

TOWN OF MIDDLETON
DANE COUNTY, WISCONSIN

FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

December 31, 2018

CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet—Governmental Funds	11
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Statement of Activities	14
Statement of Net Position—Fiduciary Funds.....	15
Notes to Financial Statements.....	16
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual— General Fund.....	42
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System.....	43
Schedule of Employer Contributions - Wisconsin Retirement System.....	43
Schedule of Proportionate Share of Net OPEB Liability (Asset) - Local Retiree Life Insurance Fund.....	44
Notes to Required Supplementary Information	45

INDEPENDENT AUDITOR'S REPORT

To the Town Board
Town of Middleton
Dane County, Wisconsin

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the Town of Middleton'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to 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, 2018, 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.

Emphasis-of-Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, as of January 1, 2018, the Town of Middleton adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting changes at the beginning of the year is reported in the statement of net position. Our opinion is not modified with respect to this matter.

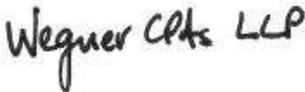
Prior Period Financial Statements

The financial statements of the Town of Middleton as of December 31, 2017 were audited by other auditors whose report, dated April 9, 2018, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, the Wisconsin Retirement System schedule, and the Local Retiree Life Insurance Fund schedule, as listed in the table of contents, 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.



Wegner CPAs, LLP
Madison, Wisconsin
July 17, 2019

TOWN OF MIDDLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

The management of the Town of Middleton offers all persons interested in the financial position of the town this narrative overview and analysis of the town's financial performance during the fiscal year ended December 31, 2018. You are invited to read this narrative in conjunction with the town's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town of Middleton exceeded its liabilities and deferred inflows of resources by \$18,352,201 (net position), a decrease of \$583,780 from 2017. Of this amount, \$4,962,359 is considered unrestricted net position, \$105,222 is restricted for specific purposes (restricted net position), and \$13,284,620 is the town's net investment in capital assets.
- The town's total net position is \$18,352,201.
- On December 31, 2018, the town's governmental funds reported combined fund balances of \$5,221,469 a decrease of \$826,471 from 2017. General fund unassigned fund balance at year-end 2018 was \$833,287, a decrease of \$644,528 from 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of two parts: Management's Discussion and Analysis and the basic financial statements. The basic financial statements include two kinds of statements that Present different views of the town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of town government, reporting the town's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

Government-wide financial statements report information about the Town of Middleton as a whole, using accounting methods similar to those used by private sector companies.

The *statement of net position* includes all of the town's assets, liabilities and deferred inflows/outflows of resources, 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 or not the financial position of the town is improving. To assess the overall financial condition of the town, additional non-financial factors, such as changes in the town's property tax base and the condition of the town's roads, equipment/vehicles and buildings should be considered.

The *statement of activities* includes all revenues and expenses of the town, irrespective of when cash is actually received or paid out. The intent of the government-wide statements is to provide a snapshot of the town's Net Position and to provide an explanation of material changes that occurred since the prior year.

TOWN OF MIDDLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Fund Financial Statements

The *fund financial statements* provide detailed information about the town's significant funds rather than the Town of Middleton as a whole. A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The town, 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 and fiduciary.

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 funds 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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, the debt service fund, capital projects fund, and parks fund, all of which are considered to be major funds.

The town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the 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.

Other Information

Required supplementary information (RSI) includes a budget to actual comparison that provides readers with information about the accuracy with which management was able to project the town's revenues and expenditures. In addition, the RSI includes information concerning the town's net pension liability (asset) and other post-employment benefits (OPEB) liability.

TOWN OF MIDDLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

An analysis of the town's financial position begins with a review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the town's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

A summary of the town's Statement of Net Position is presented below in Table 1.

Table 1
Condensed Statement of Net Position

	Governmental Activities	
	2018	2017
Assets		
Current and other assets	\$ 10,202,523	\$ 10,834,410
Capital assets	<u>17,052,521</u>	<u>17,444,418</u>
Total assets	27,255,044	28,278,828
Deferred Outflows of Resources	200,559	212,683
Liabilities		
Long-term liabilities	3,069,880	3,953,807
Other liabilities	<u>2,067,268</u>	<u>2,078,503</u>
Total liabilities	5,137,148	6,032,310
Deferred Inflows of Resources	3,966,254	3,523,220
Net Position as restated		
Net investment in capital assets	13,284,620	13,530,178
Restricted	105,222	-
Unrestricted	<u>4,962,359</u>	<u>5,405,803</u>
Total Net Position	<u>\$ 18,352,201</u>	<u>\$ 18,935,981</u>

A large portion of the town's total net position (72.39%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any 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.

At the end of the current fiscal year, the town reported positive balances in all three categories of net position.

TOWN OF MIDDLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Table 2
Condensed Statement of Activities

REVENUES	Governmental Activities	
	2018	2017
Program revenues		
Charges for services	\$ 978,488	\$ 905,656
Operating grants and contributions	324,259	307,615
Capital grants and contributions	131,280	1,097,231
General revenues		
Property taxes	3,011,517	2,949,108
Other taxes	53,198	37,232
Grants and contributions	62,020	186,452
Other	172,388	127,637
Total revenues	4,733,150	5,610,931
EXPENSES		
General government	804,886	592,674
Public safety	1,156,585	889,737
Public works	2,745,154	2,194,671
Culture and recreation	357,671	419,571
Conservation and development	46,848	23,185
Interest on long-term debt	169,429	121,303
Total expenses	5,280,573	4,241,141
Change in Net Position	(547,423)	1,369,790
Beginning Net Position, as restated	18,899,624	17,566,191
Ending Net Position	\$ 18,352,201	\$ 18,935,981

As previously noted, the Statement of Net Position shows the town's financial position as of December 31, 2018. The specific nature or source of these changes then becomes more evident in the Statement of Activities as shown above in Table 2.

Revenues in 2018 for governmental activities decreased by \$746,507 (approximately 13%) compared to the prior year due primarily to less grants received in 2018. Expenses increased \$1,008,634 (approximately 24%) compared to the prior year because of an increased focus on road improvement. At year-end 2018, net position decreased by \$547,423 compared to an increase of \$1,369,790 in 2017.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The focus of the town's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the town's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

TOWN OF MIDDLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

As of December 31, 2018, the town's governmental funds reported combined ending fund balances of \$5,221,469, a decrease of \$826,471 from the prior year. The general fund has an unassigned fund balance of \$833,287.

The general fund is the chief operating fund of the town. The total fund balance was \$4,196,241 at December 31, 2018. 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 24.2% of total general fund expenditures.

CAPITAL ASSETS

At December 31, 2018, the town had \$17,052,521 in capital assets, a decrease of \$391,897 from 2017. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Table 3
Capital Assets

	2018	2017
Land	\$ 4,865,230	\$ 4,865,230
Construction in progress	-	29,667
Buildings and improvements	5,301,129	5,301,129
Equipment and Vehicles	1,470,119	1,435,244
Infrastructure	19,966,784	19,528,893
Less: accumulated depreciation	(14,550,741)	(13,715,745)
Net capital assets	\$ 17,052,521	\$ 17,444,418

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

LONG-TERM OBLIGATIONS

On December 31, 2018, the town had total long-term debt outstanding of \$3,767,901 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 \$782,339.

Table 4
Long-Term Obligations

	2018	2017
General obligation debt	\$ 3,767,901	\$ 4,550,240
Unamortized debt discount	-	(1,141)
Compensated absences	152,813	221,110
Net long-term obligations	\$ 3,920,714	\$ 4,770,209

Additional information on long-term obligations can be found in Note 5 of this report.

TOWN OF MIDDLETON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the town's finances. If you have questions about this report or need additional financial information, contact Greg DiMiceli, Administrator/Treasurer at the Town of Middleton, 7555 West Old Sauk Road, Verona, WI 53593, or call (608) 833-5887.

TOWN OF MIDDLETON
STATEMENT OF NET POSITION
As of December 31, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,847,592
Receivables	
Taxes	3,068,156
Other	147,087
Other assets	34,466
Net pension asset	105,222
Capital assets, not being depreciated	4,865,230
Capital assets, net of accumulated depreciation	12,187,291
Total assets	27,255,044
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	193,453
Related to other postemployment benefits	7,106
Total deferred outflows of resources	200,559
LIABILITIES	
Accounts payable and accrued liabilities	1,054,336
Building permit deposits	65,671
Accrued interest	49,213
Net OPEB liability	47,214
Noncurrent liabilities	
Due within one year	850,834
Due in more than one year	3,069,880
Total liabilities	5,137,148
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue - property taxes	3,068,156
Unearned revenue - special charges	687,669
Related to pension	209,764
Related to other postemployment benefits	665
Total deferred inflows of resources	3,966,254
NET POSITION	
Net investment in capital assets	13,284,620
Restricted	
Net pension asset	105,222
Unrestricted	4,962,359
Total net position	\$ 18,352,201

See accompanying notes.

TOWN OF MIDDLETON
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Program Revenues			Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES					
General government	\$ 804,886	\$ 86,090	\$ 1,050	\$ -	\$ (717,746)
Public safety	1,156,585	318,907	46,516	-	(791,162)
Public works	2,745,154	435,137	276,693	131,280	(1,902,044)
Culture and recreation	357,671	7,770	-	-	(349,901)
Conservation and development	46,848	130,584	-	-	83,736
Interest and fiscal charges	169,429	-	-	-	(169,429)
Total governmental activities	5,280,573	978,488	324,259	131,280	(3,846,546)
GENERAL REVENUES					
Property taxes, levied for general purposes					1,929,082
Property taxes, levied for debt service					911,430
Property taxes, levied for capital projects					171,005
Room taxes					50,745
Other taxes					2,453
Grants and contributions not restricted to specific programs					62,020
Investment income					119,793
Miscellaneous					81,268
Gain (loss) on disposal of property					(28,673)
Total general revenues and transfers					3,299,123
Change in net position					(547,423)
Net position—beginning of year, as restated					18,899,624
Net position—end of year					\$ 18,352,201

See accompanying notes.

TOWN OF MIDDLETON
BALANCE SHEET—GOVERNMENTAL FUNDS
As of December 31, 2018

	General Fund	Debt Service	Capital Projects	Parks Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,782,310	\$ -	\$ -	\$ 1,065,282	\$ 6,847,592
Receivables					
Taxes	1,920,011	948,145	200,000	-	3,068,156
Delinquent personal property taxes	27,166	-	-	-	27,166
Accounts	119,921	-	-	-	119,921
Due from other funds	526	-	-	-	526
Prepaid expenditures	33,940	-	-	-	33,940
Total assets	<u>\$ 7,883,874</u>	<u>\$ 948,145</u>	<u>\$ 200,000</u>	<u>\$ 1,065,282</u>	<u>\$ 10,097,301</u>
LIABILITIES					
Accounts payable	\$ 988,177	\$ -	\$ -	\$ 39,528	\$ 1,027,705
Accrued liabilities	25,421	-	-	-	25,421
Deposits	65,671	-	-	-	65,671
Due to other funds	-	-	-	526	526
Payable to other governments	684	-	-	-	684
Total liabilities	1,079,953	-	-	40,054	1,120,007
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - property taxes	1,920,011	948,145	200,000	-	3,068,156
Deferred revenue	687,669	-	-	-	687,669
Total deferred inflows of resources	2,607,680	948,145	200,000	-	3,755,825
FUND BALANCES					
Nonspendable	61,106	-	-	-	61,106
Committed	12,000	-	-	1,025,228	1,037,228
Assigned	3,289,848	-	-	-	3,289,848
Unassigned	833,287	-	-	-	833,287
Total fund balances	<u>4,196,241</u>	<u>-</u>	<u>-</u>	<u>1,025,228</u>	<u>5,221,469</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,883,874</u>	<u>\$ 948,145</u>	<u>\$ 200,000</u>	<u>\$ 1,065,282</u>	<u>\$ 10,097,301</u>

See accompanying notes.

TOWN OF MIDDLETON
RECONCILIATION OF THE BALANCE SHEET—GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of December 31, 2018

Total fund balances - governmental funds		\$ 5,221,469
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:		
Cost of capital assets	\$ 31,603,262	
Accumulated depreciation	<u>(14,550,741)</u>	
Net capital assets		17,052,521
The net pension asset is not an available resource and, therefore, is not reported in the funds		
		105,222
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of:		
Bonds and notes payable	(3,767,901)	
Deferred outflows related to pension	193,453	
Deferred inflows related to pension	(209,764)	
Deferred outflows related to other postemployment benefits	7,106	
Deferred inflows related to other postemployment benefits	(665)	
Accrued interest payable	(49,213)	
Net other postemployment benefits liability - life insurance	(47,214)	
Compensated absences	<u>(152,813)</u>	
Total long-term liabilities		<u>(4,027,011)</u>
Total net position - governmental activities		<u>\$ 18,352,201</u>

See accompanying notes.

TOWN OF MIDDLETON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Parks Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 1,929,082	\$ 911,430	\$ 171,005	\$ -	\$ 3,011,517
Other taxes	17,589	-	-	37,622	55,211
Intergovernmental	647,783	-	-	-	647,783
Licenses and permits	230,602	-	-	-	230,602
Fines, forfeitures and penalties	4,653	-	-	-	4,653
Public charges for services	464,421	-	-	108,240	572,661
Investment income	99,813	2,233	3,851	13,895	119,792
Rental income	168,560	-	-	-	168,560
Miscellaneous	72,149	2,275	5,000	2,895	82,319
Total revenues	3,634,652	915,938	179,856	162,652	4,893,098
EXPENDITURES					
Current					
General government	772,207	150	26,200	41	798,598
Public safety	1,099,776	-	-	-	1,099,776
Public works	1,349,260	-	1,191,933	-	2,541,193
Culture, recreation and education	173,665	-	-	142,475	316,140
Conservation and development	46,848	-	-	-	46,848
Debt service					
Principal	-	782,339	-	-	782,339
Interest and fees	346	134,329	-	-	134,675
Total expenditures	3,442,102	916,818	1,218,133	142,516	5,719,569
Excess (deficiency) of revenues over (under) expenditures	192,550	(880)	(1,038,277)	20,136	(826,471)
Other financing sources (uses)					
Transfers in (out)	(833,559)	880	832,679	-	-
Total other financing sources	(833,559)	880	832,679	-	-
Net change in fund balances	(641,009)	-	(205,598)	20,136	(826,471)
Fund balances—beginning of year	4,837,250	-	205,598	1,005,092	6,047,940
Fund balances—end of year	\$ 4,196,241	\$ -	\$ -	\$ 1,025,228	\$ 5,221,469

See accompanying notes.

TOWN OF MIDDLETON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES—GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Net change in fund balances—total governmental funds \$ (826,471)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay reported in governmental fund statements	\$ 592,162	
Depreciation expense reported in the statement of activities	(955,386)	
Loss on disposal of property	<u>(28,673)</u>	
		(391,897)

The repayment of the principal of long-term debt consumes the current financial resources of governmental fund, but reduces the liability in the statement of net position.

782,339

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Increase in accrued interest payable	(33,614)	
Amortization of debt discount	(1,141)	
Change in pension expense	(9,246)	
Change in other postemployment benefit liability - life insurance	(4,416)	
Net decrease in compensated absences	<u>68,297</u>	
		<u>19,880</u>

Change in net position of governmental activities \$ (547,423)

See accompanying notes.

TOWN OF MIDDLETON
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of December 31, 2018

	Tax Collection Agency Fund
ASSETS	
Cash and cash equivalents	\$ 9,737,740
Receivables	
Taxes	10,853,757
Other	<u>179,445</u>
TOTAL ASSETS	<u>\$ 20,770,942</u>
LIABILITIES	
Due to other funds	\$ 3,068,156
Due to other governments	<u>17,702,786</u>
TOTAL LIABILITIES	<u>\$ 20,770,942</u>

See accompanying notes.

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Middleton (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

Effective January 1, 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. GASB Statement No. 75 defines the net other postemployment benefit (OPEB) liability as the difference between the total OPEB liability and the value of the assets set aside to pay benefits. A description of the postemployment benefit plan and the impact on the financial statements of the Town is provided in Note 9.

Reporting Entity

This report includes all of the funds of the Town of Middleton. The reporting entity for the Town consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The Town may be financially accountable if an organization is fiscally dependent on the primary government. This Town has not identified any organizations that meet this criteria.

Basis of Presentation

Government-wide Financial Statements

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 the fiduciary fund. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenues, and other non-exchange 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

Parks Fund – accounts for the Town's park related projects and revenue sources. Revenue sources include 70% of room tax (tourism) and park fees charged to developers of new lots. These monies are set aside for future park development and may be used for annual park maintenance.

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

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

Additionally the Town reports the following fiduciary fund:

Tax Agency Fund – Accounts for taxes collected by the Town on behalf of other governmental units.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and *the accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 90 days

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. Property tax revenue is recognized as revenue in the subsequent year when services financed by the levy are provided. State shared revenues, grants, contributions and interest associated with the current fiscal period are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligible requirements are met, including any time requirements and the amount is received during the period or within 90 days of year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period of 90 days within year-end. All other revenue items are considered to be measurable and available only when the cash is received by the Town.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

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

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

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2018, the fair value of the Town's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

Prepaid Items

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

Receivables

During the course of operations, transactions occur between individual funds that may result in amounts owed between the funds. The current portion of lending/borrowing arrangements between the funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds.

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

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property tax calendar – 2018 tax roll is as follows:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax sale - 2018 delinquent real estate taxes	October 2021

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

Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost of more than \$5,000 with an estimated useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are reported at estimated fair value at the time received.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation is provided over the assets estimated useful lives using the straight-line method. The range of estimated lives by type of asset is as follows:

	<u>Years</u>
Buildings and improvements	10-40
Machinery and equipment	5-15
Infrastructure	30

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets used in the proprietary fund operation are accounted for the same as in the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. Deferred outflows 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)

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

until then. The Town reports deferred outflows related to pension and other postemployment benefits as of December 31, 2018.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Town reports unearned revenue from property taxes and special charges in the governmental funds balance sheet. The Town also reports deferred inflows related to pension and related to other postemployment benefits as of December 31, 2018.

Compensated Absences

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

Other Postemployment Benefits

Local Retiree Life Insurance Fund

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

Pension

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

Bond Premiums, Discounts and Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. The face amount of debt issued is reported as other financing sources. Bond premiums are reported as other financing sources, while bond discounts are reported as other financing uses. In the proprietary fund financial statements, long-term debt is reported as a liability. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method.

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is reported in the governmental funds if it has matured. Claims and judgments are recorded in the proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

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

Committed – Resources that can only be used for specific purposes as the result of a formal action of the Town's highest level of decision-making authority. Fund balance amounts are committed through a formal action of the Town. Any changes in the constraints imposed require the same formal action of the Town that originally created the commitment.

Assigned – Resources that are neither restricted nor committed for which the Town has stated intended use as established by the Town Board or the Town Administrator to whom the Town Board has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources that are available for any purpose. Unassigned amounts are only reported in the general fund.

Net Position

Government-wide financial statement and proprietary fund equity is classified as net position and displayed in three components:

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.

Restricted net position – Consists of restricted 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.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Restricted Resources

In the government-wide financial statements, when both restricted and unrestricted resources are available for use, it is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In governmental funds, when both restricted and unrestricted resources are available for use, it is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

Operating budgets are adopted each year for the general fund. The original budgets for 2018 were adopted in November 2017.

Limitations on the Town Tax Levy

As part of 2011 Wisconsin Act 32, legislation was passed that limits the Town's future tax levies. The Town is limited to its prior tax levy dollar amount, increased by the greater of the percentage change in the Town's equalized value due to new construction, or 0% for the 2017 levy collected in 2018. Changes in debt service from one year to the next are generally exempt from this limit.

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3—CASH AND CASH EQUIVALENTS

At December 31, 2018, cash and cash equivalents consisted of the following:

	Statement Balance	Carrying Value	Risk
Cash on hand	\$ -	\$ 500	
Deposits with financial institutions	12,627,780	15,302,117	Custodial credit
Certificates of deposit	661,699	661,699	Custodial credit, interest rate
Wisconsin Local Government Investment Pool	621,016	621,016	Credit, interest rate
	<u>\$ 13,910,495</u>	<u>\$ 16,585,332</u>	

Reconciliation to the basic financial statements:

Statement of net position	
Cash and cash equivalents	\$ 6,847,592
Statement of net position - fiduciary funds	
Cash and cash equivalents	<u>9,737,740</u>
Total Cash and Investments	<u>\$ 16,585,332</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the Town would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party.

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 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Bank accounts and the LGIP 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 relation to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of December 31, 2018, \$285,331 of the Town's deposits with financial institutions were uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The Town's investment policy does not address interest rate risk.

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3—CASH AND CASH EQUIVALENTS (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town had investments in the Wisconsin LGIP which is not rated.

NOTE 4—CAPITAL ASSETS

Capital assets governmental activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Retirements	Balance 12/31/2018
Capital assets not being depreciated				
Land	\$ 4,865,230	\$ -	\$ -	\$ 4,865,230
Construction in progress	29,667	-	29,667	-
Total capital assets not being depreciated	<u>4,894,897</u>	<u>-</u>	<u>29,667</u>	<u>4,865,230</u>
Capital assets being depreciated				
Buildings and improvements	5,301,129	-	-	5,301,129
Infrastructure	19,528,893	586,954	149,063	19,966,784
Equipment and vehicles	1,435,244	34,875	-	1,470,119
Total capital assets being depreciated	<u>26,265,266</u>	<u>621,829</u>	<u>149,063</u>	<u>26,738,032</u>
Total capital assets	31,160,163	621,829	178,730	31,603,262
Less: Accumulated depreciation	<u>(13,715,745)</u>	<u>(955,386)</u>	<u>(120,390)</u>	<u>(14,550,741)</u>
Total capital assets net of depreciation	<u>\$ 17,444,418</u>	<u>\$ (333,557)</u>	<u>\$ 58,340</u>	<u>\$ 17,052,521</u>

Depreciation expense was charged to functions of governmental activities as follows:

General government	\$ 60,923
Public safety	56,809
Public works	796,123
Parks and recreation	41,531
Total depreciation expense - governmental activities	<u>\$ 955,386</u>

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5—LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2018, was as follows:

	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018	Due Within One Year
Governmental activities:					
General obligation debt	\$ 4,550,240	\$ -	\$ 782,339	\$ 3,767,901	\$ 830,351
Unamortized bond discount	(1,141)	-	(1,141)	-	-
Compensated absences	221,110	5,041	73,338	152,813	20,483
Total governmental activities long-term obligations	<u>\$ 4,770,209</u>	<u>\$ 5,041</u>	<u>\$ 854,536</u>	<u>\$ 3,920,714</u>	<u>\$ 850,834</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Town may not exceed 5% of the equalized value of taxable property within the Town's jurisdiction. The debt limit as of December 31, 2018 was \$63,395,540. Total general obligation debt outstanding at December 31, 2018 was \$3,767,901.

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

The following is a list of long-term obligations as of December 31, 2018:

Description	Date of Issue	Final Maturity	Interest Rates (%)	Original Indebtedness	Balance 12/31/2018
G.O. Bonds	3/20/2009	3/1/2024	3.00-4.375	\$ 2,885,000	\$ 785,000
G.O. Bonds	3/20/2009	3/1/2029	2.75-4.70	1,795,000	1,180,000
G.O. Promissory Notes	11/22/2010	3/1/2019	.80-3.25	1,890,000	225,000
G.O. Promissory Notes	12/22/2014	1/22/2021	2.41	600,000	450,000
G.O. Promissory Notes	12/12/2017	12/12/2028	2.45	1,155,240	1,127,901
Total governmental activities - general obligation debt				<u>\$ 8,325,240</u>	<u>\$ 3,767,901</u>

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5—LONG-TERM OBLIGATIONS (continued)

Debt service requirements to maturity are as follows:

Years	General Obligation Debt		
	Principal	Interest	Totals
2019	\$ 830,351	\$ 118,969	\$ 949,320
2020	439,110	98,261	537,371
2021	452,032	83,828	535,860
2022	309,957	70,870	380,827
2023	322,955	59,316	382,271
2024-2028	1,278,496	142,424	1,420,920
2029-2033	135,000	3,172	138,172
	\$ 3,767,901	\$ 576,840	\$ 4,344,741

NOTE 6—GOVERNMENTAL NET POSITION

Net position reported on the government wide statement of net position at December 31, 2018 includes the following:

Net investment in capital assets	\$ 13,284,620
Restricted	
Net pension asset	105,222
Unrestricted	4,962,359
Total Governmental Activities Net Position	\$ 18,352,201

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 7—GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the governmental funds balance sheet at December 31, 2018 include the following:

	General	Parks	Total
Nonspendable			
Delinquent personal property taxes and special assessments	\$ 27,166	\$ -	\$ 27,166
Prepaid expenses	33,940	-	33,940
Total nonspendable	<u>61,106</u>	<u>-</u>	<u>61,106</u>
Committed			
Sheriff sinking fund	12,000	-	12,000
Park development and maintenance	-	1,025,228	1,025,228
Total committed	<u>12,000</u>	<u>1,025,228</u>	<u>1,037,228</u>
Assigned			
Garage and truck equipment	322,791	-	322,791
Sanitary sewer	44,308	-	44,308
Hall maintenance	72,750	-	72,750
Capital purchases/projects	800,643	-	800,643
Fire district	357,997	-	357,997
Storm water	285,115	-	285,115
Roads	721,437	-	721,437
Park Maintenance	657,000	-	657,000
Other	27,807	-	27,807
Total assigned	<u>3,289,848</u>	<u>-</u>	<u>3,289,848</u>
Unassigned	<u>833,287</u>	<u>-</u>	<u>833,287</u>
Total Governmental Fund Balance	<u>\$ 4,196,241</u>	<u>\$ 1,025,228</u>	<u>\$ 5,221,469</u>

NOTE 8—EMPLOYEE RETIREMENT PLAN

General Information about the 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>.

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8—EMPLOYEE RETIREMENT PLAN (continued)

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 and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

The WRS also provides death and disability benefits for employees.

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:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	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
2016	0.5	(5)
2017	2.0	4

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8—EMPLOYEE RETIREMENT PLAN (continued)

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

During the reporting period ending December 31, 2018, the WRS recognized \$39,980 in contributions from the employer.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2018, the Town reported an asset of \$105,222 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the Town's proportion was 0.00354390%, which was an increase of 0.0002723% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Town recognized pension expense of \$9,246.

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8—EMPLOYEE RETIREMENT PLAN (continued)

At December 31, 2018, 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	\$ 133,687	\$ 62,534
Net differences between projected and actual earnings on pension plan investments	-	144,620
Changes in assumptions	20,789	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,610
Employer contributions subsequent to the measurement date	<u>38,977</u>	<u>-</u>
Total	<u>\$ 193,453</u>	<u>\$ 209,764</u>

\$38,977 reported as deferred outflows related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Expense</u>
2019	\$ 10,183
2020	(1,692)
2021	(36,507)
2022	(27,522)
2023	250

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8—EMPLOYEE RETIREMENT PLAN (continued)

Actuarial assumptions. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
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 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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:

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8—EMPLOYEE RETIREMENT PLAN (continued)

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global equities	50	8.2	5.3
Fixed income	24.5	4.2	1.4
Inflation sensitive assets	15.5	3.8	1
Real estate	8	6.5	3.6
Private equity/debt	8	9.4	6.5
Multi-asset	4	6.5	3.6
Total core fund	110	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S. equities	70	7.5	4.6
International equities	30	7.8	4.9
Total variable fund	100	7.9	5.0

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension asset. 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 3.13%. 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.

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

	<u>1% Decrease to Discount Rate (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase to Discount Rate (8.2%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 272,246	\$ (105,222)	\$ (392,111)

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8—EMPLOYEE RETIREMENT PLAN (continued)

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>

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS

Local Retiree Life Insurance Fund

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

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

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

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

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

Contribution rates as of December 31, 2017 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post Retirement Coverage	40% of employee contributions
25% Post Retirement Coverage	20% of employee contributions

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are listed below:

Life Insurance Employee Contribution Rates For the year ended December 31, 2017		
Attained Age	Basic	
Under 30	\$	0.05
30-34		0.06
35-39		0.07
40-44		0.08
45-49		0.12
50-54		0.22
55-59		0.39
60-64		0.49
65-69		0.57

During the reporting period, the LRLIF recognized \$298 in contributions from the Town.

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

At December 31, 2018, the Town reported a liability of \$47,214 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net OPEB liability was based on the Town's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the town's proportion was 0.015693%, which was an increase of .000718% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Town recognized OPEB expense of \$4,416.

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ 665
Net differences between projected and investment earnings on plan investments	544	-
Changes in actuarial assumptions	4,562	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,512	-
Employer contributions subsequent to the measurement date	<u>488</u>	<u>-</u>
Total	<u>\$ 7,106</u>	<u>\$ 665</u>

\$488 reported as deferred outflows related to OPEB resulting from the LRLIF employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

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

Year ended December 31:	<u>Expense</u>
2018	\$ 965
2019	965
2020	965
2021	965
2022	829
2023	829
2024	<u>435</u>
	<u>\$ 5,953</u>

Actuarial assumptions. The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Valuation Date:	January 1, 2017
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry age normal
20 Year Tax-Exempt Municipal Bond Yield:	3.44%
Long-Term Expected Rate of Return:	5.00%
Discount Rate:	3.63%
Salary Increases:	
Inflation:	3.20%
Seniority/Merit:	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

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

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return %</u>
US Government Bonds	Barclays Government	1%	1.13%
US Credit Bonds	Barclays Credit	65%	2.61%
US Long Credit Bonds	Barclays Long Credit	3%	3.08%
US Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

Single discount rate. A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payment of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the discount rate. The following represents the Town's proportionate share of the net OPEB liability calculated using the discounts rate of 3.63 percent, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.63 percent) or 1-percentage point high (4.63 percent) than the current rate:

	1% Decrease to Discount Rate <u>(2.63%)</u>	Current Discount Rate <u>(3.63%)</u>	1% Increase to Discount Rate <u>(4.63%)</u>
Town's proportionate share of the net OPEB liability	\$ 66,731	\$ 47,214	\$ 32,236

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

NOTE 10—JOINT VENTURES

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

Town of Middleton	23.74%
Town of Westport	5.53%
Town of Springfield	5.41%
City of Middleton	<u>65.32%</u>
Total	<u>100.00%</u>

The governing body is made up of citizens from each community. Local representatives are appointed by the municipalities. The governing body has authority to adopt its own budget and control the financial affairs of the district. The Town's expenditures totaled \$333,419 to the district for 2018. 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, 2018 is available from the district's office.

NOTE 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, 2018 and is for five years, and terminates on March 31, 2023. The lease calls for quarterly rental payments of \$5,225 to the Town. The extension also specifies annual sinking fund contributions of \$2,000 and annual

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 11—RENTAL INCOME (continued)

snow plowing fees of \$1,000 due in quarterly installments. The annual sinking fund requirements began in 2007. At December 31, 2018, the sinking fund balance reported as committed fund balance is \$12,000. Rental income for 2018 was \$23,900.

The Town constructed Fire Station #2 for the Middleton Fire District (District) which was completed in November 2008. The lease to the District is for 30 years and may be extended for an additional 10-year term. The lease calls for quarterly payments for 20 years of \$34,280 beginning August 1, 2009 and ending on May 1, 2029. Rental income from this lease was \$137,120 in 2018. The District also leases storage space in the Town's storage shed. The lease for the storage space calls for quarterly payments of \$1,320 beginning February 1, 2015 and ending May 1, 2029. The District shall then occupy the storage space without charge through October 31, 2038. Rental income for the storage space lease was \$5,280 in 2018.

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

2019	\$	142,200
2020		142,200
2021		142,200
2022		142,200
2023		142,200
2024-2028		711,000
2029		142,200

The Town also receives rental income for use of land the Town owns. These rental agreements are negotiated yearly. Rental income for 2018 was \$2,260.

NOTE 12—RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; worker compensation; employees' health and natural disasters for which the Town purchases commercial insurance with minimal deductibles. There has been no significant reduction in coverage and settled claims have not exceeded the commercial coverage in any of the past three years.

NOTE 13—COMMITMENTS AND CONTINGENCIES

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

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

TOWN OF MIDDLETON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 13—COMMITMENTS AND CONTINGENCIES (continued)

Emergency Medical Services

On December 2, 2014, the Town entered into an agreement with the City of Middleton to provide Emergency Medical Services. The agreement commenced on January 1, 2015 and will expire on December 31, 2019. The terms of the agreement shall automatically renew for an additional five years and each fifth year thereafter unless written notice is given 12 months in advance. The amount that may be billed to the Town is capped using 2014 as a base year, and is increased by 1.5% each subsequent year. The actual expense in 2018 was \$193,251. This calculation will result in a payment by the Town that may not exceed \$196,150 in 2019.

NOTE 14—PRIOR PERIOD ADJUSTMENT

The Government Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB 75, the Utilities are required to disclose the net OPEB liability and related deferred inflows and outflows on the statement of net position. As a result, an adjustment of \$36,357 was made to decrease the December 31, 2017 net position based on the net OPEB liability and related deferred outflows of resources balances as of December 31, 2018.

NOTE 15—SUBSEQUENT EVENTS

Subsequent to year-end, the Town approved road maintenance bids totaling \$192,179.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MIDDLETON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,946,671	\$ 1,946,671	\$ 1,946,671	\$ -
Intergovernmental	716,844	716,844	647,783	(69,061)
Licenses and permits	200,700	200,700	230,602	29,902
Fines, forfeitures and penalties	9,000	9,000	4,653	(4,347)
Public charges for services	444,329	444,329	464,421	20,092
Investment income	25,800	25,800	99,813	74,013
Rental income	169,150	169,150	168,560	(590)
Miscellaneous	12,050	12,050	72,149	60,099
	<u>3,524,544</u>	<u>3,524,544</u>	<u>3,634,652</u>	<u>110,108</u>
EXPENDITURES				
General government	592,828	813,828	772,207	41,621
Public safety	981,382	981,382	1,099,776	(118,394)
Public works	1,218,664	1,218,664	1,349,260	(130,596)
Culture, recreation and education	428,240	428,240	173,665	254,575
Conservation and development	35,500	35,500	46,848	(11,348)
Interest and fees	-	-	346	(346)
	<u>3,256,614</u>	<u>3,477,614</u>	<u>3,442,102</u>	<u>35,512</u>
Excess (deficiency) of revenues over (under) expenditures	267,930	46,930	192,550	145,620
Other financing sources (uses)	-	-	(833,559)	(833,559)
Net change in fund balances	267,930	46,930	(641,009)	(687,939)
Fund balances—beginning of year	4,837,250	4,837,250	4,837,250	-
Fund balances—end of year	<u>\$ 5,105,180</u>	<u>\$ 4,884,180</u>	<u>\$ 4,196,241</u>	<u>\$ (687,939)</u>

TOWN OF MIDDLETON
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*
December 31, 2018

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (Plan Year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/17	0.00354390%	\$ (105,222)	\$ 587,938	-17.90%	102.93%
12/31/16	0.00327160%	26,966	499,912	5.39%	99.12%
12/31/15	0.00317915%	51,661	453,855	11.38%	98.20%
12/31/14	0.00316629%	(77,751)	443,097	-17.55%	102.74%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*
December 31, 2018

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/18	\$ 38,977	\$ (38,977)	\$ -	\$ 581,753	6.70%
12/31/17	39,980	(39,980)	-	587,938	6.80%
12/31/16	32,994	(32,994)	-	499,912	6.80%
12/31/15	30,862	(30,862)	-	453,855	6.80%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

TOWN OF MIDDLETON
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
 LOCAL RETIREE LIFE INSURANCE FUND
 LAST 10 FISCAL YEARS*
 December 31, 2018

Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll (Plan Year)	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.015693%	\$ 47,214	\$ 659,936	7.15%	44.81%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

TOWN OF MIDDLETON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

NOTE 1—BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 of the financial statements. Reported budget amounts are as amended by Town Board resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year-end unless specifically carried over.

Excess Expenditures over Appropriations

The following general fund functions had an excess of actual expenditures over appropriations for the year ended December 31, 2018:

<u>Function</u>	<u>Excess Expenditures</u>
Public safety	\$ 118,394
Public works	130,596
Conservation and development	11,348

In total, general fund expenditures were \$35,512 below budget.

NOTE 2—SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM

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

Changes of assumptions. There were no changes in the assumptions.

NOTE 3—SCHEDULE OF CONTRIBUTIONS - LOCAL RETIREE LIFE INSURANCE FUND

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

Changes of assumptions. There were no changes in the assumptions.

