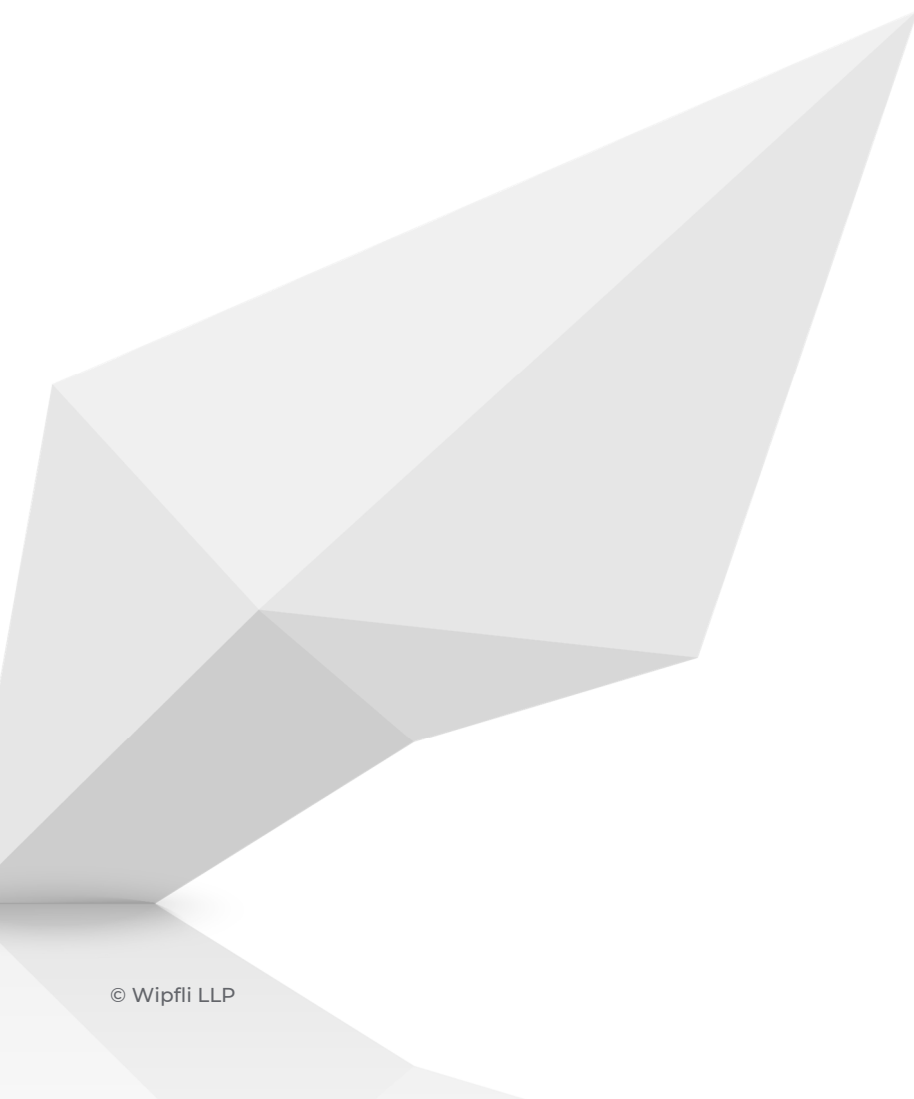


Town of Middleton, Wisconsin

Financial Report

Year Ended December 31, 2020



Town of Middleton
Financial Statements and Supplementary Financial Information
Year Ended December 31, 2020

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Independent Auditor's Report

Town Board
Town of Middleton
Middleton, Wisconsin

Report on the Financial Statements

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 (the "Town"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 on the previous page 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, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Town adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the budgetary comparison schedules, the schedules of the employer's proportionate share of the net pension and OPEB liability (asset) and employer contributions – Wisconsin Retirement System and LRLIF on pages 37 through 41 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Wipfli LLP

Wipfli LLP
Madison, Wisconsin
April 22, 2021

Government-Wide Financial Statements

Town of Middleton
Statement of Net Position
December 31, 2020

	Governmental Activities
<i>Assets and Deferred Outflows of Resources</i>	
Current assets:	
Cash and investments	\$ 7,987,348
Accounts receivable	1,726,864
Prepaid items	42,426
Total current assets	9,756,638
Noncurrent assets:	
Restricted net pension asset	113,614
Capital assets not being depreciated	4,865,230
Capital assets being depreciated, net	11,735,700
Total noncurrent assets	16,714,544
Total assets	26,471,182
Deferred outflows of resources	
Related to pensions/OPEB	286,725
Total assets and deferred outflows of resources	\$ 6,757,907
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Current liabilities:	
Accounts payable	\$ 156,204
Accrued interest	41,003
Deposits	408,442
Due to other governments	1,831
Current portion of long-term obligations	751,176
Total current liabilities	1,358,656
Noncurrent liabilities:	
Due in more than one year	2,605,958
Total liabilities	3,964,614
Deferred inflows of resources:	
Property taxes	3,082,883
Special assessments	570,233
Deferred inflows related to pensions/OPEB	361,121
Total deferred inflows of resources	4,014,237
Net position:	
Net investment in capital assets	13,357,247
Restricted	113,614
Unrestricted	5,308,195
Total net position	18,779,056
Total liabilities, deferred inflows of resources, and net position	\$ 6,757,907

See accompanying notes to the financial statements.

Town of Middleton
Statement of Activities
Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Total Governmental Activities
Governmental activities:				
General Government	\$ 790,639	\$ 269,742	\$ 180,844	\$ (340,053)
Public Safety	1,064,920	225,567	52,398	(786,955)
Public Works	3,062,890	532,048	361,017	(2,169,825)
Culture, Recreation and Education	233,492	5,230	-	(228,262)
Conservation and Development	12,623	11,760	-	(863)
Interest	91,577	-	-	(91,577)
Total governmental activities	5,256,141	1,044,347	594,259	(3,617,535)
General revenues:				
Property taxes:				
General purposes				2,027,358
Debt Services				1,011,823
Capital Projects				147,000
Room taxes				33,398
Other taxes				13,336
Grants and contributions not restricted to specific programs				151,797
Investment income				63,915
Miscellaneous				36,620
Total general revenues				3,485,247
Change in net position				(132,288)
Net position - Beginning of year				18,911,344
Net position - End of year				\$ 18,779,056

See accompanying notes to the financial statements.

Fund Financial Statements

Town of Middleton
Balance Sheet - Governmental Funds
December 31, 2020

	General Fund	Parks Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and investments	\$, 02,834	\$ 996,002	\$ -	\$ 388,512	\$ 7,987,348
Receivables:					
Accounts	49,480	-	-	-	49,480
Taxes	1,084,375	-	127,318	465,692	1,677,385
Prepaid items	42,426	-	-	-	42,426
Due from other funds	197,660	-	-	-	197,660
Total assets	\$ 7,976,775	\$ 996,002	\$ 127,318	\$ 854,204	\$ 9,954,299
Liabilities:					
Deposits	\$ 408,442	\$ -	\$ -	\$ -	\$ 408,442
Accounts payable	141,185	-	15,020	-	156,205
Due to other governments	1,831	-	-	-	1,831
Due to other funds	-	-	197,660	-	197,660
Total liabilities	551,458	-	212,680	-	764,138
Deferred inflows of resources:					
Property taxes	1,992,985	-	234,000	855,898	3,082,883
Special assessments	570,233	-	-	-	570,233
Total deferred inflows of resources	2,563,218	-	234,000	855,898	3,653,116
Fund balances:					
Nondisposable	42,426	-	-	-	42,426
Committed	14,000	996,002	-	-	1,010,002
Assigned	3,289,848	-	-	-	3,289,848
Unassigned	1,515,825	-	(319,362)	(1,694)	1,194,769
Total fund balances (deficit)	4,862,099	996,002	(319,362)	(1,694)	5,537,045
Total liabilities, deferred inflows of resources and fund balance (deficit)	\$ 7,976,775	\$ 996,002	\$ 127,318	\$ 854,204	\$ 9,954,299

See accompanying notes to the financial statements.

Town of Middleton
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
December 31, 2020

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

Total fund balances - Governmental funds	\$	5,537,045
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital assets	\$ 32,521,240	
Governmental accumulated depreciation	(15,920,310)	16,600,930

The supplemental pension, net pension and OPEB liability (asset) and the deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are only reported in the statement of net position:

Net pension asset	113,614	
Net OPEB liability	(73,479)	
Deferred outflows of resources related to pensions/OPEB	286,725	
Deferred inflows of resources related to pensions/OPEB	(361,121)	(34,261)

Long-term liabilities and the related interest payable, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the fund's balance sheet are:

Bonds and notes payable	(3,243,683)	
Accrued interest	(41,003)	
Compensated absences	(39,972)	(3,324,658)

Total net position - Governmental activities	\$	18,779,056
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See accompanying notes to the financial statements.

Town of Middleton
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2020

	General Fund	Parks Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Property taxes	\$2,027,358	\$ -	\$ 147,000	\$1,011,823	\$ 3,186,181
Other taxes	31,231	23,378	-	-	54,609
Licenses and permits	319,707	-	-	-	319,707
Intergovernmental sources	703,494	-	-	-	703,494
Intermediate sources	1,817	-	-	-	1,817
Public charges for services	543,673	-	-	-	543,673
Other sources	301,414	5,581	7,376	-	314,371
Total revenues	3,928,694	28,959	154,376	1,011,823	5,123,852
Expenditures:					
Current:					
General Government	714,516	-	-	-	714,516
Public Safety	1,007,945	-	-	-	1,007,945
Public Works	1,803,912	-	557,686	-	2,361,598
Culture, Recreation and Education	151,473	38,942	-	-	190,415
Conservation and Development	11,650	-	37	-	11,687
Total current	3,689,496	38,942	557,723	-	4,286,161
Debt service:					
Principal	-	-	-	914,474	914,474
Interest	-	-	-	97,349	97,349
Total debt service	-	-	-	1,011,823	1,011,823
Capital outlay	44,967	-	699,357	-	744,324
Total expenditures	3,734,463	38,942	1,257,080	1,011,823	6,042,308
Excess of revenues over (under) expenditures	194,231	(9,983)	(1,102,704)	-	(918,456)
Other financing sources:					
Sale of capital assets	-	-	56,000	-	56,000
Issuance of note	-	-	1,220,607	-	1,220,607
Total other financing sources	-	-	1,276,607	-	1,276,607
Net change in fund balances	194,231	(9,983)	173,903	-	358,151
Fund balance (deficit) - Beginning	4,667,868	1,005,985	(493,265)	(1,694)	5,178,894
Fund balance (deficit) - Ending	\$4,862,099	\$ 996,002	\$ (319,362)	\$ (1,694)	\$ 5,537,045

See accompanying notes to the financial statements.

Town of Middleton

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended December 31, 2020

Net change in fund balances - Governmental funds (from previous page) \$ 358,151

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

The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlays reported in governmental fund statements	\$ 744,324
Depreciation expense reported in the statement of activities	(865,400)
Book value of property disposed	(61,512)

Amount by which capital outlays are more/(less) than depreciation in the current year (182,588)

Vested employee benefits are reported in the governmental funds when amounts are paid.

The statement of activities reports the value of benefits earned during the year. This amount is the net effect of the changes in employee benefit accounts (7,490)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

Note proceeds	(1,220,607)
The amount of long-term debt principal payments in the current year	914,474
Change in accrued interest	5,772

Change in net position - Governmental activities \$ (132,288)

See accompanying notes to the financial statements.

Town of Middleton
Statement of Fiduciary Net Position
December 31, 2020

Custodial
Funds

Assets:

Cash and investments	\$ 9,576,976
Property taxes receivable	11,726,899
Special assessments	251,822

Total assets	\$21,555,697
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Liabilities:

Due to other governments	\$21,555,697
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Total liabilities	\$21,555,697
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See accompanying notes to the financial statements.

Town of Middleton
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2020

	Custodial Funds
<hr/>	
Additions:	
Property tax collections for other governments	19,570,655
<hr/>	
Deductions:	
Payments of property taxes to other governments	19,570,655
<hr/>	
Change in net position	-
<hr/>	
Net position - Beginning of year	-
<hr/>	
Net position - End of year	\$ -
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See accompanying notes to the financial statements.

Town of Middleton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Introduction

The financial statements of the Town of Middleton (the "Town") have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Town are described below.

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. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

New Accounting Pronouncement

Management adopted new accounting guidance GASB Statement No.84, *Fiduciary Activities* that establishes standards of accounting and financial reporting for fiduciary activities. There was no restatement of beginning net position required.

Town of Middleton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the Town, except for the fiduciary funds. The fiduciary funds are only reported in the statements of fiduciary net position at the fund financial statement level.

The statement of net position and the statement of activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The Town applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Fund Financial Statements

The fund statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The Town reports the following major governmental funds:

- General Fund – This is the Town's primary operating fund. It accounts for all financial activity that is not accounted for and reported in another funds.
- Parks Fund – This fund accounts for all park related projects and revenue sources. Revenue sources include 70% of room tax (tourism) and park fees charged to developers of new lots. These monies are set aside for future park development. This fund was elected to be a major fund due to the importance of this fund to the users of the financial statements.

Town of Middleton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

- Debt Service Fund – This fund accounts for financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term general obligation debt of governmental activities, including amounts accumulated for principal and interest maturing in future years.
- Capital Projects Fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Additional the Town reports the following fiduciary fund:

- Tax Agency Fund – This fund accounts for taxes collected by the Town on behalf of other governmental units.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Town of Middleton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investment of the Towns' funds are restricted by state statutes and are limited to:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

The Town has adopted an investment policy which follows the state statute for allowable investments.

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, 2020, the fair value of the Town's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

Prepaid Items

Certain payments to vendors reflecting costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Town of Middleton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables

All accounts receivable are shown at gross amounts and, where appropriate, are reduced by an allowance for uncollectible accounts. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Property taxes are levied in December on the assessed value as of the prior January 1. Taxes are recorded in the year levied as receivables and deferred inflows of resources. They are recognized as revenues in the succeeding year when services financed by the levy are provided. The Town bills and collects its own property taxes and also collects taxes for state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as due to other governments on the accompanying statement of fiduciary assets and liabilities.

Property tax calendar – 2020 tax roll is as follows:

Lien date and levy date	December 2020
Tax bills mailed	December 2020
Payment in full, or	January 31, 2021
First installment due	January 31, 2021
Second installment due	July 31, 2021
Personal property taxes in full	January 31, 2021
Tax sale - 2020 delinquent real estate taxes	October 2023

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for electric, water and wastewater utilities because the utilities have the right by law to place delinquent bills on the tax roll.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Town of Middleton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The Town maintains a threshold level of \$5,000 for capitalizing capital assets.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared no longer needed for public school purposes by the Town, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 40 years for buildings and improvements, 5 to 15 years for machinery and equipment, and 20 to 30 years for infrastructure.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets not being depreciated include land and construction in progress.

Compensated Absences and Other Employee Benefit Amounts

Town employees are granted vacation and sick leave benefits in varying amounts in accordance with Town paid time off policies. Accrued vacation and sick leave is paid upon termination. In the governmental funds, a liability for compensated absences is reported only if they have matured (for example, as a result of employee resignations or retirements).

Pensions - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB) Plan - The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Town of Middleton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has deferred outflows related to pension and other postemployment benefit activity.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has deferred inflows related to property taxes, special assessments, pension and other postemployment benefit activity.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use externally restricted resources first.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Town of Middleton

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board - the Town's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but the amounts are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

Note 2: Cash and Investments

The Town's cash and investment balances at December 31, 2020 were as follows:

	Amount	Fair Value Level	Average Maturity
Deposits with financial institutions	\$ 16,925,836	N/A	N/A
Cash on hand	350	N/A	N/A
Wisconsin Local Government Investment Pool	638,138	N/A	N/A
Total	\$ 17,564,324		

The Town's cash and investment balances as shown in the basic financial statements are as follows:

Government-wide statement of net position	
Cash and investments	\$ 7,987,348
Fiduciary fund statement of net position	
Cash and investments	9,576,976
Total	\$ 17,564,324

Town of Middleton

Notes to Financial Statements

Note 2: Cash and Investments (Continued)

Deposits

Deposits at each bank in the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and \$250,000 for all demand deposit accounts (interest-bearing and non-interest-bearing). Accounts at each institution outside the state of Wisconsin are insured by the FDIC up to \$250,000 for the combined total of all deposit accounts. In addition, the State of Wisconsin Public Depository Guarantee Fund guarantees the City's deposits up to \$400,000 per public depository. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2020, the Town's bank balance of \$16,908,985 was not exposed to custodial credit risk, as \$1,974,448 was covered by FDIC, \$1,053,221 was covered by State Depository insurance and \$14,033,792 was covered by securities held by third parties and pledged in the Town's name.

Investments

Investment in Wisconsin Local Government Investment Pool: The Town has investments in the Wisconsin local government investment pool (LGIP) of \$638,138 at year-end. The 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, 2020, the fair value of the Town's share of the LGIP's assets was substantially equal to the carrying value. The LGIP operates and reports to participants on the amortized cost basis. LGIP pool shares are bought and redeemed at \$1 based on the amortized cost of the investments in the LGIP. The investment in LGIP is not subject to the fair value hierarchy disclosures.

Note 3: Interfund Balances and Activity

Interfund receivable and payable balances in the fund financial statements on December 31, 2020, are as follows:

Due From:	Due To: Capital Projects Fund
General Fund	\$ 197,660

The purpose for interfund balances between the General Fund and Capital Projects Fund is to reclassify negative cash balances in the pooled account. The amount will be paid back in the subsequent year after the receipt of property tax revenue. In the statement of net position, amounts reported in fund balance sheets as interfund balances have been eliminated within the governmental activities columns.

Town of Middleton

Notes to Financial Statements

Note 4: Capital Assets

Capital asset balances and activity for the year ended December 31, 2020, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,865,230	\$ -	\$ -	\$ 4,865,230
Construction in progress	143,152	479,517	(622,669)	-
Total capital assets not being depreciated	5,008,382	479,517	(622,669)	4,865,230
Capital assets being depreciated:				
Infrastructure	20,072,226	577,999	-	20,650,225
Buildings and improvements	5,301,892	-	-	5,301,892
Equipment	1,621,201	247,965	(165,272)	1,703,894
Total capital assets being depreciated	26,995,319	825,964	(165,272)	27,656,011
Less accumulated depreciation for:				
Infrastructure	(12,489,201)	(600,490)	-	(13,089,691)
Buildings and improvements	(1,791,164)	(161,543)	-	(1,952,707)
Equipment	(939,818)	(103,367)	165,272	(877,913)
Total accumulated depreciation	(15,220,183)	(865,400)	165,272	(15,920,311)
Total capital assets, being depreciated - Net of accumulated depreciation	11,775,136	(39,436)	-	11,735,700
Governmental activities capital assets - Net	\$ 16,783,518	\$ 440,081	\$ (622,669)	\$ 16,600,930

Depreciation expense was charged to governmental activities as follows:

General Government	76,820
Public Safety	56,975
Public Works	689,989
Parks and Recreation	41,616
Total depreciation for governmental activities	\$ 865,400

Town of Middleton

Notes to Financial Statements

Note 5: Long-Term Obligations

Long-term obligations of the Town are as follows:

	Balance 01/01/20	Additions	Reductions	Balance 12/31/20	Amounts Due Within One Year
General Obligation Debt	\$ 2,937,550	\$ 1,220,607	\$ 914,474	\$ 3,243,683	\$ 751,176
Compensated Absences	51,519	-	11,547	39,972	-
Net OPEB Liability - Life	46,782	26,697	-	73,479	-
Net Pension Liability	133,030	-	133,030	-	-
Totals	\$ 3,168,881	\$ 1,247,304	\$ 1,059,051	\$ 3,357,134	\$ -

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the Town. Long-term debt will be retired by future property tax levies and resources accumulated in the debt service fund.

General obligation debt at December 31, 2020 is comprised of the following individual issues:

	Governmental Activities			
	Issue Dates	Interest Rates %	Dates of Maturity	Balance 12/31/20
GO Bonds	03/20/09	3.00-4.375%	03/01/24	\$ 390,000
GO Bonds	03/20/09	2.75-4.70%	03/01/29	1,005,000
GO Promissory Notes	12/22/14	2.41%	01/22/21	148,636
GO Promissory Notes	12/12/17	2.41%	01/22/21	953,440
GO Promissory Notes	02/11/20	2.45%	12/12/28	746,607
Total general obligation debt				\$ 3,243,683

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Town may not exceed 5% of the equalized value of taxable property within the Town's jurisdiction. The debt limit as of December 31, 2020 was \$73,383,835. Total general obligation debt outstanding at December 31, 2020 was \$3,243,683.

Town of Middleton

Notes to Financial Statements

Note 5: Long-Term Obligations (Continued)

Debt service requirements to maturity on general obligation debt are as follows:

<i>Year Ended December 31:</i>	Principal	Interest	Totals
2021	\$ 751,176	\$ 85,192	\$ 836,368
2022	619,520	70,870	690,390
2023	459,491	59,316	518,807
2024	335,992	47,285	383,277
2025	239,177	36,908	276,085
2026-2030	838,327	61,403	899,730
Totals	\$ 3,243,683	\$ 360,974	\$ 3,604,657

Note 6: Net Position

Net position reported on the government wide statement of net position at December 31, 2020:

Governmental Activities:

Net investment in capital assets:		
Land and other nondepreciable assets		\$ 4,865,230
Other capital assets, net of accumulated depreciation		11,735,700
Less: related long-term debt outstanding		(3,243,683)
Total net investment in capital assets		13,357,247
Restricted:		
Net pension asset		\$ 113,614
Unrestricted		5,308,195
Governmental activities net position		\$ 18,779,056

Town of Middleton

Notes to Financial Statements

Note 7: Fund Balance

Fund balance reported on the balance sheet - governmental funds at December 31, 2020:

	General	Parks	Debt Service	Capital Projects	Total
Nonspendable					
Prepaid items	\$ 42,426	\$ -	\$ -	\$ -	\$ 42,426
Total nonspendable	42,426	-	-	-	42,426
Committed					
Sheriff sinking fund	14,000	-	-	-	14,000
Park development and maintenance	-	996,002	-	-	996,002
Total committed	14,000	996,002	-	-	1,010,002
Assigned					
Garage & truck equipment	322,791	-	-	-	322,791
Sanitary sewer	44,308	-	-	-	44,308
Hall maintenance	72,750	-	-	-	72,750
Capital purchases/projects	800,643	-	-	-	800,643
Fire district	357,997	-	-	-	357,997
Storm water	285,115	-	-	-	285,115
Roads	721,437	-	-	-	721,437
Park maintenance	657,000	-	-	-	657,000
Other	27,807	-	-	-	27,807
Total assigned	3,289,848	-	-	-	3,289,848
Unassigned	1,515,825	-	(1,694)	(319,362)	1,194,769
Total fund balance	\$ 4,862,099	\$ 996,002	\$ (1,694)	\$ (319,362)	\$ 5,537,045

Town of Middleton

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System

Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 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.

ETF issued a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Vesting

For employees beginning participation on or after January 1, 1991, and no longer actively employed on or after April 24, 1999, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1991 and on or after April 24, 1999, and prior to July 1, 2012, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2012, must have five years of creditable service to be vested.

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2017) are entitled to receive a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Town of Middleton

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Postretirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2010	(1.3)%	22.0 %
2011	(1.2)%	11.0 %
2012	(7.0)%	(7.0)%
2013	(9.6)%	9.0 %
2014	4.7 %	25.0 %
2015	2.9 %	2.0 %
2016	0.5 %	(5.0)%
2017	2.0 %	4.0 %
2018	2.4 %	17.0 %
2019	1.7 %	21.0 %

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Starting on January 1, 2016, the executive and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$27,882 in contributions from the employer.

Town of Middleton

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Contribution rates as of December 31, 2020, are as follows:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the Town reported an asset of \$113,614 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the Town's proportion was 0.00352351%, which was an decrease of 0.00021573% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Town recognized pension expense of \$42,850.

At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 215,665	\$ 107,926
Net differences between projected and actual earnings on pension plan investments	-	232,268
Change in assumptions	8,853	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,330
Employer contributions subsequent to the measurement date	27,882	-
Total	\$ 252,400	\$ 347,524

Town of Middleton

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

\$27,882 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Net Deferred Outflows (Inflows) of Resources
2021	\$ (36,683)
2022	(27,747)
2023	2,134
2024	(60,710)

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2018
Measurement date of net pension liability (asset)	December 31, 2019
Actuarial cost method	Entry age
Asset valuation method	Fair value
Long-term expected rate of return	7.0%
Discount rate	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Postretirement adjustments*	1.9%

**No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.*

Actuarial assumptions are based on an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019, is based on a rollforward of the liability calculated from the December 31, 2018, actuarial valuation.

Town of Middleton

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Long-Term Expected Return on Plan Assets: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns
As of December 31, 2019

Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core fund:			
Global equities	49.0%	8.0%	5.1%
Fixed income	24.5%	4.9%	2.1%
Inflation sensitive assets	15.5%	4.0%	1.2%
Real estate	9.0%	6.3%	3.5%
Private equity/debt	8.0%	10.6%	7.6%
Multi-asset	4.0%	6.9%	4.0%
Total core fund	110.0%	7.5%	4.6%
Variable fund:			
U.S. equities	70.0%	7.5%	4.6%
International equities	30.0%	8.2%	5.3%
Total variable fund	100.0%	7.8%	4.9%

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%

Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

Town of Middleton

Notes to Financial Statements

Note 8: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Single Discount Rate: A single discount rate of 7.00% was used to measure the Total Pension Liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate:

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 292,576	\$ (113,614)	\$ (417,288)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Payables to the Pension Plan

At December 31, 2020, the Town reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2020.

Town of Middleton

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund

Plan Description

The Local Retiree Life Insurance Fund (LRLIF) is a cost-sharing multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found online at <http://etf.wi.gov/publications/cafr.htm>.

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2020, are as follows:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% postretirement coverage	40% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2019, are as follows:

Town of Middleton

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Attained Age	Basic	Supplemental
Under 30	\$ 0.05	\$ 0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

*Disabled members under age 70 receive a waiver-of-premium benefit.

During the reporting period, the LRLIF recognized \$311 in contributions from the employer.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2020, the Town reported a liability of \$73,479 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net OPEB liability was based on the Town's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the Town's proportion was 0.01725600%, which was a decrease of 0.00087400% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Town recognized pension expense of \$7,782.

At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,292
Net differences between projected and actual earnings on pension plan investments	1,386	-
Change in assumptions	27,107	8,082
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,832	2,223
Total	\$ 34,325	\$ 13,597

Town of Middleton

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	Net Deferred Outflows (Inflows) of Resources
2021	\$ 3,724
2022	3,724
2023	3,574
2024	3,420
2025	2,844
Thereafter	3,442

The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2019
Measurement date of net OPEB liability (asset)	December 31, 2019
Actuarial cost method	Entry age normal
20 year tax-exempt municipal bond yield	2.74%
Long-term expected rate of return	4.25%
Discount rate	2.87%
Salary Increases:	
Inflation	3.00
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total OPEB Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

Long-Term Expected Return on Plan Assets: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carrier's general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investment). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Town of Middleton

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2019

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Government bonds	Barclays Credit	45%	2.12%
U.S. Long credit bonds	Barclays Long Credit	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-term expected rate of return			4.25%

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single Discount Rate: A single discount rate of 2.87% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the Town's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the Town's proportionate share of the net OPEB liability calculated using the discount rate of 2.87%, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.87%) or 1 percentage point higher (3.87%) than the current rate:

Town of Middleton

Notes to Financial Statements

Note 9: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
Town's proportionate share of the net OPEB liability	\$ 101,463	\$ 73,479	\$ 52,190

Note 10: 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 current lease agreement, which is an extension of the original lease, commenced on April 1, 2018 and is for five years, and terminates on March 31, 2023. The lease calls for quarterly rental payments of \$5,225 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. The annual sinking fund requirements began in 2007. At December 31, 2020, the sinking fund balance reported as committed fund balance is \$14,000. Rental income for 2020 was \$23,900.

The Town constructed Fire Station #2 for the Middleton Fire District (District) which was completed in November 2008. The lease to the District is for 30 years and may be extended for an additional 10-year term. The lease calls for quarterly payments for 20 years of \$34,280 beginning August 1, 2009 and ending on May 1, 2029. Rental income from this lease was \$137,120 in 2020. The District also leases storage space in the Town's storage shed. The lease for the storage space calls for quarterly payments of \$1,320 beginning February 1, 2015 and ending May 1, 2029. The District shall then occupy the storage space without charge through October 31, 2038. Rental income for the storage space lease was \$5,280 in 2020.

Minimum rentals to be received on these leases are as follows:

2021	\$ 166,300
2022	166,300
2023	166,300
2024	166,300
2025	166,300
2026-2029	665,200

The Town also receives rental income for use of land the Town owns. These rental agreements are negotiated yearly. Rental income for 2020 was \$2,720.

Town of Middleton

Notes to Financial Statements

Note 11: Jointly Governed Organization

The Towns of Middleton, Westport, Springfield and the City of Middleton jointly operate 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 current equalized valuation percentage for the participating municipalities is as follows:

Town of Middleton	23.74%
Town of Westport	5.53%
Town of Springfield	5.41%
City of Middleton	65.32%
Total	100.00%

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 \$354,616 to the district for 2020. 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, 2020 is available from the district's office.

Note 12: Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the Town carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was no significant reduction in the Town's insurance coverage in fiscal 2020.

Note 13: 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 management and the Town's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect of 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 request for reimbursements to the grantor agency for expenditures disallowed under terms for the grants. Management believes such disallowances, if any, would be immaterial.

Emergency Medical Services

On December 2, 2014, the Town entered into an agreement with the City of Middleton to provide Emergency Medical Services. The agreement commenced on January 1, 2015 and expires on December 31, 2024. The terms of the agreement shall automatically renew for an additional five years and each fifth year thereafter unless written notice is given 12 months in advance. The amount that may be billed to the Town is capped using 2014 as a base year, and is increased by 1.5% each subsequent year. The actual expense in 2020 was \$203,019. This calculation will result in a payment by the Town that may not exceed \$206,064 in 2021.

Town of Middleton

Notes to Financial Statements

Note 14: Risks and Uncertainties

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the Town has not suffered material adverse impact from the CV19 Crisis. The future impact of the CV19 Crisis on the Town cannot be reasonably estimated at this time.

Required Supplementary Information

Town of Middleton
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2020

	Budgeted Amounts		Variance With Final Budget Positive (Negative)
	Original and Final	Actual	
Revenues:			
Property taxes	\$ 2,068,595	\$ 2,058,589	\$ (10,006)
Other local sources	200,250	319,707	119,457
Interdistrict sources	951,677	703,494	(248,183)
State sources	5,000	1,817	(3,183)
Federal sources	482,990	543,673	60,683
Other sources	483,495	301,413	(182,082)
Total revenues	4,192,007	3,928,693	(263,314)
Expenditures:			
General Government	800,950	714,516	86,434
Public Safety	988,019	1,007,945	(19,926)
Public Works	1,721,466	1,848,879	(127,413)
Culture, Recreation and Education	356,854	151,473	205,381
Conservation and Development	32,200	11,650	20,550
Total expenditures	3,899,489	3,734,463	165,026
Net change in fund balance	292,518	194,230	(98,288)
Fund balance - Beginning of year	4,667,868	4,667,868	-
Fund balance - End of year	\$ 4,960,386	\$ 4,862,098	\$ (98,288)

See accompanying notes to budgetary comparison schedule.

Town of Middleton
Budgetary Comparison Schedule - Parks Fund
Year Ended December 31, 2020

	Budgeted Amounts <u>Original and Final</u>	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
Other sources	\$	\$ 5,581	\$ 5,581
Total revenues		5,581	5,581
Expenditures:			
Culture, Recreation and Education	168,500	38,942	129,558
Total expenditures	168,500	38,942	129,558
Net change in fund balance	(168,500)	(33,361)	(135,139)
Fund balance - Beginning of year	1,005,985	1,005,985	
Fund balance - End of year	\$ 837,485	\$ 972,624	\$ 135,139

See accompanying notes to budgetary comparison schedule.

Town of Middleton

Notes to Budgetary Comparison Schedule

Note 1: Budgetary Information

The Town budgets are adopted in accordance with Chapter 65 of the Wisconsin Statutes. Changes to appropriations authorized in the adopted budget generally require a vote of two-thirds of the entire membership of the governing body. Budgetary expenditure control is exercised at the individual account level.

Budget amounts include appropriations authorized in the original budget, any Town Board approved amendments, appropriations of restricted resources received for funding specific expenditures and designated portions of the beginning balance of the general fund's equity expected to finance expenditures of the current fiscal year. Unused appropriations lapse at year-end unless specifically carried over for financing subsequent year expenditures.

Operating budgets are adopted each year for the general fund. The original budgets for 2020 were adopted in November 2019.

Note 2: Excess of Expenditures Over Appropriations

For the year ended December 31, 2020, the General Fund had expenditures in excess of appropriations for the following two-digit subfunction categories:

	Budget		Actual
Public Safety	\$ 988,019	\$	1,007,945
Public Works	\$ 1,721,466	\$	1,803,912

Town of Middleton

Schedule of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System

Last 10 Years*

Schedule of the Employer's Proportionate Share of the Net Pension Liability (Asset) Wisconsin Retirement System (WRS)

Last 10 Calendar Years*

Measurement Date December 31,	Town's Proportion of the Net Pension Liability (Asset)	Town's Proportionate Share of the Net Pension Liability (Asset)	Town's Covered Payroll	Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.00352351 %	\$ (113,614)	\$ 456,021	(24.91)%	102.96 %
2018	0.00373924	133,030	581,753	22.87	96.45
2017	0.00354390	(105,222)	587,938	(17.90)	102.93
2016	0.00327160	26,966	499,912	5.39	99.12
2015	0.00317915	51,661	453,855	11.38	98.20
2014	0.00316629	(77,751)	443,097	(17.55)	102.74

Schedule of the Employer Contributions Wisconsin Retirement System (WRS)

Last 10 Fiscal Years*

Year Ended December 31,	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Town's Covered Payroll for the Fiscal Year	Contributions as a Percentage of Covered Payroll
2020	\$ 27,882	\$ 27,882	\$ -	\$ 413,082	6.75 %
2019	29,868	29,868	-	456,021	6.55
2018	38,977	38,977	-	581,753	6.70
2017	39,980	39,980	-	587,938	6.80
2016	32,994	32,994	-	499,912	6.60
2015	30,862	30,862	-	453,855	6.80

Notes to the Schedules:

Changes of benefit terms: There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions: No significant change in assumptions were noted from the prior year.

*These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

See Independent Auditor's Report.

Town of Middleton

Schedules of the Employer's Proportionate Share of the Net OPEB Liability (Asset) and Employer Contributions - Local Retiree Life Insurance Fund (LRLIF)

Last 10 Years*

Schedule of the Employer's Proportionate Share of the Net OPEB Liability (Asset) Local Retiree Life Insurance Fund (LRLIF)

Measurement Date December 31,	Town's Proportion of the Net OPEB Liability (Asset)	Town's Proportionate Share of the Net OPEB Liability (Asset)	Town's Covered Payroll	Town's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.01725600 %	\$ 73,479	\$ 481,000	15.28 %	37.58 %
2018	0.01813000	46,782	495,000	9.45	48.69
2017	0.01569300	47,214	659,936	7.15	44.81

Schedule of the Employer Contributions Local Retiree Life Insurance Fund (LRLIF)

Last 10 Fiscal Years*

Year Ended December 31,	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Town's Covered Payroll for the Fiscal Period	Contributions as a Percentage of Covered Payroll
2020	\$ 260	\$ 260	-	\$ 413,082	0.06 %
2019	311	311	-	481,000	0.06
2018	320	320	-	495,000	0.06

Notes to the Schedules:

Changes of benefit terms: There were no changes of benefit terms for any participating employer in LRLIF.

Changes of assumptions: Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the notes to the financial statements for additional details.

*These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

See Independent Auditor's Report.