



**Johnson & Block**  
AND COMPANY, INC.

Certified Public Accountants

# Town of Middleton

Where country meets the city...

**FINANCIAL STATEMENTS WITH  
AUDITOR'S REPORT**

**For the Year Ended December 31, 2016**

*Quality service through our commitment to clients and staff.*

[www.johnsonblock.com](http://www.johnsonblock.com)

**Town of Middleton**

**Table of Contents**

**December 31, 2016**

---

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT DISCUSSION AND ANALYSIS .....i-vii

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position ..... 1  
Statement of Activities ..... 2

Fund Financial Statements

Balance Sheet – Governmental Funds ..... 3  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... 4  
Statement of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds ..... 5  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities ..... 6  
Statement of Fiduciary Net Position ..... 7  
Notes to the Financial Statements .....8-31

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual - General Fund ..... 32  
Schedules of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – Parks Fund ..... 33  
Schedule of Town’s Proportionate share of the Net Pension  
Liability (Asset) ..... 34  
Schedule of Town’s Contributions ..... 34  
Notes to Required Supplementary Information ..... 35

**Town of Middleton**  
**Table of Contents (Continued)**  
**December 31, 2016**

---

SUPPLEMENTARY INFORMATION

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund .....	36
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund .....	37



Certified Public Accountants

406 Science Drive, Suite 100 • Madison, Wisconsin 53711-1097 • TEL 608-274-2002 • FAX 608-274-4320

## **INDEPENDENT AUDITOR'S REPORT**

August 18, 2017

To the Town Board  
Town of Middleton  
Dane County, Wisconsin

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Middleton, Wisconsin, as of and for the year ended December 31, 2016, 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 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 and each major fund of the Town of Middleton, Wisconsin, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii and budgetary comparison information on pages 32 through 33, and the Wisconsin Retirement System schedule on page 34 to 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.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middleton's basic financial statements. The Capital Projects and Debt Service Budget and Actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*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, 2016**

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, 2016.

**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. One 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, deteriorating, or reducing based on planned project spending. However, the Town's goal is to provide services that improve the quality of life for Town residents, not to generate profits. For this reason, one will need to consider many other non-financial factors, such as public safety.

- The assets of the Town exceeded its liabilities and deferred inflows as of December 31, 2016 by \$17,566,187.
- Total net position increased by \$655,869.
- As of December 31, 2016, governmental funds reported combined ending fund balances of \$5,783,484. This includes the Non-Spendable Fund balance of \$61,445, the Committed Fund balance of \$1,046,645, the Assigned Fund balance of \$3,048,665, and the Unassigned Fund balance of \$1,626,729. This Unassigned Fund balance was approximately 57.7% of total General Fund expenditures.
- General obligation debt decreased by \$714,378 (14.7%) during 2016.

**Fund Financial Statement Highlights**

- I. Revenue:** Total property tax revenue of \$2,910,585 represents an increase of \$62,067 (2.13%) from 2015. Of the \$2,910,585 in property tax revenue, \$1,795,993 (61.7%) was used for the Town's General Fund, another \$229,010 (7.87%) for capital improvement projects and the remaining \$885,582 (30.43%) was applied to debt service obligations.
- Other Tax Revenue was \$13,701 over the budgeted amount, and \$11,306 more than 2015.
  - Intergovernmental Revenue was \$29,977 over the budgeted amount, and \$73,001 more than 2015.
  - Licenses/Permits Revenue was \$6,327 over the budgeted amount, and \$7,953 more than 2015.
  - Fines and Penalties Revenue was \$174 under budgeted amount, and \$1,823 more than 2015.
  - Charges for Services was \$34,527 over the budgeted amount, and \$50,130 more than 2015.
  - Miscellaneous Revenue was \$40,042 under budgeted amount, and \$22,962 less than 2015.
  - Interest Income was \$80,326 over the budgeted amount, and \$73,755 more than 2015.

**II. Expenditures: General Fund** Expenditures increased by \$172,357 (4%) from 2015.

- General Government was \$51,591 over budget, and \$14,569 more than 2015.
- Public Safety was \$11,729 under budget, and \$138,388 less than 2015.
- Public Works was \$360,823 under budget, and \$111,124 more than 2015.
- Conservation & Development was \$18,861 under budget, and \$11,250 more than 2015.
- Recreation was \$23,974 under budget, and \$222,546 less than 2015.

**III. Miscellaneous items:**

Recent Levies:		<u>Mill rate (/ \$1,000 of Value)</u>
1. 2015 levy payable in 2016	\$2,910,585	\$2.75060
2. 2014 levy payable in 2015	\$2,848,518	\$2.78085
3. 2013 levy payable in 2014	\$2,809,905	\$2.80250
4. 2012 levy payable in 2013	\$2,775,660	\$2.66397
5. 2011 levy payable in 2012	\$2,743,540	\$2.66037

**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 1-2).**

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/deferred outflows and liabilities/deferred inflows, 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 the 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 the 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*) such as utilities. 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.

### **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 \$17,566,187 at the close of 2016.

**Town of Middleton's Net Position**

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Assets:		
Current and other assets	\$ 9,801,324	\$ 9,072,762
Restricted assets	-	77,773
Capital assets	16,021,158	16,236,093
Total Assets	<u>25,822,482</u>	<u>25,386,628</u>
Deferred Outflows	<u>289,391</u>	<u>79,798</u>
Liabilities:		
Long-term liabilities outstanding	3,575,695	4,281,666
Other liabilities	1,865,135	1,360,757
Total Liabilities	<u>5,440,830</u>	<u>5,642,423</u>
Deferred Inflows	<u>3,053,191</u>	<u>2,913,685</u>
Net Position:		
Net investment in capital assets	12,627,779	12,228,336
Restricted	-	154,471
Unrestricted	4,938,412	4,527,511
Total Net Position	<u>\$ 17,566,191</u>	<u>\$ 16,910,318</u>

The Town’s net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment, 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 2016. In 2016, the Town relied primarily on property taxes to fund its operations. Taxes account for approximately \$2.9 million (65%) of total revenue.

**Town of Middleton's Change in Net Position**

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program Revenues:		
Charges for services and fees, fines and costs	\$ 829,043	\$ 733,223
Operating grants and contributions	308,985	307,593
Capital grants and contributions	270,000	1,107,000
General revenues:		
Property taxes	2,910,920	2,848,766
Other taxes	31,912	30,529
Grants and contributions not restricted to specific programs	308,967	186,663
Unrestricted interest and investments	105,326	31,678
Gain (Loss) on sale of asset	(40,838)	-
Miscellaneous	10,611	34,236
<b>Total Revenues</b>	<b>4,734,926</b>	<b>5,279,688</b>
Expenses:		
General government	596,244	581,318
Public safety	875,157	796,634
Public works	2,108,860	2,128,783
Culture and recreation	308,624	257,687
Conservation and development	19,999	8,797
Interest on long-term debt	170,168	190,476
<b>Total Expenses</b>	<b>4,079,052</b>	<b>3,963,695</b>
Increase in net position	655,874	1,315,993
Restatement	-	151,947
Net position - January 1	16,910,318	15,442,378
<b>Net position - December 31</b>	<b>\$ 17,566,192</b>	<b>\$ 16,910,318</b>

## **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, the 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, 2016, the Town's governmental funds reported combined ending fund balances of \$5,783,484, an increase of \$200,004 from the prior year. The general fund has an unassigned fund balance of \$1,626,724.

The general fund is the chief operating fund of the Town. At the end of the current year the total fund balance was \$4,685,702. 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 57.7% of total general fund expenditures.

It's important to view all major funds together to see the Town's financial performance as a whole.

	Total Budget	Actual Amounts, Budgetary Basis				Total Actual	Variance with Budget Positive (Negative)
		General	Debt	Capital	Parks		
		Fund	Service	Projects	Fund		
Total Revenues	\$ 4,369,417	\$ 3,299,021	\$ 886,148	\$ 255,141	\$ 65,452	\$4,505,762	\$ 136,345
Total Expenditures	4,715,220	2,820,105	885,778	514,030	85,845	4,305,758	409,462
Total Other Sources (Uses)	-	(38,393)	(370)	38,763	-	-	-
Net Change in Fund Balance	(345,803)	440,523	-	(220,126)	(20,393)	200,004	545,807
Fund Balances - Beginning	5,583,480	4,245,179	-	279,263	1,059,038	5,583,480	-
Fund Balances - Ending	\$ 5,237,677	\$ 4,685,702	\$ -	\$ 59,137	\$ 1,038,645	\$5,783,484	\$ 545,807

### **Capital assets**

The investment in capital assets for its governmental activities as of December 31, 2016 amounts to \$16,021,158 (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 decrease in the Town's investment in capital assets for the current year was \$214,935.

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

	Governmental Activities	
	2016	2015
Land	\$ 4,865,230	\$ 4,865,230
Construction/Equipment in Progress	73,560	-
Buildings and Improvements	3,629,213	3,607,613
Buildings - Fire Station #2	1,658,470	1,658,470
Vehicles	458,444	458,444
Equipment	1,012,513	798,916
Infrastructure	17,259,260	16,879,911
Less: Accumulated Depreciation	<u>(12,935,532)</u>	<u>(12,032,491)</u>
Total	<u>\$ 16,021,158</u>	<u>\$ 16,236,093</u>

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

**Long-term debt**

On December 31, 2016, the Town had total long-term debt outstanding of \$4,129,379 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 \$714,378.

**Town of Middleton's Outstanding Debt**  
General Obligation Debt

	Governmental Activities	
	2016	2015
General Obligation Debt	\$ 2,784,379	\$ 3,423,757
General Obligation Debt - Fire Station #2	1,345,000	1,420,000
Total	<u>\$ 4,129,379</u>	<u>\$ 4,843,757</u>

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

**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, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Equivalents	\$ 6,757,382
Taxes Receivable	2,975,710
Other Receivables	37,366
Other Assets	30,866
<b>Total Current Assets:</b>	9,801,324
 <b>Noncurrent Assets:</b>	
Capital Assets	
Land, Improvements, and Construction in Progress	4,938,790
Other Capital Assets, Net of Depreciation	11,082,368
<b>Total Noncurrent Assets:</b>	16,021,158
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Outflows	289,391
<b>Total Deferred Outflows:</b>	289,391
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
	\$ 26,111,873
 <b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable and Accrued Expenses	\$ 956,688
Building Permit Deposits	49,500
Due to Other Governments	69,908
Accrued Interest	37,300
Current Portion of Bonds and Notes	734,379
Current Portion of Compensated Absences	17,360
<b>Total Current Liabilities:</b>	1,865,135
 <b>Noncurrent Liabilities:</b>	
Bonds and Notes	3,393,292
Compensated Absences	182,403
Net Pension Liability	51,661
<b>Total Noncurrent Liabilities:</b>	3,627,356
 <b>DEFERRED INFLOWS</b>	
Deferred Pension Inflows	111,449
Tax Levy	2,941,742
<b>Total Deferred Inflows</b>	3,053,191
 <b>NET POSITION</b>	
Net Investment in Capital Assets	12,627,779
Unrestricted	4,938,412
<b>Total Net Position</b>	17,566,191
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
	\$ 26,111,873

See accompanying notes to the basic financial statements.

**Town of Middleton  
Dane County, WI  
Statement of Activities  
For the Year Ended December 31, 2016**

<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	\$ 596,244	\$ 102,145	\$ 5,718	\$ -	\$ (488,381)
Public Safety	875,157	177,126	43,768	-	(654,263)
Public Works	2,108,860	506,167	259,499	270,000	(1,073,194)
Culture and Recreation	308,624	7,815	-	-	(300,809)
Conservation and Development	19,999	35,790	-	-	15,791
Interest on Long-Term Debt	170,168	-	-	-	(170,168)
Total Governmental Activities	<u>\$ 4,079,052</u>	<u>\$ 829,043</u>	<u>\$ 308,985</u>	<u>\$ 270,000</u>	<u>(2,671,024)</u>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					1,796,328
Property taxes, levied for debt service					885,582
Property taxes, levied for capital projects					229,010
Room taxes					31,912
Grants and contributions not restricted to specific programs					308,967
Unrestricted investment earnings					105,326
Miscellaneous					10,611
<i>Special item</i> - gain (loss) on disposal of asset					(40,838)
Total General Revenues and Special Items					<u>3,326,898</u>
Change in Net Position					655,874
Net Position - Beginning					16,910,317
Net Position - Ending					<u>\$ 17,566,191</u>

See accompanying notes to the basic financial statements.

**Town of Middleton  
Dane County, WI**

**Balance Sheet  
Governmental Funds  
December 31, 2016**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,477,226	\$ -	\$ 245,690	\$ 1,034,466	\$ 6,757,382
Receivables:					
Taxes	1,786,750	874,631	280,396	-	2,941,777
Delinquent Personal Property Taxes	30,067	-	-	-	30,067
Special Assessments	512	-	-	-	512
Accounts	34,049	-	-	6,672	40,721
Prepaid Expenses	30,866	-	-	-	30,866
Total Assets	<u>\$ 7,359,470</u>	<u>\$ 874,631</u>	<u>\$ 526,086</u>	<u>\$ 1,041,138</u>	<u>\$ 9,801,325</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 719,258	\$ -	\$ 186,553	\$ 2,098	\$ 907,909
Accrued Liabilities	370	-	-	395	765
Deposits	97,517	-	-	-	97,517
Payable to Other Governments	69,908	-	-	-	69,908
Total Liabilities	<u>887,053</u>	<u>-</u>	<u>186,553</u>	<u>2,493</u>	<u>1,076,099</u>
Deferred Inflows:					
Tax Levy	<u>1,786,715</u>	<u>874,631</u>	<u>280,396</u>	<u>-</u>	<u>2,941,742</u>
Fund Balances:					
Nonspendable	61,445	-	-	-	61,445
Committed	8,000	-	-	1,038,645	1,046,645
Assigned	2,989,528	-	59,137	-	3,048,665
Unassigned	1,626,729	-	-	-	1,626,729
Total Fund Balances	<u>4,685,702</u>	<u>-</u>	<u>59,137</u>	<u>1,038,645</u>	<u>5,783,484</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 7,359,470</u>	<u>\$ 874,631</u>	<u>\$ 526,086</u>	<u>\$ 1,041,138</u>	<u>\$ 9,801,325</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, 2016**

Total fund balance, governmental funds	\$	5,783,484
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.</p>		
Deferred outflows of resources		289,391
Deferred inflows of resources		(111,449)
<p>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.</p>		
		16,021,158
<p>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.</p>		
		1,708
<p>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.</p>		
Compensated absences		(199,763)
Accrued interest		(37,300)
General obligation debt		(4,129,379)
Net Pension Liability		(51,661)
Rounding		2
Net position of governmental activities in the statement of net position	<u>\$</u>	<u>17,566,191</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, 2016**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property Taxes	\$ 1,795,993	\$ 885,582	\$ 229,010	\$ -	\$ 2,910,585
Other Taxes	20,363	-	-	22,338	42,701
Intergovernmental	612,234	-	-	-	612,234
License and Permits	197,183	-	26,000	-	223,183
Fines, Forfeits and Penalties	10,826	-	-	-	10,826
Public Charges for Services	383,909	-	-	31,540	415,449
Interest Income	95,555	566	131	9,074	105,326
Rental Income	169,910	-	-	-	169,910
Miscellaneous Income	13,048	-	-	2,500	15,548
Total Revenues	<u>3,299,021</u>	<u>886,148</u>	<u>255,141</u>	<u>65,452</u>	<u>4,505,762</u>
<b>EXPENDITURES</b>					
Current:					
General Government	616,521	100	10,219	-	626,840
Public Safety	799,420	-	15,558	-	814,978
Public Works	1,166,916	-	449,491	-	1,616,407
Culture, Recreation and Education	216,629	-	38,762	85,845	341,236
Conservation and Development	20,619	-	-	-	20,619
Debt Service					
Principal Repayment	-	714,378	-	-	714,378
Interest	-	171,300	-	-	171,300
Total Expenditures	<u>2,820,105</u>	<u>885,778</u>	<u>514,030</u>	<u>85,845</u>	<u>4,305,758</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>478,916</u>	<u>370</u>	<u>(258,889)</u>	<u>(20,393)</u>	<u>200,004</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	370	-	38,763	-	39,133
Transfers Out	(38,763)	(370)	-	-	(39,133)
Total Other Financing Sources and Uses	<u>(38,393)</u>	<u>(370)</u>	<u>38,763</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	440,523	-	(220,126)	(20,393)	200,004
Fund Balances - Beginning	4,245,179	-	279,263	1,059,038	5,583,480
Fund Balances - Ending	<u>\$ 4,685,702</u>	<u>\$ -</u>	<u>\$ 59,137</u>	<u>\$ 1,038,645</u>	<u>\$ 5,783,484</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, 2016**

Net change in fund balances - total governmental funds:	\$	200,004
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
This is the amount by which capital outlays (\$739,154) was less than depreciation (\$913,251) in the current period.		(174,097)
<p>The statement of activities reports the loss on the sale of capital assets as an decrease in net position. This is not reported in the fund financial statements. This amount represents the loss on the sale/disposal of equipment.</p>		
		(40,838)
<p>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 premiums, 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.</p>		
Principal payments on long-term debt		714,378
Decrease in accrued interest		1,700
Amortization of debt discount		(567)
Increase in accrued compensated absences		(16,518)
<p>Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.</p>		
Amount of current year required contributions into the defined benefit pension plan		30,862
Actuarially determined change in net pension asset between years, with adjustments		(59,050)
Change in net position of governmental activities	\$	655,874

See accompanying notes to the basic financial statements.

**Town of Middleton  
Dane County, WI**

**Statement of Fiduciary Net Position  
Fiduciary Fund  
December 31, 2016**

	<u><b>Tax Agency</b></u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 10,874,499
Receivables:	
Taxes Receivable	9,955,100
Other Receivables	437,528
Total Assets	<u>\$ 21,267,127</u>
<b>LIABILITIES</b>	
Due to Other Funds	\$ 3,335,833
Due to Other Governments	17,931,294
Total Liabilities	<u>\$ 21,267,127</u>

See accompanying notes to the basic financial statements.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**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, 2016**

---

- 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, deferred outflows, liabilities, deferred inflows, 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 category. 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 and deferred outflows, liabilities and deferred inflows, 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, 2016**

---

- 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, 2016**

---

**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.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**1. Summary of Significant Accounting Policies (Continued)**  
**D. 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 – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October 2019

**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, 2016**

---

**1. Summary of Significant Accounting Policies (Continued)**  
**D. 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 \$199,763 at December 31, 2016. 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, 2016**

---

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

**8) Long-Term Obligations**

All long-term obligations to be repaid from governmental 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) Pensions**

For purposes of measuring the net pension (asset), deferred outflows or 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.

**10) Accounting Changes**

The WRS adopted GASB Statement No. 82, Pension Issues, an amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions.

**11) 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.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

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

- 11) **Equity Classifications (Continued)**

**Fund Statements**

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 can also include negative balances in the governmental funds reporting resources restricted for specific programs.

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

**E. Budgetary Information**

**Budgets**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 2. See notes to required supplementary information for additional information.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**1. Summary of Significant Accounting Policies (Continued)**

**F. 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. Reconciliation of Government-Wide and Fund Financial 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.

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, 2016**

---

**3. Cash and Cash Equivalents/Investments**

As previously discussed, cash for all Town funds are pooled for investment purposes. At December 31, 2016, the cash and investments consist of the following:

Deposits in Local Government Investment Pool	\$	1,272,001
Deposits in Certificates of Deposit		3,283,331
Deposits in Financial Institutions, Interest Bearing Accounts		11,801,886
Deposits in Financial Institutions, Non-Interest Bearing Accounts	\$	1,274,663
		\$ 17,631,881

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Investments	\$	6,757,382
Fiduciary Funds:		
Cash and Investments		10,874,499
Total Cash and Investments	\$	17,631,881

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, Town, 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, and the Wisconsin Aerospace Authority.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**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 time and savings deposits and \$250,000 for demand deposit accounts. 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.

Wisconsin Local Government Investment Pool

The Wisconsin Local Government Investment Pool is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board (SWIB). 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. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the Town's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

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.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

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

Custodial Credit Risk

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

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

The Town maintained insured and collateralized deposits with local banking institutions. As of December 31, 2016, if necessary, the institutions have purchased guarantee bonds to provide coverage for balances which exceed the FDIC insurance and the State Deposit Guarantee Fund coverage. The Town's deposits were exposed to custodial credit risk as follows:

Insured by Federal and State Deposit Insurance	\$ 2,476,051
Collateralized	13,677,671
Uninsured Cash	<u>4,679</u>
Total Deposits with Financial Institutions	<u><u>\$ 16,158,401</u></u>

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, 2016**

**4. Capital Assets**

Capital asset activity in the governmental activities for the year ended December 31, 2016 was as follows:

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
<b>Governmental Activities</b>				
Non-Depreciable Capital Assets:				
Land	\$ 4,865,230	\$ -	\$ -	\$ 4,865,230
Construction in progress	-	73,560	-	73,560
Total Non-Depreciable Capital Assets	<u>4,865,230</u>	<u>73,560</u>	<u>-</u>	<u>4,938,790</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	5,266,083	21,600	-	5,287,683
Infrastructure	16,879,911	379,349	-	17,259,260
Equipment	798,916	264,645	51,048	1,012,513
Vehicles	458,444	-	-	458,444
Capital Assets Being Depreciated	<u>23,403,354</u>	<u>665,594</u>	<u>51,048</u>	<u>24,017,900</u>
Total Capital Assets	28,268,584	739,154	51,048	28,956,690
Less: Accumulated Depreciation	<u>(12,032,491)</u>	<u>(913,251)</u>	<u>(10,210)</u>	<u>(12,935,532)</u>
Capital Assets Net of Depreciation	<u>\$ 16,236,093</u>	<u>\$ (174,097)</u>	<u>\$ 40,838</u>	<u>\$ 16,021,158</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 60,332
Public Safety	56,256
Public Works	755,705
Recreation	40,958
Total Governmental Activities	<u>\$ 913,251</u>

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

**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.

	<u>Balance 1/1/2016</u>	<u>Increased / Issued</u>	<u>Decreased / Retired</u>	<u>Balance 12/31/2016</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Total general obligation debt	\$ 4,843,757	\$ -	\$ 714,378	\$ 4,129,379	\$ 734,379
Unamortized bond discount	(2,275)	-	(567)	(1,708)	-
Compensated absences	183,245	16,518	-	199,763	17,360
	<u>\$ 5,024,727</u>	<u>\$ 16,518</u>	<u>\$ 713,811</u>	<u>\$ 4,327,434</u>	<u>\$ 751,739</u>

General obligation long-term debt issues outstanding at December 31, 2016 and total outstanding were as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2016</u>
G.O. Promissory Note	12/18/2007	12/18/2017	3.80%	\$1,543,781	\$ 154,379
G.O. Bonds	3/20/2009	3/1/2024	3.00-4.375%	2,885,000	1,370,000
G.O. Bonds	3/20/2009	3/1/2029	2.75 – 4.70%	1,795,000	1,345,000
G.O. Promissory Notes	11/22/2010	3/1/2019	.80-3.25%	1,890,000	660,000
G.O. Promissory Notes	12/22/2014	1/22/2021	2.41%	600,000	600,000
Total general obligation debt					<u>\$ 4,129,379</u>

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

**5. Long-Term Obligations (Continued)**

**Debt Service Requirements to Maturity**

Years	General Long-Term Debt		
	Principal	Interest	Totals
2017	\$ 734,379	\$ 145,654	\$ 880,033
2018	755,000	117,380	872,380
2019	770,000	91,336	861,336
2020	325,000	72,399	397,399
2021	335,000	60,875	395,875
2022-2026	825,000	173,258	998,258
2027-2029	385,000	27,845	412,845
Totals	\$ 4,129,379	\$ 688,747	\$ 4,818,126

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, 2016 was \$58,459,315. Total general obligation debt outstanding at year end was \$4,129,379.

**6. Governmental Net Position**

Governmental net position as reported on the statement of net position as of December 31, 2016 is as follows:

Net Investment in Capital Assets	
Capital Assets, Net	\$ 16,021,158
Less: Total Outstanding Debt	(4,129,379)
Plus: Non-Capital Related Debt	736,000
	12,627,779
Unrestricted	4,938,412
Total Net Position	\$ 17,566,191

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

**7. Governmental Fund Balances**

Governmental fund balances reported on the governmental funds balance sheet at December 31, 2016 include the following:

	General	Capital Projects	Parks Fund	Total
<b>Non-spendable</b>				
Delinquent personal property taxes and special assessments	\$ 30,579	\$ -	\$ -	\$ 30,579
Prepaid Expenses	30,866	-	-	30,866
<b>Total non-spendable</b>	<b>61,445</b>	<b>-</b>	<b>-</b>	<b>61,445</b>
<b>Committed</b>				
Sheriff Sinking Fund	8,000	-	-	8,000
Park Development & Maintenance	-	-	1,038,645	1,038,645
<b>Total committed</b>	<b>8,000</b>	<b>-</b>	<b>1,038,645</b>	<b>1,046,645</b>
<b>Assigned</b>				
Garage & Truck Equipment	274,831	-	-	274,831
Sanitary Sewer	44,308	-	-	44,308
Hall Maintenance	57,750	-	-	57,750
Capital Purchases/Projects	796,143	59,137	-	855,280
Fire District	297,997	-	-	297,997
Storm Water	255,115	-	-	255,115
Roads	578,577	-	-	578,577
Park Maintenance	657,000	-	-	657,000
Other	27,807	-	-	27,807
<b>Total assigned</b>	<b>2,989,528</b>	<b>59,137</b>	<b>-</b>	<b>3,048,665</b>
<b>Unassigned</b>	<b>1,626,729</b>	<b>-</b>	<b>-</b>	<b>1,626,729</b>
<b>Total</b>	<b>\$ 4,685,702</b>	<b>\$ 59,137</b>	<b>\$ 1,038,645</b>	<b>\$ 5,783,484</b>

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**8. Employee Retirement Plan**

Defined Benefit Pension Plan

**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 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.

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

**Vesting.** 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, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, 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 State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**8. Employee Retirement Plan (Continued)**

*Post-Retirement 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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

*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. 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 \$30,862 in contributions from the employer.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**8. Employee Retirement Plan (Continued)**

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

At December 31, 2016, the Town reported a liability (asset) of \$51,661 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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 liability (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, 2015, the Town's proportion was 0.00317915%, which was an increase of .00001286% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Town recognized pension expense of \$61,496.

At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,740	\$ (108,719)
Changes of assumptions	36,144	-
Net difference between projected and actual earnings on pension plan investments	211,513	-
Changes in proportion and difference between Employer contributions and proportionate share of contributions	-	(2,730)
Employer contributions subsequent to the measurement date	<u>32,994</u>	<u>-</u>
Total	<u>\$ 289,391</u>	<u>\$ (111,449)</u>

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**8. Employee Retirement Plan (Continued)**

\$32,994 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 66,571	\$ (27,098)
2018	66,571	(27,098)
2019	66,571	(27,098)
2020	55,529	(26,665)
2021	1,155	(3,490)

**Actuarial assumptions.** The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset):	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

**8. Employee Retirement Plan (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 arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Retirement Funds</b>							
<b>Asset Allocation Targets and Expected Returns</b>							
As of December 31, 2015							
<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>		<u>Destination Target Asset Allocation %</u>		<u>Long-Term Expected Nominal Rate of Return %</u>		<u>Long-Term Expected Real Rate of Return %</u>
U.S. Equities	27 %		23 %		7.6 %		4.7 %
International Equities	24.5		22		8.5		5.6
Fixed Income	27.5		37		4.4		1.6
Inflation Sensitive Assets	10		20		4.2		1.4
Real Estate	7		7		6.5		3.6
Private Equity/Debt	7		7		9.4		6.5
Multi-Asset	4		4		6.7		3.8
<b>Total Core Fund</b>	<b>107 %</b>		<b>120 %</b>		<b>7.4 %</b>		<b>4.5 %</b>
<u>Variable Fund Asset Class</u>							
U.S. Equities	70 %		70 %		7.6 %		4.7 %
International Equities	30		30		8.5		5.6
<b>Total Variable Fund</b>	<b>100 %</b>		<b>100 %</b>		<b>7.9 %</b>		<b>5.0 %</b>
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%							
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations							

**Single Discount Rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

**8. Employee Retirement Plan (Continued)**

*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 (asset) calculated using the discount rate of 7.20 percent, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
City's proportionate share of the net pension liability (asset)	\$ 362,348	\$ 51,661	\$ (190,992)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

**9. Transfers**

The following is a schedule of interfund transfers for the year ended December 31, 2016:

Transferred To	Transferred From	Amount	Purpose
General Fund	Debt Service	\$ 370	Reassigned Fund Balance
Capital Projects	General Fund	38,763	Capital Purchase
Total		\$ 39,133	

**10. Joint Ventures**

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

Town of Middleton	25.08%
Town of Westport	5.76%
Town of Springfield	5.44%
City of Middleton	63.72%
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 \$315,633 to the district for 2016. 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, 2016 is available directly from the district's office.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**11. 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, 2013 and is for 5 years, 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. The annual sinking fund requirements began in 2007. At December 31, 2016 the sinking fund balance reported as committed fund balance is \$8,000. Rental income for 2016 was \$23,900.

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, for 20 years and ending on May 1, 2029. Rental income from this lease was \$137,120 in 2016. The Middleton Fire 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 Fire District shall then occupy the storage space without charge through October 31, 2038. Rental income for the storage space was \$5,280 in 2016.

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

2017	\$ 142,200
2018	142,200
2019	142,200
2020	142,200
2021	142,200
2022-2026	712,000
2027-2029	427,600

The Town also receives rental income for use of land that the Town owns. These rental agreements are negotiated yearly. Rental income for 2016 was \$3,610.

**12. 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.

**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 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.

**TOWN OF MIDDLETON**  
**Notes to Financial Statements**  
**December 31, 2016**

---

**13. Commitments and Contingencies (Continued)**

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.

Emergency Medical Services (EMS)

On December 2, 2014 the Town entered into an agreement with the City of Middleton to provide EMS services. The agreement commenced on January 1, 2015 and will expire on December 31, 2019. The terms of the agreement shall automatically renew for an additional five years and each fifth year so after 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 2016 was \$187,581. This calculation will result in annual payment by the Town that may be equal to, but will not exceed as follows:

<u>Year</u>	<u>Not to Exceed Amount</u>
2017	\$ 190,395
2018	193,251
2019	196,150

**14. Subsequent Events and Commitments**

In the normal course of Town operations there are various purchases, commitments and agreements approved by the Board. The following is a summary of material purchases and commitments subsequent to December 31, 2016.

- Rocky Dell Road Construction - \$783,000
- Hickory Woods Storm Water Management - \$129,000
- 2017 Road Maintenance Contract - \$277,000
- Longview / Sundown Road Reconstruction - \$182,000
- Field Operations New Truck - \$36,500

**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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property Taxes	\$ 1,802,296	\$ 1,802,296	\$ 1,795,993	\$ (6,303)
Other Taxes	9,000	9,000	20,363	11,363
Intergovernmental	582,257	582,257	612,234	29,977
License and Permits	175,200	175,200	197,183	21,983
Fines, Forfeits and Penalties	11,000	11,000	10,826	(174)
Public Charges for Services	380,922	380,922	383,909	2,987
Interest Income	20,000	20,000	95,555	75,555
Miscellaneous Income	176,340	176,340	182,958	6,618
Total Revenues	<u>3,157,015</u>	<u>3,157,015</u>	<u>3,299,021</u>	<u>142,006</u>
<b>EXPENDITURES</b>				
Current:				
General Government	568,889	568,889	616,521	(47,632)
Public Safety	826,707	826,707	799,420	27,287
Public Works	1,502,230	1,502,230	1,166,916	335,314
Culture, Recreation and Education	245,541	245,541	216,629	28,912
Conservation and Development	39,480	39,480	20,619	18,861
Total Expenditures	<u>3,182,847</u>	<u>3,182,847</u>	<u>2,820,105</u>	<u>362,742</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,832)</u>	<u>(25,832)</u>	<u>478,916</u>	<u>504,748</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	370	370
Transfers Out	-	(38,763)	(38,763)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>(38,763)</u>	<u>(38,393)</u>	<u>370</u>
Net Change in Fund Balances	(25,832)	(64,595)	440,523	505,118
Fund Balances - Beginning	4,245,179	4,245,179	4,245,179	-
Fund Balances - Ending	<u>\$ 4,219,347</u>	<u>\$ 4,180,584</u>	<u>\$ 4,685,702</u>	<u>\$ 505,118</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, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Other Taxes	\$ 20,000	\$ 20,000	\$ 22,338	\$ 2,338
Public Charges for Services		-	31,540	31,540
Interest Income	5,000	5,000	9,074	4,074
Miscellaneous Income	41,160	41,160	2,500	(38,660)
Total Revenues	<u>66,160</u>	<u>66,160</u>	<u>65,452</u>	<u>(708)</u>
<b>EXPENDITURES</b>				
Current:				
Culture, Recreation and Education	119,669	119,669	85,845	33,824
Total Expenditures	<u>119,669</u>	<u>119,669</u>	<u>85,845</u>	<u>33,824</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(53,509)</u>	<u>(53,509)</u>	<u>(20,393)</u>	<u>33,116</u>
Net Change in Fund Balances	(53,509)	(53,509)	(20,393)	33,116
Fund Balances - Beginning	1,059,038	1,059,038	1,059,038	-
Fund Balances - Ending	<u>\$ 1,005,529</u>	<u>\$ 1,005,529</u>	<u>\$ 1,038,645</u>	<u>\$ 33,116</u>

**TOWN OF MIDDLETON  
WISCONSIN RETIREMENT SYSTEM  
December 31, 2016**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
AS OF THE MEASUREMENT DATE**

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2015	0.00317915%	\$ 51,661	\$ 453,855	11.38%	98.20%
2014	0.00316629%	(77,751)	443,097	(17.55%)	102.74%

**SCHEDULE OF TOWN'S CONTRIBUTIONS  
FOR THE YEAR ENDED**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 32,994	\$ (32,994)	\$ -	\$ 499,912	6.60%
2015	30,862	(30,862)	-	453,855	6.80%

**TOWN OF MIDDLETON**  
**Notes to Required Supplementary Information**  
**December 31, 2016**

---

**1. Wisconsin Retirement System**

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

Changes of Assumptions. Rates used in mortality tables were updated based on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%). The mortality table was adopted by the Board in connection with the 2012-2014 Experience Study. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

**2. Budgetary Information and Excess Expenditures and Other Financing Uses Over Appropriations**

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.

The Town controls expenditures at the department level. The individual line items in the General Funds that experienced expenditures, which exceeded appropriations in 2016 were as follows:

<b>Fund</b>	<b>Function / Department Level</b>	<b>Amount</b>
General Fund	General Government	\$ 47,632

In total, General Fund expenditures were \$362,742 under budget.

## **SUPPLEMENTARY INFORMATION**

**Town of Middleton  
Dane County, WI**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - Capital Projects Fund  
For the Year Ended December 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property Taxes	\$ 229,010	\$ 229,010	\$ 229,010	\$ -
Intergovernmental	23,650	23,650	-	(23,650)
License and Permits	-	-	26,000	26,000
Interest Income	-	-	131	131
Miscellaneous Income	1,000	1,000	-	(1,000)
Total Revenues	<u>253,660</u>	<u>253,660</u>	<u>255,141</u>	<u>1,481</u>
<b>EXPENDITURES</b>				
Current:				
General Government	6,360	6,360	10,219	(3,859)
Public Safety	-	-	15,558	(15,558)
Public Works	475,000	475,000	449,491	25,509
Culture, Recreation and Education	-	38,762	38,762	-
Total Expenditures	<u>481,360</u>	<u>520,122</u>	<u>514,030</u>	<u>6,092</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(227,700)</u>	<u>(266,462)</u>	<u>(258,889)</u>	<u>7,573</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	38,763	38,763	-
Total Other Financing Sources and Uses	<u>-</u>	<u>38,763</u>	<u>38,763</u>	<u>-</u>
Net Change in Fund Balances	(227,700)	(227,699)	(220,126)	7,573
Fund Balances - Beginning	<u>279,263</u>	<u>279,263</u>	<u>279,263</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 51,563</u>	<u>\$ 51,564</u>	<u>\$ 59,137</u>	<u>\$ 7,573</u>

**Town of Middleton  
Dane County, WI**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - Debt Service Fund  
For the Year Ended December 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property Taxes	\$ 885,582	\$ 885,582	\$ 885,582	\$ -
Interest Income	-	-	566	566
Miscellaneous Income	7,000	7,000	-	(7,000)
Total Revenues	<u>892,582</u>	<u>892,582</u>	<u>886,148</u>	<u>(6,434)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	100	(100)
Debt Service				
Principal Repayment	714,378	714,378	714,378	-
Interest Expense	178,204	178,204	171,300	6,904
Total Expenditures	<u>892,582</u>	<u>892,582</u>	<u>885,778</u>	<u>6,804</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>370</u>	<u>370</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(370)	(370)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(370)</u>	<u>(370)</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>