



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

TOWN OF MIDDLETON

**FINANCIAL STATEMENTS WITH
AUDITOR'S REPORT**

For the Year Ended December 31, 2013

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Town of Middleton
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December 31, 2013

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

April 3, 2014

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, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Middleton, Wisconsin, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through vii and 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 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, 2013

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, 2013.

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 or deteriorating. However, the Town's goal is to provide services that improve the quality of life for our residents, not to generate profits. For this reason, one will need to consider many other non-financial factors, such as the safety of our residents, the condition of our roads, parks and trails as well as the preservation of open space, in assessing the overall performance of our Town.

- The assets of the Town exceeded its liabilities and deferred inflows as of December 31, 2013 by \$14,428,996.
- Total net position increased by \$553,051.
- As of December 31, 2013, governmental funds reported combined ending fund balances of \$5,650,623. This includes the Non-spendable Fund balance of \$105,786, the Assigned Fund balance of \$3,861,524, and the Unassigned Fund balance of \$1,683,313. This Unassigned Fund balance was approximately 65% of total General Fund expenditures.
- General obligation debt decreased by \$674,378 during 2013.

Fund Financial Statement Highlights

- I. Revenue:** Total property tax revenue of \$2,813,173 represents an increase of \$69,633 (2.48%) from 2012. Of the \$2,813,173 in property tax revenue, \$1,842,732 (65.5%) was used for the Town's General Fund, another \$90,013 (3.2%) for capital improvement projects and the remaining \$880,428 (31.3%) was applied to debt service obligations.
- Other Tax Revenue was \$41,165 over the budgeted amount and an increase from of \$38,000 from 2012 due to \$36,047 of taxes omitted from the 2012 tax roll. The 2012 omitted taxes were the result of an error by the town assessor's office regarding 4 parcels not being assessed in 2012. That error was discovered and corrected in 2013 resulting in a one- time correction.
 - Intergovernmental Revenue was \$55,995 over the budgeted amount and an increase of \$78,401 from 2012. State Shared Revenue came in \$40,299 over 2012 due to bringing Rockdale-West Middleton line online, increasing the utility payment portion of our State Shared Revenue payment. A one-time payment of \$10,222 from the County was received in 2013 for partial reimbursement for culvert replacement on Vickiann Street in 2012.

- Licenses/Permits Revenue was \$58,789 over the budgeted amount and an increase of \$18,905 from 2012. Building Permit income was \$44,718 over budget and \$15,362 over 2012. There were 41 new home starts in 2013, an increase of 5 from 2012. Cable Franchise Fee income was \$10,846 over budget and \$21,102 over 2012.
- Miscellaneous Revenue was \$48,910 over budget but \$34,814 under 2012. Due mainly to decreasing interest rates, Interest Income was down \$6,448 from 2012 which also was made it \$2,730 under the budgeted amount. A few one-time transactions occurred in 2013: the sale of a mower for \$12,750, reimbursement of 2012 fire district expenses of \$10,499, and \$7,500 from American Transmission Company for road damage.

II. Expenditures: General Fund Expenditures decreased by \$56,267 (2.18%) from 2012.

- General Government was \$107,264 under budget and \$96,572 less than 2012. \$100,000 was budgeted for legal expense, only \$35,531 was used; this was \$27,131 less than in 2012. The Town Board decided to wait on legal expenses for intervening in the Badger-Coulee line until there was more information.
- Public Safety was \$31,910 under budget and \$15,439 less than 2012. The contracted deputies' expenditure was \$28,354 under the budgeted amount.
- Public Works was \$197,279 under budget and \$36,442 less than 2012. General Engineering was \$18,214 less than 2012 and \$12,119 less than budget (after two budget amendments transferring monies to Conservation & Development in the amount of \$24,500.) Storm Water was \$26,667 less than budget and \$20,807 less than 2012. This was mainly due to projects budgeted for 2013 that were deferred by the Town Board. Equipment Purchases were \$40,149 under budget due to the new truck's cab and chassis delivery late in 2013, with the remaining equipment to be purchased and installed in 2014.
- Conservation & Development was \$11,212 less than budget (after the two budget amendments) and \$3,151 less than 2012. Costs for researching the Pioneer Lands were \$7,711 and Official Mapping costs came to \$7,790.
- Recreation was \$24,158 under budget and \$47,624 less than 2012 due to some larger projects that happened in 2012 such as the Pioneer Park's parking lot and repair of park shelter roofs.

III. Miscellaneous items:

Recent Levies:		<u>Mill rate (/ \$1,000 of Value)</u>
1. 2013 levy payable in 2014	\$2,809,905	\$2.80250
2. 2012 levy payable in 2013	\$2,775,660	\$2.66397
3. 2011 levy payable in 2012	\$2,743,540	\$2.66037
4. 2010 levy payable in 2011	\$2,726,454	\$2.67819
5. 2009 levy payable in 2010	\$2,909,080	\$2.71986

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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*) 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.

Financial statements of the Town are available from its office.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements.

A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Middleton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Parks Fund, Debt Service Fund, and a Capital Projects Fund, all major funds.

The Town adopts an annual budget for the General, Parks, Debt Service and Capital Projects Funds. Supplementary budgetary comparison statements have been provided for the General and Parks Funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on page 3 to 6 of this report.

Fiduciary funds.

Fiduciary funds are used to account for assets held by a governmental unit acting as a trustee or agent for individuals, organization, other governmental units, or other funds of the same governmental unit. They are custodial in nature (assets equal liabilities) and do not measure results of operations.

The fiduciary fund financial statements can be found on page 7 of this report.

Notes to the basic financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities and deferred inflows by \$14,428,996 at the close of 2013.

Town of Middleton's Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Assets:		
Current and other assets	\$ 9,072,134	\$ 8,852,102
Capital assets	14,537,277	14,814,848
Total Assets	<u>23,609,411</u>	<u>23,666,950</u>
Liabilities:		
Long-term liabilities outstanding	5,033,519	5,707,005
Other liabilities	1,006,121	1,010,504
Total Liabilities	<u>6,039,640</u>	<u>6,717,509</u>
Deferred Inflows:		
Tax Levy	3,140,775	3,073,496
Total Deferred Inflows	<u>3,140,775</u>	<u>3,073,496</u>
Net Position:		
Net investment in capital assets	9,940,764	8,984,579
Unrestricted	4,488,232	4,891,366
Total Net Position	<u>\$ 14,428,996</u>	<u>\$ 13,875,945</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 2013. In 2013, the Town relied primarily on property taxes to fund its operations. Taxes account for approximately \$2.8 million (63%) of total revenue. Program revenues, in the form of charges for services were 12 percent, and operating grants and contributions were 6 percent.

Town of Middleton's Change in Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues:		
Charges for services and fees, fines and costs	\$ 597,982	\$ 504,556
Operating grants and contributions	278,514	257,426
Capital grants and contributions	204,221	430,116
General revenues:		
Property taxes	2,813,173	2,743,782
Other taxes	31,481	29,094
Grants and contributions not restricted to specific programs	141,397	71,776
Unrestricted interest and investments	37,945	52,593
Loss on sale of asset	(62,559)	-
Miscellaneous	210,828	240,954
Total Revenues	4,252,982	4,330,297
Expenses:		
General government	561,072	595,848
Public safety	971,530	955,642
Public works	1,693,128	1,920,039
Culture and recreation	244,815	241,280
Conservation and development	23,813	26,792
Interest on long-term debt	205,573	221,929
Total Expenses	3,699,931	3,961,530
Increase in net position	553,051	368,767
Restatement	-	(27,637)
Net position - January 1	13,875,945	13,534,815
Net position - December 31	\$ 14,428,996	\$ 13,875,945

Financial Analysis of the Town of Middleton's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

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

As of December 31, 2013, the Town's governmental funds reported combined ending fund balances of \$5,650,623, an increase of \$169,933 from the prior year. The general fund has an unassigned fund balance of \$1,670,020.

The general fund is the chief operating fund of the Town. At the end of the current year the total fund balance was \$3,806,548. 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 65% of total general fund expenditures.

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

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

Town of Middleton Budget to Actual - All Funds

	Final Budget	Actual Amounts, Budgetary Basis				Total Actual - All Governmental Funds	Variance with Final Budget - Positive (Negative)
		General Fund	Debt Service	Capital Projects	Parks Fund		
Total Revenues	\$ 4,032,568	\$ 2,998,593	\$ 882,481	\$ 106,797	\$ 123,451	\$ 4,111,322	\$ 78,754
Total Expenses	4,528,983	2,585,593	881,329	411,278	63,189	3,941,389	(587,594)
Total Other Sources (Uses)	-	1,152	(1,152)	-	-	-	-
Net Change in Fund Balance	(496,415)	414,152	-	(304,481)	60,262	169,933	666,348
Fund Balances - Beginning	5,480,690	3,392,396	-	671,096	1,417,198	5,480,690	-
Fund Balances - Ending	<u>\$ 4,984,275</u>	<u>\$ 3,806,548</u>	<u>\$ -</u>	<u>\$ 366,615</u>	<u>\$ 1,477,460</u>	<u>\$ 5,650,623</u>	<u>\$ 666,348</u>

Capital assets.

The investment in capital assets for its governmental activities as of December 31, 2013 amounts to \$14,537,277 (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 \$277,571.

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

	Governmental Activities	
	2013	2012
Land	\$ 4,865,230	\$ 4,865,230
Equipment in Progress	44,252	-
Buildings and Improvements	2,207,323	2,200,323
Buildings - Fire Station #2	1,658,470	1,658,470
Vehicles	413,338	616,244
Equipment	599,968	756,187
Infrastructure	15,145,353	14,876,328
Less: Accumulated Depreciation	<u>(10,396,657)</u>	<u>(10,157,934)</u>
Total	<u>\$ 14,537,277</u>	<u>\$ 14,814,848</u>

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

Long-term debt.

On December 31, 2013, the Town had total long-term debt outstanding of \$5,632,513, 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 \$674,378.

Town of Middleton's Outstanding Debt
General Obligation Debt

	Governmental Activities	
	2013	2012
General Obligation Debt	\$ 4,067,513	\$ 4,671,891
General Obligation Debt - Fire Station #2	1,565,000	1,635,000
Total	<u>\$ 5,632,513</u>	<u>\$ 6,306,891</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, 2013**

	Governmental Activities
ASSETS	
Cash and Equivalents	\$ 5,771,820
Taxes Receivable	3,132,634
Other Receivables	167,680
Capital Assets	
Land, Improvements, and Construction in Progress	4,909,482
Other Capital Assets, Net of Depreciation	9,627,795
Total Capital Assets	14,537,277
Total Assets	\$ 23,609,411
 LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 194,016
Building Permit Deposits	44,000
Due to Other Governments	42,716
Accrued Interest	28,800
Long-Term Liabilities	
Due Within One Year:	
Bonds and Notes	689,378
Compensated Absences	7,211
Due in More Than One Year:	
Bonds and Notes	4,939,728
Compensated Absences	93,791
Total Liabilities	6,039,640
 DEFERRED INFLOWS	
Tax Levy	3,140,775
Total Deferred Inflows	3,140,775
 NET POSITION	
Net Investment in Capital Assets	9,940,764
Unrestricted	4,488,232
Total Net Position	14,428,996
Total Liabilities, Deferred Inflows and Net Position	\$ 23,609,411

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI
Statement of Activities
For the Year Ended December 31, 2013**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 561,072	\$ 77,133	\$ 3,063	\$ -	\$ (480,876)
Public Safety	971,530	11,306	35,036	-	(925,188)
Public Works	1,693,128	412,906	239,415	204,221	(836,586)
Culture and Recreation	244,815	831	-	-	(243,984)
Conservation and Development	23,813	95,806	1,000	-	72,993
Interest on Long-Term Debt	205,573	-	-	-	(205,573)
Total Governmental Activities	<u>\$ 3,699,931</u>	<u>\$ 597,982</u>	<u>\$ 278,514</u>	<u>\$ 204,221</u>	<u>(2,619,214)</u>

General Revenues:

Taxes:	
Property taxes, levied for general purposes	1,842,732
Property taxes, levied for debt service	880,428
Property taxes, levied for capital projects	90,013
Room taxes	31,481
Grants and contributions not restricted to specific programs	141,397
Unrestricted investment earnings	37,945
Miscellaneous	210,828
<i>Special item</i> - gain (loss) on disposal of asset	(62,559)
Total General Revenues	<u>3,172,265</u>
Change in Net Position	553,051
Net Position - Beginning	<u>13,875,945</u>
Net Position - Ending	<u>\$ 14,428,996</u>

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Balance Sheet
Governmental Funds
For the Year Ended December 31, 2013**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 3,911,390	\$ -	\$ 382,508	\$ 1,477,922	\$ 5,771,820
Receivables:					
Taxes	2,198,729	877,612	56,292	-	3,132,633
Delinquent Personal Property Taxes	104,329	-	-	-	104,329
Special Assessments	1,457	-	-	-	1,457
Accounts	53,278	-	-	8,616	61,894
Due from Other Funds	4,425	-	-	-	4,425
Total Assets	<u>\$ 6,273,608</u>	<u>\$ 877,612</u>	<u>\$ 438,800</u>	<u>\$ 1,486,538</u>	<u>\$ 9,076,558</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 100,371	\$ -	\$ 15,893	\$ 4,653	\$ 120,917
Accrued Liabilities	73,103	-	-	-	73,103
Deposits	57,850	-	-	-	57,850
Due to Other Funds	-	-	-	4,425	4,425
Payable to Other Governments	42,716	-	-	-	42,716
Total Liabilities	<u>274,040</u>	<u>-</u>	<u>15,893</u>	<u>9,078</u>	<u>299,011</u>
Deferred Inflows:					
Tax Levy	<u>2,193,020</u>	<u>877,612</u>	<u>56,292</u>	<u>-</u>	<u>3,126,924</u>
Fund Balances:					
Nonspendable	105,786	-	-	-	105,786
Assigned	2,030,742	-	366,615	1,477,460	3,874,817
Unassigned	1,670,020	-	-	-	1,670,020
Total Fund Balances	<u>3,806,548</u>	<u>-</u>	<u>366,615</u>	<u>1,477,460</u>	<u>5,650,623</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 6,273,608</u>	<u>\$ 877,612</u>	<u>\$ 438,800</u>	<u>\$ 1,486,538</u>	<u>\$ 9,076,558</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, 2013**

Total fund balance, governmental funds	\$	5,650,623
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<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>		
		14,537,277
<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>		
		3,411
<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		(101,002)
Accrued interest		(28,800)
General obligation debt		(5,632,513)
		<hr/>
Net position of governmental activities in the statement of net position	\$	<u><u>14,428,996</u></u>

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 1,805,624	\$ 880,428	\$ 90,013	\$ -	\$ 2,776,065
Other Taxes	47,466	-	-	22,037	69,503
Intergovernmental	402,555	-	13,293	1,000	416,848
License and Permits	189,489	-	-	-	189,489
Fines, Forfeits and Penalties	11,306	-	-	-	11,306
Public Charges for Services	304,573	-	-	92,106	396,679
Interest Income	23,689	2,053	3,491	8,308	37,541
Miscellaneous Income	213,891	-	-	-	213,891
Total Revenues	<u>2,998,593</u>	<u>882,481</u>	<u>106,797</u>	<u>123,451</u>	<u>4,111,322</u>
EXPENDITURES					
Current:					
General Government	477,070	40	22,150	-	499,260
Public Safety	765,821	-	171,440	-	937,261
Public Works	1,162,714	-	166,365	-	1,329,079
Culture, Recreation and Education	156,175	-	51,323	63,189	270,687
Conservation and Development	23,813	-	-	-	23,813
Debt Service					
Principal Repayment	-	674,378	-	-	674,378
Interest/Issue Expense	-	206,911	-	-	206,911
Total Expenditures	<u>2,585,593</u>	<u>881,329</u>	<u>411,278</u>	<u>63,189</u>	<u>3,941,389</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>413,000</u>	<u>1,152</u>	<u>(304,481)</u>	<u>60,262</u>	<u>169,933</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	1,152	-	-	-	1,152
Transfers Out	-	(1,152)	-	-	(1,152)
Total Other Financing Sources and Uses	<u>1,152</u>	<u>(1,152)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	414,152	-	(304,481)	60,262	169,933
Fund Balances - Beginning	3,392,396	-	671,096	1,417,198	5,480,690
Fund Balances - Ending	<u>\$ 3,806,548</u>	<u>\$ -</u>	<u>\$ 366,615</u>	<u>\$ 1,477,460</u>	<u>\$ 5,650,623</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, 2013**

Net change in fund balances - total governmental funds: \$ 169,933

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$404,280) were less than depreciation (\$619,292) in the current period. (215,012)

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. (62,559)

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.

Principal payments on long-term debt 674,378

Decrease in accrued interest 1,900

Amortization of debt discount (562)

Increase in accrued compensated absence: (15,027)

Change in net position of governmental activities: \$ 553,051

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2013**

	<u>Tax Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 10,286,265
Receivables:	
Taxes Receivable	9,348,216
Other Receivables	353,730
Total Assets	<u>\$ 19,988,211</u>
LIABILITIES	
Due to Other Funds	\$ 3,130,582
Due to Other Governments	16,857,629
Total Liabilities	<u>\$ 19,988,211</u>

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

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, 2013

- 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 and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets 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, 2013

- 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, 2013

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, 2013

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 – 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale – 2013 delinquent real estate taxes	October 2016

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, 2013

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 \$101,002 at December 31, 2013. 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, 2013

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 and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bond payable and accrued compensated absences.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as “Other Financing Sources” in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure of the debt service fund in the year in which the debt matures or is repaid, whichever is earlier.

9) Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

The Town follows the provisions of GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*.” The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the Town’s financial statements have changed as a result of implementing this Statement.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

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

9) Equity Classifications (Continued)

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

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

Committed – resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has stated intended use as established by the Town board to assign amounts for specific purposes. The Board has designated authority to the Town Clerk to assign funds.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

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

E. Budgetary Information

Budgets

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to the end of August, the Board requests proposed details of expenditures from the various departments for the following fiscal year. Proposed department expenditures are submitted to the Clerk who determines the details of required revenues, and in turn, submits the proposed revenues and expenditures to the Town Board. The budget is legally enacted by Board resolution in December.

Budgetary control is exercised at the departmental level; however, the Board must approve any revisions that alter the total expenditures of a grouping of accounts. Unassigned appropriations lapse at year-end.

The Town adopted an annual budget for the General Fund, the Parks Fund, the Capital Projects Fund and the Debt Service Fund. These budgets are adopted in accordance with State Statutes and are presented in accordance with accounting principles generally accepted in the United States of America. Budgets reflect the original approved budget of the above funds and any subsequent revisions authorized by the Town's Board.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

F. Excess Expenditures over Appropriations

The Town controls expenditures at the department level. There were no individual line items in the General Fund that experienced expenditures, which exceeded appropriations in 2013.

G. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

2. Explanation of Certain Differences between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and government-wide statements certain financial transactions are treated differently.

A. Explanation of Differences between Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

1. Capital related differences include (1) the difference between recording an expenditure for the purpose of capital items in the governmental fund statements and (2) depreciation expense on those items as recorded in the statement of activities.
2. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.
3. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest expense is recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position. In addition, debt proceeds are recorded as other financing sources in the governmental fund statements, whereas they are recorded as a liability in the government-wide statements.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

3. Cash and Cash Equivalents/Investments

As previously discussed, cash for all Town funds are pooled for investment purposes. At December 31, 2013, the cash and investments consist of the following:

Deposits in Local Government Investment Pool	\$	460,814
Deposits in Certificates of Deposit		2,503,034
Deposits in Financial Institutions, Interest Bearing Accounts		9,433,165
Deposits in Financial Institutions, Non-Interest Bearing Accounts		<u>3,661,072</u>
	\$	<u><u>16,058,085</u></u>

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Investments	\$	5,771,820
Fiduciary Funds:		
Cash and Investments		<u>10,286,265</u>
Total Cash and Investments	\$	<u><u>16,058,085</u></u>

Investments Authorized by Wisconsin Statutes

Investment of Town funds is restricted by State statutes. Available investments are limited to:

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes;
- (7) Agreements in which a public depository agrees to repay funds advanced to it by the Town plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government;
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options;
- (9) Repurchase agreements with public depositories, with certain conditions;
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2013, the fair value of the Town's share of the LGIP's assets was substantially equal to the amount reported above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Per the Town's investment policy, the objective is to mitigate any risks involving the Town's deposits. Additionally, investments of longer than 12 months in duration shall be limited to 50% of the combined fund balance at any given time.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Town has no investment policy that would further limit its investment choices beyond state law. It is the policy of the Town, to at no time put its deposits at risk.

Custodial Credit Risk

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

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

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

3. Cash and Cash Equivalents/Investments (Continued)

The Town maintained insured and collateralized deposits with local banking institutions. As of December 31, 2013, 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	\$ 2,464,972
Collateralized	13,097,187
Uninsured and Uncollateralized	-
Total Deposits with Financial Institutions	<u>\$ 15,562,159</u>

The Town had no deposits as of December 31, 2013 that were in excess of deposit insurance and collateralization agreements.

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, 2013

4. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2013 was as follows:

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 4,865,230	\$ -	\$ -	\$ 4,865,230
Equipment in progress	-	44,252	-	44,252
Total Non-Depreciable Capital Assets	<u>4,865,230</u>	<u>44,252</u>	<u>-</u>	<u>4,909,482</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,858,793	\$7,000	-	3,865,793
Infrastructure	14,876,328	269,025	-	15,145,353
Equipment	756,187	84,003	240,222	599,968
Vehicles	616,244	-	202,906	413,338
Capital Assets Being Depreciated	<u>20,107,552</u>	<u>360,028</u>	<u>443,128</u>	<u>20,024,452</u>
Total Capital Assets	24,972,782	404,280	443,128	24,933,934
Less: Accumulated Depreciation	<u>(10,157,934)</u>	<u>(619,292)</u>	<u>(380,569)</u>	<u>(10,396,657)</u>
Capital Assets Net of Depreciation	<u>\$ 14,814,848</u>	<u>\$ (215,012)</u>	<u>\$ 62,559</u>	<u>\$ 14,537,277</u>

Equipment in progress reported above is the result of a down payment for the base of a new public works truck that was completed, delivered and paid for in 2014. The asset will be put into service and depreciated starting in 2014. The remaining balance due in 2014 is \$35,698.

Depreciation expense was charged to functions as follows:

General Government	\$ 53,630
Public Works	34,269
Public Safety	505,618
Recreation	25,775
Total Governmental Activities	<u>\$ 619,292</u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

5. Long-Term Obligations

General Obligation Debt

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

	Balance 1/1/2013	Issued	Retired	Balance 12/31/2013	Current Portion
Governmental Activities:					
Total general obligation debt	\$ 6,306,891	\$ -	\$ 674,378	\$ 5,632,513	\$ 689,378
Compensated Absences	85,975	15,027	-	101,002	7,211
	<u>\$ 6,392,866</u>	<u>\$ 15,027</u>	<u>\$ 674,378</u>	<u>\$ 5,733,515</u>	<u>\$ 696,589</u>

General obligation long-term debt issues outstanding at December 31, 2013 and total outstanding were as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/13
G.O. Promissory Note	12/18/2007	12/18/2017	3.80% 3.00-	\$ 1,543,781	\$ 617,513
G.O. Bonds	3/20/2009	3/1/2024	4.375% 2.75 –	2,885,000	2,170,000
G.O. Bonds	3/20/2009	3/1/2029	4.70% .80-	1,795,000	1,565,000
G.O. Promissory Notes (Build America Bond)	11/22/10	3/1/2019	3.25%	1,890,000	<u>1,280,000</u>
Total general obligation debt					<u>\$ 5,632,513</u>

Debt Service Requirements to Maturity

Years	General Long-Term Debt		
	Principal	Interest	Totals
2014	\$ 689,378	\$ 198,505	\$ 887,883
2015	699,378	177,663	877,041
2016	714,378	155,305	869,683
2017	734,379	131,194	865,573
2018	605,000	104,713	709,713
2019-2023	1,370,000	301,388	1,671,388
2024-2028	685,000	104,832	789,832
2029	135,000	3,172	138,172
Totals	<u>\$ 5,632,513</u>	<u>\$ 1,176,772</u>	<u>\$ 6,809,285</u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

5. Long-Term Obligations, (Continued)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Town may not exceed five percent of the equalized value of taxable property within the Town's jurisdiction. The debt limit as of December 31, 2013 was \$50,514,070. Total general obligation debt outstanding at year end was \$5,632,513.

6. Governmental Net Position

Governmental net position as reported on the statement of net position as of December 31, 2013 is as follows:

Net Investment in Capital Assets	
Capital Assets, Net	\$ 14,537,277
Outstanding Debt	<u>(4,596,513)</u>
	<u>9,940,764</u>
Unrestricted	4,488,232
Total Net Position	<u><u>\$ 14,428,996</u></u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

7. Governmental Fund Balances

Governmental fund balances reported on the governmental funds balance sheet at December 31, 2013 include the following:

	General	Capital Projects	Parks Fund	Total
Non-spendable				
Delinquent personal property taxes and special assessments	\$ 105,786	\$ -	\$ -	\$ 105,786
Total non-spendable	105,786	-	-	105,786
Assigned				
Ball Field Maintenance	20,000	-	-	20,000
Sanitary sewer	34,040	-	-	34,040
Hall Maintenance	66,750	-	-	66,750
Capital Purchases	346,743	366,615	-	713,358
Park Development & Maintenance	-	-	1,477,460	1,477,460
Fire District	187,997	-	-	187,997
Storm Water	304,745	-	-	304,745
Roads	340,000	-	-	340,000
Park Maintenance	655,000	-	-	655,000
Other	75,467	-	-	75,467
Total assigned	2,030,742	366,615	1,477,460	3,874,817
Unassigned	1,670,020	-	-	1,670,020
Total	\$ 3,806,548	\$ 366,615	\$ 1,477,460	\$ 5,650,623

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

8. Employees' Retirement System

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

Covered employees are required by statute to contribute one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives & Elected Officials	7.00%	7.05%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for the Town of Middleton employees covered by the system for the year ended December 31, 2013 was \$432,072; the employer's total payroll was \$472,579. The total required contribution for the year ended December 31, 2013 was \$57,466 or 13.3 percent of covered payroll. Of this amount, \$28,733 was paid by employees and \$28,733 was paid by the Town. Total contributions for the years ending December 31, 2012 and 2011 were \$49,921 and \$45,565, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. Participants hired after June 30, 2011 are fully vested after five years.

The system also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

9. Interfund Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds”. Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds”. At December 31, 2013 the parks fund owed the general fund \$4,425.

10. Transfers

The following is a schedule of interfund transfers for the year ended December 31, 2013:

Transferred To	Transferred From	Amount	Purpose
General Fund	Debt Service Fund	<u>\$ 1,152</u>	Reassigned Fund Balance

11. 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	24.21%
Town of Westport	6.24%
Town of Springfield	5.78 %
City of Middleton	<u>63.77%</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 \$450,223 to the district for 2013. This amount includes \$161,696 for the Town’s portion of the capital budget. The Town believes that the district will continue to provide services in the future at similar rates.

Financial information of the district as of December 31, 2013 is available directly from the district’s office.

12. Rental Income

The Town has entered into a lease agreement with the Dane County Sheriff’s Department to provide space for their precinct in the Town’s Hall which was finished in 1998. The current lease agreement, which is an extension of the original lease, commenced on April 1, 2013 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, 2013 the sinking fund balance reported as committed fund balance is \$0. Rental income for 2013 was \$24,437.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2013

12. Rental Income (Continued)

The Town has constructed Fire Station #2 for the Middleton Fire District which was completed in November, 2008. The lease to the Fire District is for 30 years and may be extended for an additional 10 year term. The lease calls for quarterly payments of \$34,280 beginning August 1, 2009 and ending on May 1, 2029. Rental income from this lease was \$137,120 in 2013.

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

2014	\$ 137,120
2015	137,120
2016	137,120
2017	137,120
2018	685,600
2019-2023	685,600
2024-2028	685,600
2029	68,560

The Town also receives rental income for use of land that the Town owns. These rental agreements are negotiated yearly. Rental income for 2013 was \$3,720.

13. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

14. Commitments and Contingencies

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

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

Funding for the operating budget of the Town comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the Town. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Town.

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Middleton
Dane County, WI**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,805,219	\$ 1,805,219	\$ 1,805,624	\$ 405
Other Taxes	6,300	6,300	47,466	41,166
Intergovernmental	346,560	346,560	402,555	55,995
License and Permits	130,700	130,700	189,489	58,789
Fines, Forfeits and Penalties	5,000	5,000	11,306	6,306
Public Charges for Services	299,205	299,205	304,573	5,368
Interest Income	25,350	25,350	23,689	(1,661)
Miscellaneous Income	168,500	168,500	213,891	45,391
Total Revenues	<u>2,786,834</u>	<u>2,786,834</u>	<u>2,998,593</u>	<u>211,759</u>
EXPENDITURES				
Current:				
General Government	584,334	584,334	477,070	107,264
Public Safety	797,731	937,440	765,821	171,619
Public Works	1,411,867	1,387,367	1,162,714	224,653
Culture, Recreation and Education	180,333	180,333	156,175	24,158
Conservation and Development	11,025	35,525	23,813	11,712
Total Expenditures	<u>2,985,290</u>	<u>3,124,999</u>	<u>2,585,593</u>	<u>539,406</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(198,456)</u>	<u>(338,165)</u>	<u>413,000</u>	<u>751,165</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,152	1,152
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>1,152</u>	<u>1,152</u>
Net Change in Fund Balances	(198,456)	(338,165)	414,152	752,317
Fund Balances - Beginning	<u>3,392,396</u>	<u>3,392,396</u>	<u>3,392,396</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 3,193,940</u>	<u>\$ 3,054,231</u>	<u>\$ 3,806,548</u>	<u>\$ 752,317</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other Taxes	\$ 14,000	\$ 14,000	\$ 22,037	\$ 8,037
Intergovernmental	-	-	1,000	1,000
Public Charges for Services	-	-	92,106	92,106
Interest Income	7,000	7,000	8,308	1,308
Total Revenues	<u>21,000</u>	<u>21,000</u>	<u>123,451</u>	<u>102,451</u>
EXPENDITURES				
Current:				
Culture, Recreation and Education	109,522	109,522	63,189	46,333
Total Expenditures	<u>109,522</u>	<u>109,522</u>	<u>63,189</u>	<u>46,333</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(88,522)</u>	<u>(88,522)</u>	<u>60,262</u>	<u>148,784</u>
Net Change in Fund Balances	(88,522)	(88,522)	60,262	148,784
Fund Balances - Beginning	1,417,198	1,417,198	1,417,198	-
Fund Balances - Ending	<u>\$ 1,328,676</u>	<u>\$ 1,328,676</u>	<u>\$ 1,477,460</u>	<u>\$ 148,784</u>

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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 90,013	\$ 90,013	\$ 90,013	\$ -
Intergovernmental	13,293	13,293	13,293	-
Interest Income	-	-	3,491	3,491
Miscellaneous Income	18,000	18,000	-	(18,000)
Total Revenues	<u>121,306</u>	<u>121,306</u>	<u>106,797</u>	<u>(14,509)</u>
EXPENDITURES				
Current:				
General Government	14,506	14,506	22,150	(7,644)
Public Safety	31,987	31,987	171,440	(139,453)
Public Works	296,300	296,300	166,365	129,935
Culture, Recreation and Education	60,000	60,000	51,323	8,677
Total Expenditures	<u>402,793</u>	<u>402,793</u>	<u>411,278</u>	<u>(8,485)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(281,487)</u>	<u>(281,487)</u>	<u>(304,481)</u>	<u>(22,994)</u>
Net Change in Fund Balances	(281,487)	(281,487)	(304,481)	(22,994)
Fund Balances - Beginning	671,096	671,096	671,096	-
Fund Balances - Ending	<u>\$ 389,609</u>	<u>\$ 389,609</u>	<u>\$ 366,615</u>	<u>\$ (22,994)</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 880,428	\$ 880,428	\$ 880,428	\$ -
Interest Income	-	-	2,053	2,053
Miscellaneous Income	11,241	11,241	-	(11,241)
Total Revenues	<u>891,669</u>	<u>891,669</u>	<u>882,481</u>	<u>(9,188)</u>
EXPENDITURES				
Current:				
General Government	-	-	40	(40)
Debt Service				
Principal Repayment	674,378	674,378	674,378	-
Interest Expense	217,291	217,291	206,911	10,380
Total Expenditures	<u>891,669</u>	<u>891,669</u>	<u>881,329</u>	<u>10,340</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>1,152</u>	<u>1,152</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(1,152)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(1,152)</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	1,152
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152</u>