<u>43</u>
Net Change in Fund Balances	(103,301)	(103,301)	(103,258)	43
Fund Balances - Beginning	1,520,456	1,520,456	1,520,456	-
Fund Balances - Ending	<u>\$ 1,417,155</u>	<u>\$ 1,417,155</u>	<u>\$ 1,417,198</u>	<u>\$ 43</u>