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Town of Middleton

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**FINANCIAL STATEMENTS WITH
AUDITOR'S REPORT**

For the Year Ended December 31, 2017

Town of Middleton

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December 31 2017

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INDEPENDENT AUDITOR'S REPORT

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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Middleton, Wisconsin, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii and budgetary comparison information on pages 32 through 33, and the Wisconsin Retirement System schedule on page 34 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

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

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

Other Information

The prior year summarized information has been derived from the Town of Middleton's December 31, 2016 financial statements, and, in our report dated August 18, 2017, we expressed unmodified opinions on the respective financial statements.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin
April 9, 2018

TOWN OF MIDDLETON
7555 W. OLD SAUK ROAD
VERONA, WI 53593

Management's Discussion and Analysis
For the Year Ending December 31, 2017

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, 2017.

Financial Highlights

When revenues exceed expenses, the result is an increase in net position and when expenses exceed revenues, the result is a decrease in net position. One can think of this relationship between revenues and expenses as the Town's operating results. Over time, increases or decreases in the Town's net position, as measured in the Statement of Activities, indicate if the Town's financial position is improving, deteriorating, or reducing based on planned project spending. However, the Town's goal is to provide services that improve the quality of life for Town residents, not to generate profits. For this reason, one will need to consider many other non-financial factors, such as public safety.

- The assets of the Town exceeded its liabilities and deferred inflows as of December 31, 2017 by \$18,935,981.
- Total net position increased by \$1,369,790.
- As of December 31, 2017, governmental funds reported combined ending fund balances of \$6,047,940. This includes the Non-Spendable Fund balance of \$59,587, the Committed Fund balance of \$1,015,092, the Assigned Fund balance of \$3,495,446, and the Unassigned Fund balance of \$1,477,815. This Unassigned Fund balance was approximately 48% of total General Fund expenditures.
- General obligation debt increased by \$420,861 (10%) during 2017.

Fund Financial Statement Highlights

- I. Revenue:** Total property tax revenue of \$2,941,742 represents an increase of \$31,157 (1.07%) from 2016. Of the \$2,941,742 in property tax revenue, \$1,786,715 (60.7%) was used for the Town's General Fund, another \$280,396 (9.5%) for capital improvement projects and the remaining \$874,631 (29.7%) was applied to debt service obligations.
- Other Tax Revenue was \$10,624 over the budgeted amount, and \$59,982 less than 2016.
 - Intergovernmental Revenue was \$31,072 over the budgeted amount, and \$119,918 less than 2016.
 - Licenses/Permits Revenue was \$15,155 over the budgeted amount, and \$11,422 more than 2016.
 - Fines and Penalties Revenue was \$8 under budgeted amount, and \$1,834 less than 2016.
 - Charges for Services was \$50,468 over the budgeted amount, and \$19,478 more than 2016.
 - Miscellaneous Revenue was \$60,211 over budgeted amount, and \$40,403 less than 2016.
 - Interest Income was \$28,211 over the budgeted amount, and \$20,322 more than 2016.

II. Expenditures: General Fund Expenditures increased by \$272,797 (9.67%) from 2016.

- General Government was \$65,002 under budget, and \$5,350 less than 2016.
- Public Safety was \$40,302 under budget, and \$29,594 more than 2016.
- Public Works was \$28,554 over budget, and \$280,303 less than 2016.
- Conservation & Development was \$12,875 under budget, and \$3,186 more than 2016.
- Recreation was \$28,441 under budget, and \$34,936 less than 2016.

III. Miscellaneous items:

Recent Levies:		<u>Mill rate (/ \$1,000 of Value)</u>
1. 2016 levy payable in 2017	\$2,941,742	\$2.76177
2. 2015 levy payable in 2016	\$2,910,585	\$2.75060
3. 2014 levy payable in 2015	\$2,848,518	\$2.78085
4. 2013 levy payable in 2014	\$2,809,905	\$2.80250
5. 2012 levy payable in 2013	\$2,775,660	\$2.66397

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town’s basic financial statements, which are comprised of three components:

- 1) Government-wide financial statements.
- 2) Fund financial statements.
- 3) Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements (from pages 1-2).

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town’s assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*) such as utilities. The governmental activities of the Town include general government; public safety; public works; health and social services; parks and recreation; and conservation and development. The Town has no business-type activities.

Fund financial statements

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

Governmental funds

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

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

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

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

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

Fiduciary funds

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

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

Notes to the basic financial statements

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

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. Assets exceeded liabilities and deferred inflows by \$18,935,981 at the close of 2017.

Town of Middleton's Net Position

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Assets:		
Current and other assets	\$ 10,834,410	\$ 9,801,324
Capital assets	17,444,418	16,021,158
Total Assets	<u>28,278,828</u>	<u>25,822,482</u>
 Deferred Outflows	 <u>212,683</u>	 <u>289,391</u>
Liabilities:		
Long-term liabilities outstanding	3,953,807	3,575,695
Other liabilities	2,078,503	1,916,796
Total Liabilities	<u>6,032,310</u>	<u>5,492,491</u>
 Deferred Inflows	 <u>3,523,220</u>	 <u>3,053,191</u>
Net Position:		
Net investment in capital assets	13,530,178	12,627,779
Unrestricted	5,405,803	4,938,412
Total Net Position	<u>\$ 18,935,981</u>	<u>\$ 17,566,191</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 2017. In 2017, the Town relied primarily on property taxes to fund its operations. Taxes account for approximately \$2.95 million (53%) of total revenue.

Town of Middleton's Change in Net Position

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program Revenues:		
Charges for services and fees, fines and costs	\$ 905,656	\$ 829,043
Operating grants and contributions	307,615	308,985
Capital grants and contributions	1,097,231	270,000
General revenues:		
Property taxes	2,949,108	2,910,920
Other taxes	37,232	31,912
Grants and contributions not restricted to specific programs	186,452	308,967
Unrestricted interest and investments	68,216	105,326
Gain (Loss) on sale of asset	24,222	(40,838)
Miscellaneous	35,199	10,611
Total Revenues	<u>5,610,931</u>	<u>4,734,926</u>
Expenses:		
General government	592,674	596,244
Public safety	889,737	875,157
Public works	2,194,671	2,108,860
Culture and recreation	419,571	308,624
Conservation and development	23,185	19,999
Interest on long-term debt	121,303	170,173
Total Expenses	<u>4,241,141</u>	<u>4,079,057</u>
Increase in net position	1,369,790	655,869
Net position - January 1	17,566,191	16,910,322
Net position - December 31	<u>\$ 18,935,981</u>	<u>\$ 17,566,191</u>

Financial Analysis of the Town of Middleton's Funds

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

Governmental funds

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

As of December 31, 2017, the Town's governmental funds reported combined ending fund balances of \$6,047,940, an increase of \$264,456 from the prior year. The general fund has an unassigned fund balance of \$1,477,815.

The general fund is the chief operating fund of the Town. At the end of the current year the total fund balance was \$4,837,250. 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 47.8% of total general fund expenditures.

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

	Total Budget	Actual Amounts, Budgetary Basis				Total Actual	Variance with Budget Positive (Negative)
		General	Debt	Capital	Parks		
		Fund	Service	Projects	Fund		
Total Revenues	\$ 4,512,719	\$ 3,213,767	\$ 876,865	\$ 297,187	\$ 163,253	\$4,551,072	\$ 38,353
Total Expenditures	5,943,851	3,094,219	876,865	1,305,966	196,806	5,473,856	469,995
Total Other Sources (Uses)	1,167,000	32,000	-	1,155,240	-	1,187,240	(20,240)
Net Change in Fund Balance	(264,132)	151,548	-	146,461	(33,553)	264,456	488,108
Fund Balances - Beginning	5,783,484	4,685,702	-	59,137	1,038,645	5,783,484	-
Fund Balances - Ending	\$ 5,519,352	\$ 4,837,250	\$ -	\$ 205,598	\$ 1,005,092	\$6,047,940	\$ 488,108

Capital assets

The investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$17,444,418 (net of accumulated depreciation). This investment in capital assets includes land, equipment, buildings, improvements, and infrastructure construction in progress. Infrastructure placed in service prior to January 1, 2004 (roads, storm sewers, and culverts) is included. The net increase in the Town's investment in capital assets for the current year was \$1,423,260.

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

	Governmental Activities	
	2017	2016
Land	\$ 4,865,230	\$ 4,865,230
Construction/Equipment in Progress	29,667	73,560
Buildings and Improvements	5,301,129	5,287,683
Vehicles	493,439	458,444
Equipment	941,805	1,012,513
Infrastructure	19,528,893	17,259,260
Less: Accumulated Depreciation	(13,715,745)	(12,935,532)
Total	\$ 17,444,418	\$ 16,021,158

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

Long-term debt

On December 31, 2017, the Town had total long-term debt outstanding of \$4,550,240 which was general obligation debt backed by the full faith of the Town. During the fiscal year, the Town's general obligation debt increased by \$420,861.

Town of Middleton's Outstanding Debt
General Obligation Debt

	Governmental Activities	
	2017	2016
General Obligation Debt	\$ 3,285,240	\$ 2,784,379
General Obligation Debt - Fire Station #2	1,265,000	1,345,000
Total	\$ 4,550,240	\$ 4,129,379

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, 2017**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Equivalents	\$ 7,166,853
Taxes Receivable	3,435,660
Other Receivables	200,091
Other Assets	31,806
Total Current Assets:	10,834,410
 Noncurrent Assets:	
Capital Assets	
Land, Improvements, and Construction in Progress	4,894,897
Other Capital Assets, Net of Depreciation	12,549,521
Total Noncurrent Assets:	17,444,418
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Outflows	212,683
Total Deferred Outflows:	212,683
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
	\$ 28,491,511
 LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 914,823
Building Permit Deposits	218,553
Due to Other Governments	86,159
Accrued Interest	15,600
Current Portion of Bonds and Notes	782,339
Current Portion of Compensated Absences	34,063
Total Current Liabilities:	2,051,537
 Noncurrent Liabilities:	
Bonds and Notes	3,766,760
Compensated Absences	187,047
Net Pension Liability	26,966
Total Noncurrent Liabilities:	3,980,773
 DEFERRED INFLOWS	
Deferred Pension Inflows	87,560
Tax Levy	3,435,660
Total Deferred Inflows:	3,523,220
 NET POSITION	
Net Investment in Capital Assets	13,530,178
Unrestricted	5,405,803
Total Net Position:	18,935,981
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
	\$ 28,491,511

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI
Statement of Activities
For the Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
General Government	\$ 592,674	\$ 96,698	\$ 1,588	\$ -	\$ (494,388)
Public Safety	889,737	279,061	47,095	-	(563,581)
Public Works	2,194,671	391,012	258,932	1,097,231	(447,496)
Culture and Recreation	419,571	7,805	-	-	(411,766)
Conservation and Development	23,185	131,080	-	-	107,895
Interest on Long-Term Debt	121,303	-	-	-	(121,303)
Total Governmental Activities	<u>\$ 4,241,141</u>	<u>\$ 905,656</u>	<u>\$ 307,615</u>	<u>\$ 1,097,231</u>	<u>(1,930,639)</u>

General Revenues:

Taxes:	
Property taxes, levied for general purposes	1,794,081
Property taxes, levied for debt service	874,631
Property taxes, levied for capital projects	280,396
Room taxes	37,232
Grants and contributions not restricted to specific programs	186,452
Unrestricted investment earnings	68,216
Miscellaneous	35,199
<i>Special item</i> - gain (loss) on disposal of asset	24,222
Total General Revenues and Special Items	<u>3,300,429</u>
Change in Net Position	1,369,790
Net Position - Beginning	17,566,191
Net Position - Ending	<u>\$ 18,935,981</u>

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Balance Sheet
Governmental Funds
December 31, 2017**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>	<u>2016 Totals (Memorandum Only)</u>
ASSETS						
Cash and Cash Equivalents	\$ 5,885,841	\$ -	\$ 238,212	\$ 1,042,800	\$ 7,166,853	\$ 6,757,382
Receivables:						
Taxes	2,353,225	911,430	171,005	-	3,435,660	2,941,777
Delinquent Personal Property Taxes	27,417	-	-	-	27,417	30,067
Special Assessments	364	-	-	-	364	512
Accounts	166,188	-	-	6,122	172,310	40,721
Due from Other Funds	-	-	-	91,816	91,816	-
Prepaid Expenses	31,806	-	-	-	31,806	30,866
Total Assets	<u>\$ 8,464,841</u>	<u>\$ 911,430</u>	<u>\$ 409,217</u>	<u>\$ 1,140,738</u>	<u>\$ 10,926,226</u>	<u>\$ 9,801,325</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 746,165	\$ -	\$ 32,614	\$ 135,251	\$ 914,030	\$ 907,909
Accrued Liabilities	393	-	-	395	788	765
Deposits	218,553	-	-	-	218,553	97,517
Due to Other Funds	91,816	-	-	-	91,816	-
Payable to Other Governments	86,159	-	-	-	86,159	69,908
Total Liabilities	<u>1,143,086</u>	<u>-</u>	<u>32,614</u>	<u>135,646</u>	<u>1,311,346</u>	<u>1,076,099</u>
Deferred Inflows:						
Tax Levy	2,353,225	911,430	171,005	-	3,435,660	2,941,742
Deferred Grant Receivable	131,280	-	-	-	131,280	-
	<u>2,484,505</u>	<u>911,430</u>	<u>171,005</u>	<u>-</u>	<u>3,566,940</u>	<u>2,941,742</u>
Fund Balances:						
Nonspendable	59,587	-	-	-	59,587	61,445
Committed	10,000	-	-	1,005,092	1,015,092	1,046,645
Assigned	3,289,848	-	205,598	-	3,495,446	3,048,665
Unassigned	1,477,815	-	-	-	1,477,815	1,626,729
Total Fund Balances	<u>4,837,250</u>	<u>-</u>	<u>205,598</u>	<u>1,005,092</u>	<u>6,047,940</u>	<u>5,783,484</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 8,464,841</u>	<u>\$ 911,430</u>	<u>\$ 409,217</u>	<u>\$ 1,140,738</u>	<u>\$ 10,926,226</u>	<u>\$ 9,801,325</u>

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2017**

Total fund balance, governmental funds \$ 6,047,940

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

Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.

Deferred outflows of resources	212,683
Deferred inflows of resources	(87,560)

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.

17,444,418

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.

132,416

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.

Compensated absences	(221,110)
Accrued interest	(15,600)
General obligation debt	(4,550,240)
Net Pension Liability	(26,966)
Net position of governmental activities in the statement of net position	<u>\$ 18,935,981</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, 2017**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Parks Fund</u>	<u>Total Governmental Funds</u>	<u>2016 Totals (Memorandum Only)</u>
REVENUES						
Property Taxes	\$ 1,786,715	\$ 874,631	\$ 280,396	\$ -	\$ 2,941,742	\$ 2,910,585
Other Taxes	19,874	-	-	26,062	45,936	42,701
Intergovernmental	492,480	-	15,388	-	507,868	612,234
License and Permits	196,355	-	-	-	196,355	223,183
Fines, Forfeits and Penalties	8,992	-	-	-	8,992	10,826
Public Charges for Services	449,587	-	-	126,280	575,867	415,449
Interest Income	56,153	2,234	1,403	8,411	68,201	105,326
Rental Income	169,320	-	-	-	169,320	169,910
Miscellaneous Income	34,291	-	-	2,500	36,791	15,548
Total Revenues	<u>3,213,767</u>	<u>876,865</u>	<u>297,187</u>	<u>163,253</u>	<u>4,551,072</u>	<u>4,505,762</u>
EXPENDITURES						
Current:						
General Government	506,221	50	14,865	77	521,213	626,840
Public Safety	829,994	-	-	-	829,994	814,978
Public Works	1,553,126	-	1,291,101	-	2,844,227	1,616,407
Culture, Recreation and Education	181,693	-	-	196,729	378,422	341,236
Conservation and Development	23,185	-	-	-	23,185	20,619
Debt Service:						
Principal Repayment	-	734,377	-	-	734,377	714,378
Interest	-	142,438	-	-	142,438	171,300
Total Expenditures	<u>3,094,219</u>	<u>876,865</u>	<u>1,305,966</u>	<u>196,806</u>	<u>5,473,856</u>	<u>4,305,758</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>119,548</u>	<u>-</u>	<u>(1,008,779)</u>	<u>(33,553)</u>	<u>(922,784)</u>	<u>200,004</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Capital Assets	32,000	-	-	-	32,000	-
Proceeds from Long-Term Debt	-	-	1,155,240	-	1,155,240	-
Transfers In	-	-	-	-	-	39,133
Transfers Out	-	-	-	-	-	(39,133)
Total Other Financing Sources and Uses	<u>32,000</u>	<u>-</u>	<u>1,155,240</u>	<u>-</u>	<u>1,187,240</u>	<u>-</u>
Net Change in Fund Balances	151,548	-	146,461	(33,553)	264,456	200,004
Fund Balances - Beginning	4,685,702	-	59,137	1,038,645	5,783,484	5,538,480
Fund Balances - Ending	<u>\$ 4,837,250</u>	<u>\$ -</u>	<u>\$ 205,598</u>	<u>\$ 1,005,092</u>	<u>\$ 6,047,940</u>	<u>\$ 5,738,484</u>

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2017**

Net change in fund balances - total governmental funds: \$ 264,456

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 (\$2,289,631) was greater than depreciation (\$858,593) in the current period. 1,431,038

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (7,778)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 131,280

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. (7,778)

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	734,379
Decrease in accrued interest	21,700
Amortization of debt discount	(567)
Increase in accrued compensated absences	(30,432)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. This is the amount of debt proceeds issued during the year. (1,155,240)

Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.

Amount of current year required contributions into the defined benefit pension plan	32,944
Actuarially determined change in net pension asset between years, with adjustments	(44,212)

Change in net position of governmental activities \$ 1,369,790

See accompanying notes to the basic financial statements.

**Town of Middleton
Dane County, WI**

**Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2017**

	<u>Tax Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 12,032,229
Receivables:	
Taxes Receivable	9,141,722
Other Receivables	466,767
Total Assets	<u>\$ 21,640,718</u>
LIABILITIES	
Due to Other Funds	\$ 3,460,367
Due to Other Governments	18,180,351
Total Liabilities	<u>\$ 21,640,718</u>

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

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, 2017

- 1. Summary of Significant Accounting Policies (Continued)**
- B. Government-Wide and Fund Financial Statements (Continued)**

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows, liabilities, deferred inflows, net position/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the Town believes is particularly important to financial statement users may be reported as a major fund.

The Town reports the following major governmental funds:

Major Governmental Funds

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

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

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

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

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

- 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, 2017

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, 2017

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 – 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale – 2017 delinquent real estate taxes	October 2020

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, 2017

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 \$221,110 at December 31, 2017. 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, 2017

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

8) Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bond payable and accrued compensated absences.

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

9) Pensions

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

10) Equity Classifications

Government-Wide Statements

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

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

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

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

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

10) Equity Classifications (Continued)

Fund Statements

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

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

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

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

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

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

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

E. Budgetary Information

Budgets

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

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

F. Claims and Judgments

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

2. Reconciliation of Government-Wide and Fund Financial Statements

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

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

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

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

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

3. Cash and Cash Equivalents/Investments

As previously discussed, cash for all Town funds are pooled for investment purposes. At December 31, 2017, the cash and investments consist of the following:

Deposits in Local Government Investment Pool	\$ 1,283,896
Deposits in Certificates of Deposit	3,313,205
Deposits in Financial Institutions, Interest Bearing Accounts	7,595,386
Deposits in Financial Institutions, Non-Interest Bearing Accounts	\$ 7,006,596
	\$ 19,199,082

Cash and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 7,166,853
Fiduciary Funds:	
Cash and Investments	12,032,229
Total Cash and Investments	\$ 19,199,082

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

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

3. Cash and Cash Equivalents/Investments (Continued)

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

Wisconsin Local Government Investment Pool

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board (SWIB). The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2017, the fair value of the Town's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the Town.

Investment allocation in the LGIP as of December 31, 2017 was: 89.97% in U.S. Government Securities, 1.52% in Certificates of Deposit and Bankers' Acceptances and 8.51% in Commercial Paper and Corporate Notes. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

Interest Rate Risk

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

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

Credit Risk

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

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

3. Cash and Cash Equivalents/Investments (Continued)

Custodial Credit Risk

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

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

The Town maintained insured and collateralized deposits with local banking institutions. As of December 31, 2017, 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	\$ 2,477,223
Collateralized	13,744,661
Uninsured Cash	<u>12,101</u>
Total Deposits with Financial Institutions	<u><u>\$ 16,233,986</u></u>

Concentration of Credit Risk

The Town's investment policy does not allow for an investment in any one investment type in excess of fifty percent of the Town's combined fund balance. No Town investment represents 5% or more of the total investments.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

4. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2017 was as follows:

	Balance 1/1/17	Additions	Retirements	Balance 12/31/17
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 4,865,230	\$ -	\$ -	\$ 4,865,230
Construction in progress	73,560	29,667	73,560	29,667
Total Non-Depreciable Capital Assets	<u>4,938,790</u>	<u>29,667</u>	<u>73,560</u>	<u>4,894,897</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	5,287,683	13,446	-	5,301,129
Infrastructure	17,259,260	2,269,633	-	19,528,893
Equipment	1,012,513	15,450	86,158	941,805
Vehicles	458,444	34,995	-	493,439
Capital Assets Being Depreciated	<u>24,017,900</u>	<u>2,333,524</u>	<u>86,158</u>	<u>26,265,266</u>
Total Capital Assets	28,956,690	2,363,191	159,718	31,160,163
Less: Accumulated Depreciation	<u>(12,935,532)</u>	<u>(858,593)</u>	<u>(78,380)</u>	<u>(13,715,745)</u>
Capital Assets Net of Depreciation	<u>\$ 16,021,158</u>	<u>\$ 1,504,598</u>	<u>\$ 81,338</u>	<u>\$ 17,444,418</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 58,985
Public Safety	56,809
Public Works	701,650
Recreation	41,149
Total Governmental Activities	<u>\$ 858,593</u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

5. Long-Term Obligations

General Obligation Debt

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

	<u>Balance 1/1/2017</u>	<u>Increased / Issued</u>	<u>Decreased / Retired</u>	<u>Balance 12/31/2017</u>	<u>Current Portion</u>
Governmental Activities:					
Total general obligation debt	\$ 4,129,379	\$ 1,155,240	\$ 734,379	\$ 4,550,240	\$ 782,339
Unamortized bond discount	(1,708)	-	(567)	(1,141)	-
Compensated absences	199,763	21,347	-	221,110	34,063
	<u>\$ 4,327,434</u>	<u>\$ 1,176,587</u>	<u>\$ 733,812</u>	<u>\$ 4,770,209</u>	<u>\$ 816,402</u>

General obligation long-term debt issues outstanding at December 31, 2017 and total outstanding were as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2017</u>
G.O. Bonds	3/20/2009	3/1/2024	3.00-4.375%	\$ 2,885,000	\$ 1,085,000
G.O. Bonds	3/20/2009	3/1/2029	2.75 – 4.70%	1,795,000	1,265,000
G.O. Promissory Notes	11/22/2010	3/1/2019	.80-3.25%	1,890,000	445,000
G.O. Promissory Notes	12/22/2014	1/22/2021	2.41%	600,000	600,000
G.O. Promissory Notes	12/12/2017	12/12/2028	2.45%	1,155,240	1,155,240
Total general obligation debt					<u>\$ 4,550,240</u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

5. Long-Term Obligations (Continued)

Debt Service Requirements to Maturity

Years	General Long-Term Debt		
	Principal	Interest	Totals
2018	\$ 782,339	\$ 134,041	\$ 916,380
2019	830,351	118,985	949,336
2020	439,111	98,288	537,399
2021	452,032	83,843	535,875
2022	309,957	70,870	380,827
2023-2027	1,401,245	191,460	1,592,705
2028-2029	335,205	13,450	348,655
Totals	\$ 4,550,240	\$ 710,937	\$ 5,261,177

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, 2017 was \$61,075,700. Total general obligation debt outstanding at year end was \$4,550,240.

6. Governmental Net Position

Governmental net position as reported on the statement of net position as of December 31, 2017 is as follows:

Net Investment in Capital Assets	
Capital Assets, Net	\$ 17,444,418
Less: Total Outstanding Debt	(4,550,240)
Plus: Non-Capital Related Debt	636,000
	13,530,178
Unrestricted	5,405,803
Total Net Position	\$ 18,935,981

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

7. Governmental Fund Balances

Governmental fund balances reported on the governmental funds balance sheet at December 31, 2017 include the following:

	General	Capital Projects	Parks Fund	Total
Non-spendable				
Delinquent personal property taxes and special assessments	\$ 27,781	\$ -	\$ -	\$ 27,781
Prepaid Expenses	31,806	-	-	31,806
Total non-spendable	59,587	-	-	59,587
Committed				
Sheriff Sinking Fund	10,000	-	-	10,000
Park Development & Maintenance	-	-	1,005,092	1,005,092
Total committed	10,000	-	1,005,092	1,015,092
Assigned				
Garage & Truck Equipment	322,791	-	-	322,791
Sanitary Sewer	44,308	-	-	44,308
Hall Maintenance	72,750	-	-	72,750
Capital Purchases/Projects	800,643	205,598	-	1,006,241
Fire District	357,997	-	-	357,997
Storm Water	285,115	-	-	285,115
Roads	721,437	-	-	721,437
Park Maintenance	657,000	-	-	657,000
Other	27,807	-	-	27,807
Total assigned	3,289,848	205,598	-	3,495,446
Unassigned	1,477,815	-	-	1,477,815
Total	\$ 4,837,250	\$ 205,598	\$ 1,005,092	\$ 6,047,940

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

8. Employee Retirement Plan

Defined Benefit Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

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

The WRS also provides death and disability benefits for employees.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

8. Employee Retirement Plan (Continued)

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

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 Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$32,994 in contributions from the employer.

Contribution rates as of December 31, 2017 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%

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

8. Employee Retirement Plan (Continued)

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

At December 31, 2017 the Town reported a liability (asset) of \$26,966 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability (asset) was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Town's proportion was 0.0032716%, which was an increase of .00009245% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Town recognized pension expense of \$68,398.

At December 31, 2017, 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	\$ 10,282	\$ (84,805)
Changes of assumptions	28,194	-
Net difference between projected and actual earnings on pension plan investments	134,227	
Changes in proportion and difference between Employer contributions and proportionate share of contributions	-	(2,755)
Employer contributions subsequent to the measurement date	39,980	-
Total	<u>\$ 212,683</u>	<u>\$ (87,560)</u>

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

8. Employee Retirement Plan (Continued)

\$39,980 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 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:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2018	\$ 34,770
2019	\$ 34,770
2020	\$ 23,840
2021	\$ (8,274)
2022	\$ 37

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
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, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

8. Employee Retirement Plan (Continued)

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

Asset Allocation Targets and Expected Returns						
As of December 31, 2016						
<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>		
Global Equities	50 %	45 %	8.3 %	5.4 %		
Fixed Income	24.5	37	4.2	1.4		
Inflation Sensitive Assets	15.5	20	4.3	1.5		
Real Estate	8	7	6.5	3.6		
Private Equity/Debt	8	7	9.4	6.5		
Multi-Asset	4	4	6.6	3.7		
Total Core Fund	110	120	7.4	4.5		
<u>Variable Fund Asset Class</u>						
U.S. Equities	70	70	7.6	4.7		
International Equities	30	30	8.5	5.6		
Total Variable Fund	100	100	7.9	5		
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%						
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations						

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

8. Employee Retirement Plan (Continued)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 354,752	\$ 26,966	\$ (225,445)

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

9. Interfunds and Transfers

As of December 31, 2017, the General fund reported an interfund payable to the Parks fund equaling \$91,816. This is expected to be paid within one year.

There were no interfund transfers for the year ended December 31, 2017.

10. Joint Ventures

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

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

The governing body is made up of citizens from each community. Local representatives are appointed by the municipalities. The governing body has authority to adopt its own budget and control the financial affairs of the district. The Town's expenditures totaled \$330,848 to the district for 2017. 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, 2017 is available directly from the district's office.

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

11. Rental Income

The Town has entered into a lease agreement with the Dane County Sheriff's Department to provide space for their precinct in the Town's Hall which was finished in 1998. The current lease agreement, which is an extension of the original lease, commenced on April 1, 2013 and is for 5 years, terminating on March 31, 2018. The lease calls for quarterly rental payments of \$5,225 due to the Town. The extension also specifies annual sinking fund contributions of \$2,000 and annual snow plowing fees of \$1,000 due in quarterly installments. The annual sinking fund requirements began in 2007. At December 31, 2017 the sinking fund balance reported as committed fund balance is \$10,000. Rental income for 2017 was \$23,900.

In March 2018, the Town approved a 5-year extension to this lease agreement with similar payment terms.

The Town has constructed Fire Station #2 for the Middleton Fire District which was completed in November, 2008. The lease to the Fire District is for 30 years and may be extended for an additional 10 year term. The lease calls for quarterly payments of \$34,280 beginning August 1, 2009, for 20 years and ending on May 1, 2029. Rental income from this lease was \$137,120 in 2017. The Middleton Fire District also leases storage space in the Town's storage shed. The lease for the storage space calls for quarterly payments of \$1,320 beginning February 1, 2015 and ending May 1, 2029. The Fire District shall then occupy the storage space without charge through October 31, 2038. Rental income for the storage space was \$5,280 in 2017.

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

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

The Town also receives rental income for use of land that the Town owns. These rental agreements are negotiated yearly. Rental income for 2017 was \$3,020.

12. Risk Management

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

13. Commitments and Contingencies

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

TOWN OF MIDDLETON
Notes to Financial Statements
December 31, 2017

13. Commitments and Contingencies (Continued)

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

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

Emergency Medical Services (EMS)

On December 2, 2014 the Town entered into an agreement with the City of Middleton to provide EMS services. The agreement commenced on January 1, 2015 and will expire on December 31, 2019. The terms of the agreement shall automatically renew for an additional five years and each fifth year so after unless written notice is given 12 months in advance. The amount that may be billed to the Town is capped using 2014 as a base year, and is increased by 1.5% each subsequent year. The actual expense in 2017 was \$190,395. This calculation will result in annual payment by the Town that may be equal to, but will not exceed as follows:

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

14. Subsequent Events and Commitments

Subsequent to yearend, the Town approved road maintenance and construction bids totaling approximately \$285,900.

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, 2017**

	<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	\$ 1,786,715	\$ 1,786,715	\$ 1,786,715	\$ -
Other Taxes	9,250	9,250	19,874	10,624
Intergovernmental	461,408	461,408	492,480	31,072
License and Permits	181,200	181,200	196,355	15,155
Fines, Forfeits and Penalties	9,000	9,000	8,992	(8)
Public Charges for Services	399,119	399,119	449,587	50,468
Interest Income	20,300	20,300	56,153	35,853
Rental Income	168,900	168,900	169,320	420
Miscellaneous Income	6,500	6,500	34,291	27,791
Total Revenues	<u>3,042,392</u>	<u>3,042,392</u>	<u>3,213,767</u>	<u>171,375</u>
EXPENDITURES				
Current:				
General Government	571,223	571,223	506,221	65,002
Public Safety	870,296	870,296	829,994	40,302
Public Works	1,524,572	1,524,572	1,553,126	(28,554)
Culture, Recreation and Education	210,134	210,134	181,693	28,441
Conservation and Development	36,060	36,060	23,185	12,875
Total Expenditures	<u>3,212,285</u>	<u>3,212,285</u>	<u>3,094,219</u>	<u>118,066</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(169,893)</u>	<u>(169,893)</u>	<u>119,548</u>	<u>289,441</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	32,000	32,000
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>32,000</u>
Net Change in Fund Balances	(169,893)	(169,893)	151,548	321,441
Fund Balances - Beginning	4,685,702	4,685,702	4,685,702	-
Fund Balances - Ending	<u>\$ 4,515,809</u>	<u>\$ 4,515,809</u>	<u>\$ 4,837,250</u>	<u>\$ 321,441</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, 2017**

	<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	\$ 20,000	\$ 20,000	\$ 26,062	\$ 6,062
Public Charges for Services	-	-	126,280	126,280
Interest Income	5,000	5,000	8,411	3,411
Miscellaneous Income	14,100	14,100	2,500	(11,600)
Total Revenues	<u>39,100</u>	<u>39,100</u>	<u>163,253</u>	<u>124,153</u>
EXPENDITURES				
Current:				
General Government	-	-	77	(77)
Culture, Recreation and Education	213,250	213,250	196,729	16,521
Total Expenditures	<u>213,250</u>	<u>213,250</u>	<u>196,806</u>	<u>16,521</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(174,150)</u>	<u>(174,150)</u>	<u>(33,553)</u>	<u>140,674</u>
Net Change in Fund Balances	(174,150)	(174,150)	(33,553)	140,674
Fund Balances - Beginning	1,038,645	1,038,645	1,038,645	-
Fund Balances - Ending	<u>\$ 864,495</u>	<u>\$ 864,495</u>	<u>\$ 1,005,092</u>	<u>\$ 140,674</u>

**TOWN OF MIDDLETON
WISCONSIN RETIREMENT SYSTEM
December 31, 2017**

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

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2016	0.00327160%	\$ 26,966	\$ 499,912	5.39%	99.12%
2015	0.00317915%	51,661	453,855	11.38%	98.20%
2014	0.00316629%	(77,751)	443,097	(17.55%)	102.74%

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

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2017	\$ 39,980	\$ (39,980)	\$ -	\$ 587,938	6.80%
2016	32,994	(32,994)	-	499,912	6.60%
2015	30,862	(30,862)	-	453,855	6.80%

TOWN OF MIDDLETON
Notes to Required Supplementary Information
December 31, 2017

1. Wisconsin Retirement System

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

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

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

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

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

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

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

The Town controls expenditures at the department level. The individual line items in the General Funds that experienced expenditures, which exceeded appropriations in 2017 were as follows:

Fund	Function / Department Level	Amount
General Fund	Public Works	\$ 28,554
Capital Projects Fund	General Government	14,865

In total, General Fund expenditures were \$118,066 under budget.

SUPPLEMENTARY INFORMATION

**Town of Middleton
Dane County, WI**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 280,396	\$ 280,396	\$ 280,396	\$ -
Intergovernmental	-	-	15,388	15,388
License and Permits	255,400	255,400	-	(255,400)
Interest Income	500	500	1,403	903
Miscellaneous Income	14,900	14,900	-	(14,900)
Total Revenues	<u>551,196</u>	<u>551,196</u>	<u>297,187</u>	<u>(254,009)</u>
EXPENDITURES				
Current:				
General Government	-	-	14,865	(14,865)
Public Safety	50,285	50,285	-	50,285
Public Works	1,653,000	1,588,000	1,291,101	296,899
Culture, Recreation and Education	50,000	-	-	-
Total Expenditures	<u>1,753,285</u>	<u>1,638,285</u>	<u>1,305,966</u>	<u>332,319</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,202,089)</u>	<u>(1,087,089)</u>	<u>(1,008,779)</u>	<u>78,310</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	1,167,000	1,167,000	1,155,240	(11,760)
Total Other Financing Sources and Uses	<u>1,167,000</u>	<u>1,167,000</u>	<u>1,155,240</u>	<u>(11,760)</u>
Net Change in Fund Balances	(35,089)	79,911	146,461	66,550
Fund Balances - Beginning	59,137	59,137	59,137	-
Fund Balances - Ending	<u>\$ 24,048</u>	<u>\$ 139,048</u>	<u>\$ 205,598</u>	<u>\$ 66,550</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, 2017**

	<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	\$ 874,631	\$ 874,631	\$ 874,631	\$ -
Interest Income	-	-	2,234	2,234
Miscellaneous Income	5,400	5,400	-	(5,400)
Total Revenues	<u>880,031</u>	<u>880,031</u>	<u>876,865</u>	<u>(3,166)</u>
EXPENDITURES				
Current:				
General Government	-	-	50	(50)
Debt Service				
Principal Repayment	734,377	734,377	734,377	-
Interest Expense	145,654	145,654	142,438	3,216
Total Expenditures	<u>880,031</u>	<u>880,031</u>	<u>876,865</u>	<u>3,166</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>