

CITY OF MIDDLETON, WISCONSIN
Middleton, Wisconsin

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
December 31, 2016

Prepared by:

Department of Finance

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INDEPENDENT AUDITORS' REPORT

Common Council
City of Middleton, Wisconsin
Middleton, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Middleton, Wisconsin as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 City'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 City'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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Middleton, Wisconsin as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of OPEB funding progress, schedule of City's proportionate share of the net pension liability (asset), and the schedule of the City's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middleton, Wisconsin's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Middleton, Wisconsin
June 26, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Middleton's annual financial statements provides the reader with management's narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, and (4) identify any changes in the City's financial plan (approved budget). The financial discussion and analysis presented in the section is intended to be used in conjunction with the accompanying financial statements.

Financial Highlights

- ◆ The assets of the City of exceeded its liabilities by \$120,563,471 (net position) as of December 31, 2016.
- ◆ As of December 31, 2016, the City of Middleton governmental activities reported combined ending net position of \$69,543,056. Of this balance, \$9,130,412 is available for spending at the government's discretion (unrestricted net position)
- ◆ At the end of the current fiscal year, \$5,134,962 of unassigned fund balance for the general fund is equal to 24.8% of the subsequent year budgeted general fund expenditures.
- ◆ The City's net Other Post Employment Benefit (OPEB) obligation increased by \$60,916 to \$133,328. This represents the amount of the implicit rate subsidy for retired employees who are able to purchase health insurance from the City's group insurance plan.
- ◆ Total governmental activities general obligation debt decreased by \$3,400,000 to \$47,330,000 and business-type debt decreased by \$945,000 to \$1,700,000. Governmental activities debt decreased as principal payments were made on outstanding debt. The City issued general obligation notes in December of 2015 to fund 2016 capital projects. No new debt was issued for capital projects in 2016. Business-type debt decreased as principal payments continue to be made on the outstanding debt issued for the Pleasant View Golf Course.
- ◆ The City maintained a rating of Aa1 from Moody's Investors Service.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Middleton's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The City's basic financial statements include two government-wide financial statements, the Statement of Net Position and the Statement of Activities. These financial statements are designed to provide the reader with a broad overview of the City of Middleton's finances. Financial reporting at this level uses a perspective similar to that found in the private sector, utilizing full accrual accounting and the elimination or reclassification of internal activities.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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 City, as a whole, is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the City of that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs from fees and charges. Governmental activities include general government, public safety, public works, health and human services, leisure activities, and conservation and development. Business-type activities include water, sewer, and storm water utilities, golf course, and airport.

The government-wide financial statements include not only funds of the City of Middleton (primary government), but also a legally separate Community Development Authority (component unit) for which the City of Middleton is financially accountable. Financial information for this discretely presented component unit is included in the governmental activities of the primary government. See Note I-B, page 31, of the Notes to Financial Statements for more information.

The government-wide financial statements are presented on pages 17-18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Middleton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant (major) funds rather than the City as a whole. Major funds are separately reported while other funds are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of the report. All of the funds of the City of Middleton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus of fund financial statements is on the short-term use of spendable resources and balances of spendable resources available at the end of the year. Such information may be useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the focus of governmental funds is narrower than that of government-wide financial statements, comparisons of the information for governmental funds presented in the fund financial statements with similar information for governmental activities presented in the government-wide statements may provide insight into the long-term impact of short-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.

In 2016, the City of Middleton utilized eighteen 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, Debt Service Fund, Tax Increment Financing District #3 fund, and Capital Projects Fund, which are considered to be major funds. Data from

the other fourteen non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Middleton adopts annual budgets for its various funds in accordance with state statutes. Budgetary comparison statements and schedules are included in the basic financial statements for the General Fund. There were no major special revenue funds for the year ended December 31, 2016.

The basic governmental fund financial statements are presented on pages 19 and 21 of this report.

Proprietary funds

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two types of proprietary funds, enterprise funds and internal service funds.

Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. Services are provided to customers external to the City. The proprietary fund financial statements provide separate information on the City's three major enterprise funds: Water Utility, Sewer Utility, and Pleasant View Golf Course. Individual fund information for the City's other enterprise funds is provided in the form of combining statements in a later section of this report.

Internal service funds are used to accumulate and allocate costs internally among the City's various functions. There were no internal service funds for the year ended December 31, 2016.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties other than the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support City programs. The City of Middleton maintains fiduciary funds to record the tax roll and collections for other taxing governmental agencies and for the Middleton Fire District. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 27 of this report.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The combining statements referred to earlier in connection with non-major governmental funds and enterprise funds are presented immediately following the notes to the financial statements. A detailed budgetary comparison schedule for the General Fund is presented to demonstrate compliance with the budget.

The required supplementary information can be found on pages 73-75 of this report.

Government-wide Financial Analysis

Over time, as year-to-year financial information is accumulated on a consistent basis, change in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position as of December 31, 2016 was \$120,563,471. The following table provides a summary of the City's net position:

CITY OF MIDDLETON NET POSITION For the Years Ended December 31, 2016 and 2015 (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$56,725	\$55,084	\$ 3,998	\$ 6,525	\$ 60,723	\$ 61,609
Capital assets	<u>91,665</u>	<u>91,598</u>	<u>49,576</u>	<u>43,946</u>	<u>141,240</u>	<u>135,543</u>
Total assets	<u>148,390</u>	<u>146,682</u>	<u>53,574</u>	<u>50,471</u>	<u>201,964</u>	<u>197,152</u>
Deferred outflows of resources	<u>6,708</u>	<u>1,773</u>	<u>615</u>	<u>188</u>	<u>7,322</u>	<u>1,962</u>
Current and other liabilities	4,091	3,742	696	821	4,787	4,563
Non-current liabilities	<u>54,457</u>	<u>56,201</u>	<u>2,244</u>	<u>3,062</u>	<u>56,701</u>	<u>59,263</u>
Total liabilities	<u>58,548</u>	<u>59,943</u>	<u>2,940</u>	<u>3,883</u>	<u>61,488</u>	<u>63,826</u>
Deferred inflows of resources	<u>27,007</u>	<u>25,998</u>	<u>228</u>	<u>4</u>	<u>27,235</u>	<u>26,002</u>
Net position:						
Net investment in capital assets	44,205	42,290	47,876	41,296	92,080	83,586
Restricted	16,207	12,628	61	243	16,268	12,872
Unrestricted	<u>9,130</u>	<u>7,596</u>	<u>3,084</u>	<u>5,232</u>	<u>12,214</u>	<u>12,828</u>
Total net position	<u>\$69,543</u>	<u>\$62,514</u>	<u>\$51,020</u>	<u>\$46,772</u>	<u>\$120,563</u>	<u>\$109,286</u>

Changes in Net Position

Net position of the City of Middleton increased by \$11,277,703 (10.32%) in 2016. Net position of the City's governmental activities totaled \$69,543,056 as of December 31, 2016, an increase of \$7,028,991 (11.2%). The net position of business-type activities totaled \$51,020,415 as of December 31, 2016, an increase of \$4,248,712 (9.1%).

The following table provides a summary of the changes in net position for the City of Middleton:

CHANGE IN NET POSITION
For the Years Ended December 31, 2016 and 2015
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 4,043	\$3,302	\$7,875	\$6,723	\$11,918	\$10,025
Operating grants	1,785	2,433	-	-	1,785	2,433
Capital grants/ contributions	1,694	620	1,214	1,371	2,908	1,991
General Revenues:						
General property taxes	16,430	16,092	-	-	16,430	16,092
Property taxes, TIF	9,126	8,692	-	-	9,126	8,692
Other taxes	1,700	1,715	-	-	1,700	1,715
Cable franchise fees	258	258	-	-	258	258
Intergovernmental	1,160	1,603	-	-	1,160	1,603
Investments	170	107	11	13	182	119
Gain on sale of property	2,659	-	-	-	2,659	-
Miscellaneous	597	433	-	-	597	433
Total revenues	<u>39,624</u>	<u>35,254</u>	<u>9,100</u>	<u>8,107</u>	<u>48,724</u>	<u>43,361</u>
Expenses:						
General government	3,374	3,577	-	-	3,374	3,577
Public safety	9,708	8,768	-	-	9,708	8,768
Public works	5,662	4,413	-	-	5,662	4,413
Human services	524	458	-	-	524	458
Leisure activities	4,280	5,712	-	-	4,280	5,712
Conservation/devel.	5,714	4,890	-	-	5,714	4,890
Interest on LT debt	1,430	1,487	-	-	1,430	1,487
Water utility	-	-	1,707	1,666	1,707	1,666
Sewer utility	-	-	2,798	2,249	2,798	2,249
Golf course	-	-	1,845	1,562	1,845	1,562
Nonmajor enterprise funds	-	-	404	260	404	260
Total expenses	<u>30,691</u>	<u>29,306</u>	<u>6,755</u>	<u>5,736</u>	<u>37,446</u>	<u>35,042</u>
Increase (decrease) in net position before transfers	8,933	5,949	2,345	2,371	11,278	8,319
Net Transfers	<u>(1,904)</u>	<u>(2,275)</u>	<u>1,904</u>	<u>2,275</u>	<u>-</u>	<u>-</u>
Change in net position	7,029	3,674	4,249	4,645	11,278	8,319
Net position-beginning	<u>62,514</u>	<u>58,840</u>	<u>46,772</u>	<u>42,126</u>	<u>109,286</u>	<u>100,967</u>
Net position-ending	<u>\$69,543</u>	<u>\$62,514</u>	<u>\$51,020</u>	<u>\$46,772</u>	<u>\$120,563</u>	<u>\$109,286</u>

Governmental Activities

Governmental activities for 2016 increased the City's net position by \$7,028,991 as detailed above. Some of the significant changes in revenues and expenses were as follows:

Revenues

- ◆ Charges for service increased \$741,656 (22.5%) largely due to an increase in activity related to building, electrical, and plumbing permits and development review. Additionally, recreation program and aquatic center revenue increased by more than 50% due to expanded programming and increased usage.
- ◆ General property tax revenue increased \$338,499 (2.1%). This was due to an increase of net new construction in the City of more than 2% and an increase in the tax levy limit. Tax increment district taxes increased by \$433,993 (5.0%). This increase was due to an increase of the value of the land within Tax Increment Districts #3 and #5.
- ◆ Investment revenue increased \$63,372 (59.3%) due primarily due an increase in market interest rates in the fourth quarter of 2016.
- ◆ The City saw a gain on the sale of property of \$2,659,850 in 2016. Two items contributed to this revenue. First, the sale of a parking ramp in Greenway Station for \$1,023,000. Second, the sale to the water and sewer utilities for the Middleton Operation Center (MOC) for their portion of the new building in the combined amount of \$1,660,656.

Expenses

- ◆ General government expenses decreased by \$203,248 (5.7%). This is partially due to the result of turnover in positions resulting in lower costs wage and benefits costs and a reduction in compensated absences.
- ◆ Public safety expenses increased by \$960,043 (11.0%) largely due to increase in pension activity. In addition, there was an increase in compensated absences activity and additional wage and benefit costs including the impact of filing vacant positions.
- ◆ Public Works expenses increased by \$1,248,417 (28.3%). Factors contributing to this increase include changes in compensated absences, non-capitalized capital outlay, and additional depreciation expenses.
- ◆ Expenses related to health and human services increased by \$65,452 (14.3%) This includes additional costs for the Middleton Senior Center related to the nutrition program, utilities, maintenance, and items funded with donations.
- ◆ Leisure activities expenses decreased by \$1,432,857 (25.1%) primarily due to a change in the categorization of Tourism Fund expenses. In 2015, these expenses were classified as leisure activities. Beginning in 2016, tourism expenses are categorized as conservation and development expenses. In addition, there was a reduction in the non-capital outlay expenses of the Public Lands Activities Fund.
- ◆ Expenses related to conservation and development increased by \$824,180 (16.9%). This is largely due to the categorization of Tourism Fund expenses as conservation and development rather than leisure activities.
- ◆ Interest on long-term debt decreased by \$57,299 (3.9%) due to lower interest payments resulting from repayment of previous year borrowings and lower rates in the municipal debt marketplace.

Business Activities

Business activities for 2016 increased the City's net position by \$4,248,712 as detailed above. Program revenues exceeded expenses by \$2,333,252 while net general revenues and transfers had a positive variance of \$1,915,460.

Revenues

- ◆ Water Utility charges for services increased by \$367,348 (15.9%). Water utility rates were increased on July 1, 2015. The higher revenues are associated the full-year impact of the higher rates as well as additional water customers and usage.
- ◆ Sanitary Sewer Utility charges for services increased by \$181,052 (8.4%). Increases in sewer utility rates included 8.6% for service charges and 4.1% for volume charges. These increases largely cover the sewer treatment increases passed through by the Madison Metropolitan Sewerage District (MMSD).
- ◆ Charges for services for the Pleasant View Golf Course increased by \$324,612 (15.4%). The golf course did not make significant increases in rates, however, management of the Pro Shop moved from a third-party vendor to golf course staff, resulting in additional revenue. Additionally, the golf course saw higher activity in memberships and leagues.
- ◆ Higher revenue in the nonmajor enterprise funds is related to two factors. The Stormwater Utility was implemented in July 2015, making 2016 the first full year of receipts. Secondly, the Airport Fund was reclassified from a special revenue fund to an enterprise fund in 2016 and airport revenues are now shown as business activities.

Expenses

- ◆ Water Utility expenses increased by \$34,822 (2.5%) largely due to an increase in the depreciation expenses and water system pump repairs.
- ◆ Sewer Utility expenses increased by \$549,773 (24.4%) primarily due an 18.5% increase in MMSD fees as well as additional personnel costs and depreciation expenses.
- ◆ Expenses for the Pleasant View Golf Course increased by \$283,403 (18.1%). Contributing to this increase were additional costs for pro shop expenses, food and beverage, and grounds maintenance related to the increased activity at the course.
- ◆ Other nonmajor enterprise fund expenditures were higher in 2016 due primarily to the reclassification of the Airport Fund as an enterprise fund rather than a special revenue fund. There was also an increase in the depreciation expense for the Stormwater Utility in 2016.

Fund Financial Analysis

As noted earlier, the City of Middleton uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Fund financial reporting focuses on short-term spendable resources and balances of spendable resources available at year-end.

Governmental Funds

As of December 31, 2016, the City's governmental funds had a combined ending fund balance of \$27,865,267. Of this balance, \$2,857,944 is non-spendable and \$15,751,251 is restricted. The remaining balance of \$9,256,072 includes \$4,129,112 committed or assigned for specific purposes and \$5,26,960 that is unassigned.

General Fund

The General Fund is the primary operating fund of the City and supports the majority of day-to-day services provided by the City. The total fund balance of the General Fund as of December 31, 2016 is

\$12,076,623 of which \$2,857,944 was non-spendable, \$4,083,717 was assigned, and \$5,134,962 was unassigned. The General Fund assigned fund balance consisted of the following items as of December 31, 2016:

• Compensated absences (vacation and sick accrual)	\$1,560,685
• Public safety reserve (Fire)	\$401,413
• Public safety reserve (EMS)	\$336,000
• Golf debt retirement	\$1,100,000
• Equipment replacement	\$600,000
• Risk Management/insurance	\$42,344
• Budgetary carryovers	\$43,275

The General Fund had a total increase in fund balance of \$1,286,301. General Fund revenues were \$869,116 higher than the previous year and expenditures increased by \$733,169. Net Other Financing Sources and Uses were \$598,249 higher in 2016.

Debt Service Fund

Debt Service fund balance as of December 31, 2016 totaled \$24,120, a decrease of \$3,558. Debt issuance expenditures incurred in 2016 for a refunding debt issue totaled \$80,033 and expenditures for paying agent services were \$7,127. The issuance expenditures were offset by premiums totaling \$133,867 received from the sale of general obligation refunding bonds. Principal and interest payments of \$6,968,009 were offset by transfers from other funds in the amount of \$7,027,677.

TIF District No. 3

The fund balance for the Tax Increment District #3 Fund increased from \$4,439,260 to \$9,143,261 as of December 31, 2016. Revenues and other financing sources were \$10,902,252 including \$9,126,294 in tax increment collections. Expenditures in 2016 included \$1,972,967 for administration and professionals services, \$1,166,961 for economic development incentive payments, and \$859,490 for capital outlay. There was also a transfer to the Debt Service Fund in the amount of \$2,108,833 in 2016.

Capital Projects Funds

The total fund balance for the City's Capital Project Funds was \$292,797 as of December 31, 2016. Capital improvement projects expenditures for 2016 totaled \$6,580,349. Major expenditures for the year included the following projects:

• Mendota Avenue Reconstruction	\$1,020,038
• Park and High Street Reconstruction	\$961,888
• Public Works Equipment Replacement	\$348,939
• Street Maintenance (Chip Sealing)	\$295,145
• Public Lands Equipment Replacements	\$213,124
• Video Storage System	\$182,583
• Emerald Ash Borer Tree Removal	\$175,006
• City Hall and Library Roof Replacements	\$169,396
• Graber Trail Connections	\$141,786
• Orchid Heights Storm Water Pond	\$130,085
• Police Squad Car Replacements	\$124,206

Proprietary Funds

See page 60 for information related to the City's Enterprise Funds.

General Fund Budgetary Highlights

Differences between actual revenues and expenses and the final amended budget resulted in a positive revenue variance of \$966,896 (4.0% of total) and a positive expenditure variance of \$4,641 (<0.1% of total). The following items contributed to these variances:

Revenues

- ◆ Taxes \$8,402 over budget primarily due to additional room tax collections.
- ◆ Intergovernmental revenues were \$160,888 higher compared to the budget. This includes additional state aid for exempt computer equipment of \$136,413 more than the budgeted amount.
- ◆ Licenses and permits were \$412,204 over budget due to a very strong construction year in which multiple large projects and increased construction overall drove revenues higher than budget. Building permit revenue exceeded the budget by \$272,529. In addition, cable television franchise fee revenue was \$83,069 above budget.
- ◆ Fines, penalties, and forfeitures were \$52,836 under the original budget due largely to lower court penalty payments.
- ◆ Public charges for services were \$77,970 higher than budget largely due to recreation programs including the Aquatic Center, Hubbard Activity Center, and Fall-Winter-Spring recreation programs. This is attributable to additional program offerings and higher participation levels.
- ◆ Interdepartmental charges were \$27,148 over budget due primarily to a reimbursement from Madison Metro for excess funds collected related to the bus transportation system.
- ◆ Special assessments revenue was \$108,815 above budget due to additional street reconstruction activity and the associated assessments for curb, gutter, and sidewalks.
- ◆ Investment income was \$99,525 higher than budget. This was due to conservative budgeting and an increase in interest rates in the fourth quarter of 2016.
- ◆ Miscellaneous revenues were \$36,734 over budget. Included in this amount was \$42,226 for rebates on purchases made with the City's purchasing cards.

Expenditures

- ◆ General Government expenditures were \$172,220 under budget due to an unspent general contingency of \$255,832. Current year activity for compensated absences in the amount of \$193,771 was not budgeted in 2016.
- ◆ Expenditures for Public Safety were \$96,220 lower than budgeted due primarily to savings from personnel vacancies in the Police Department.
- ◆ Public Works expenditures were \$65,423 under budget due to unused wage reserve funds and lower than anticipated costs for equipment maintenance.
- ◆ Expenditures for Health and Human Services (Senior Center) were over budget by \$20,746. Of this amount, \$9,183 is due to higher senior center trip expenditures that have offsetting revenue. Higher costs for utilities, building maintenance, and equipment repair also contributed to the overage.
- ◆ Leisure Activities expenditures were \$185,589 under budget due primarily to savings from personnel vacancies and lower expenditures for professional services.
- ◆ Expenditures for Conservation and Development were \$36,983 lower than budgeted due primarily to reduced expenditures for conservancy lands professional services.
- ◆ Transfers Out to Other Funds were over budget by \$531,048. This is primarily due to the transfer of \$472,548 from the General Fund Assigned Fund Balance for Fire Equipment to a capital projects fund to be used for the purchase of land for a new fire station location. Additional transfers were also made to the Public Lands Activities Special Revenue Fund in the amount of \$40,000 and to the Youth Center Special Revenue Fund in the amount of \$18,500.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016 was \$141,240,472 (net of depreciation), and increase of \$5,697,062. This investment in capital assets includes land, buildings and improvements, equipment and furniture, infrastructure, and construction in progress. Governmental capital asset additions exceeded depreciation expense by \$2,402,415 and net deletions (original cost less accumulated depreciation) totaled \$81,071. There was also a net transfer of \$2,254,177 from governmental activities to business-type activities for the Middleton Airport which is accounted for as an enterprise fund in 2016 rather than a special revenue fund as in prior years.

Major changes in capital assets of governmental activities included the following:

- ◆ \$2,025,464 for infrastructure additions for the Mendota Avenue and Park & High Street reconstruction projects including street, sidewalk, storm sewer, traffic signal, and parking area improvements
- ◆ \$540,662 for developer contributed assets for the Bishops Bay Back Nine Phase 4 development including right-of-way, street, sidewalk, and storm sewer improvements
- ◆ \$357,546 for park improvements at the Lucille Taylor Park
- ◆ \$227,071 for library material acquisitions
- ◆ \$182,583 for a video storage system for police department files
- ◆ \$113,711 for the purchase of a new plow truck for the public works department
- ◆ \$110,181 for the installation of a bike path along Allen Boulevard

Major changes in capital assets of business-type activities included the following:

- ◆ \$1,245,492 in water utility assets for the utility's share of the cost of the Middleton Operations Center facility
- ◆ \$712,415 in water utility assets for the Park & High Street project including water main, services, and hydrants
- ◆ \$270,314 in water utility assets for developer contributed infrastructure for the Bishops Bay Back Nine Phase 4 development
- ◆ \$415,164 in sewer utility assets for the utility's share of the cost of the Middleton Operations Center facility
- ◆ \$305,353 in construction in progress for the Esser Lift Station project
- ◆ \$149,858 in sewer utility assets for developer contributed infrastructure for the Bishops Bay Back Nine Phase 4 development
- ◆ \$129,156 in sewer utility assets for the Park & High Street project including water main, services, and hydrants
- ◆ \$168,053 for patio improvements for the Pleasant View Golf Course
- ◆ \$599,369 in stormwater utility assets for the Donna Drive and Orchid Heights ponds
- ◆ \$578,977 in stormwater utility construction in progress for the Confluence Pond dredging project

CITY OF MIDDLETON CAPITAL ASSETS
(Net of Accumulated Depreciation)
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,758	\$ 6,199	\$ 5,986	\$ 4,440	\$ 30,744	\$ 30,640
Buildings & improvements	26,696	27,707	9,906	8,573	36,602	36,281
Equipment & furnishings	2,223	1,635	361	187	2,584	1,822
<i>Streets</i>	24,195	22,928			24,195	22,928
<i>Storm Sewers</i>	6,668	6,533			6,668	6,533
<i>Traffic Signals</i>	815	870			815	870
<i>Sidewalks</i>	2,940	2,605			2,940	2,605
<i>Bridges</i>	2,781	2,748			2,781	2,748
<i>Fiber Optic</i>	31	-			31	-
<i>Rail Spur</i>	299	315			299	315
<i>Water Utility</i>	-	-	20,963	18,947	20,963	18,947
<i>Sewer Utility</i>	-	-	11,744	10,988	11,744	10,988
Infrastructure	37,729	35,999	32,707	29,935	70,437	65,934
Construction in Progress	259	57	615	810	873	867
Total capital assets	\$ 91,665	\$ 91,598	\$ 49,576	\$ 43,946	\$141,240	\$135,543

Additional information on the City of Middleton's capital assets can be found in Note 3. D. on pages 47-51 of this report

Long-Term Debt

At the end of the current fiscal year, the City of Middleton had total bonded debt outstanding of \$49,030,000 which is all backed by the full faith and credit of the city.

CITY OF MIDDLETON OUTSTANDING DEBT
For the Years Ended December 31, 2016 and 2015
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General obligation bonds and notes	\$47,330	\$50,730	\$ 1,700	\$ 2,645	\$49,030	\$53,375
Revenue bonds	-	-	-	-	-	-
Total outstanding debt	\$47,330	\$50,730	\$ 1,700	\$ 2,645	\$49,030	\$53,375

State Statutes limit the amount of general obligation debt a government entity may issue to five percent of its total equalized valuation. The current debt limitation for the City of Middleton is \$157,188,345 of which the City has utilized 31.2% for its current outstanding general obligation debt.

The City of Middleton's total outstanding debt decreased by \$4,345,000 (8.1%) during the current fiscal year. The City issued \$6,000,000 of new refunding debt and made principal payments totaling \$10,345,000 in 2016. See Note 3. F. on pages 54-57 for this report for detailed information on the City's long-term debt.

Economic Factors and Next Year's Budget and Rates

The City of Middleton is located in Dane County, Wisconsin approximately seven miles from downtown Madison, the state capitol. Over the past ten years, the City has experienced significant growth in its population and total equalized value. The City maintains two active Tax Increment Financing Districts, several office and business park areas, retail shopping areas, and seven hotels with nearly 1,000 hotel rooms.

Key economic factors include:

- ◆ The City's equalized property valuation has increased from \$2.5 billion to \$3.1 billion over the past ten years, an increase of 26.0%. Middleton's equalized property value is the second highest in Dane County, behind only the City of Madison. The estimated median assessed value of a single family home in 2016 was \$325,000.
- ◆ Middleton's estimated population has increased from 16,935 to 19,317 between 2006 and 2016, an increase of 14.1%
- ◆ Unemployment remains low in Dane County averaging 3.4% over the past five years. In 2016, the unemployment rate in Dane County was 2.6%, below both the State of Wisconsin rate of 3.7% and the national rate of 4.5%
- ◆ The City maintains a Aa1 bond rating from Moody's Investors Service, based in part on the strong economic climate of the City.

The City of Middleton adopts operating budgets for its governmental funds (general, special revenue, debt service, and capital projects) and enterprise funds (water, sewer, and stormwater utilities, golf course, airport, and special utility district). The 2017 fiscal year General Fund budget includes \$20,680,335 in projected revenues and \$20,680,335 in projected expenditures and transfers. Included in these amounts is the planned use of assigned fund balance in the amount of \$848,650. The 2017 approved budget does not include the use of any unassigned fund balance.

Funding for the operating budget of the City is provided from many sources, including property taxes, room taxes, grants and aids from the state and county, user fees, permits and licenses, fines, and other miscellaneous revenues. Several revenue sources are sensitive to economic factors, in particular building permits, room taxes, and investment earnings. Building permit and room tax revenue have shown strong positive growth due to the strength of the local economy. In the 2017 budget, building permit revenue and interest income are conservatively budgeted below the 2016 levels. Continued state-imposed property tax levy limits and state budget pressures may constrain property taxes intergovernmental sources in future years.

Expenditures for salaries, which represent the single largest operating cost, continue to be moderate given the low inflation in the economy and active labor relations efforts. All eligible City employees are contributing toward the cost of the pension program through the Wisconsin Retirement System. The City

continues to work with its employees to manage health care costs. The 2017 budget projects a small increase (1.85%) in expected health care premiums due to an increase in plan deductibles for covered employees thereby reducing City expenditures. No significant new programs were added to the 2017 operating budget given the current economic climate and revenue pressures. One new full-time and additional part-time/limited-term employee hours were added for a total of 2.3 Full-Time-Equivalent (FTE) employees to address increased demands for service due to the City's continue growth.

Request for Financial Information

This financial report is designed to provide users with a general overview of the City of Middleton's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the Finance Department, City of Middleton 7426 Hubbard Avenue, Middleton, WI 53562.

BASIC FINANCIAL STATEMENTS

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	
ASSETS				
Cash and investments	\$ 24,799,227	\$ 5,512,135	\$ 30,311,362	\$ 691,900
Receivables (net):				
Taxes	24,754,154	-	24,754,154	-
Delinquent taxes	104,029	-	104,029	-
Accounts	1,166,328	1,238,890	2,405,218	-
Interest	-	7,879	7,879	-
Loans	-	-	-	121,392
Special assessments	610,588	2,009,059	2,619,647	-
Internal balances	5,131,937	(5,131,937)	-	-
Prepaid items	159,135	-	159,135	-
Restricted assets - cash and investments	-	60,820	60,820	-
Property held for future use	-	301,087	301,087	-
Capital assets not being depreciated	25,016,788	2,511,163	27,527,951	154,000
Capital assets being depreciated	66,648,093	47,064,428	113,712,521	1,949,675
Total assets	148,390,279	53,573,524	201,963,803	2,916,967
Deferred outflows of resources				
Loss on refunding	275,436	-	275,436	-
Deferred amounts related to pension	6,432,142	614,825	7,046,967	-
Total deferred outflows of resources	6,707,578	614,825	7,322,403	-
LIABILITIES				
Accounts payable and accrued liabilities	2,653,560	671,870	3,325,430	6,183
Deposits	863,685	-	863,685	-
Accrued interest	559,007	24,417	583,424	-
Due to other governments	14,369	-	14,369	-
Noncurrent liabilities:				
Due within one year	7,030,598	349,000	7,379,598	-
Due in more than one year	47,426,727	1,894,956	49,321,683	-
Total liabilities	58,547,946	2,940,243	61,488,189	6,183
DEFERRED INFLOWS OF RESOURCES				
Subsequent year tax levy	24,526,061	-	24,526,061	-
Deferred amounts related to pension	2,480,794	227,691	2,708,485	-
Total deferred inflows of resources	27,006,855	227,691	27,234,546	-
NET POSITION				
Net investment in capital assets	44,205,346	47,875,591	92,080,937	2,103,675
Restricted	16,207,298	60,820	16,268,118	-
Unrestricted	9,130,412	3,084,004	12,214,416	807,109
TOTAL NET POSITION	\$ 69,543,056	\$ 51,020,415	\$ 120,563,471	\$ 2,910,784

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF ACTIVITIES
December 31, 2016

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business Type Activities		
Primary Government								
Governmental activities:								
General government	\$ 3,373,515	\$ 262,789	\$ 290,675	\$ -	\$ (2,820,051)	\$ -	\$ (2,820,051)	
Public safety	9,708,266	2,474,315	190,317	-	(7,043,634)	-	(7,043,634)	
Public works	5,661,834	232,199	344,367	317,940	(4,767,328)	-	(4,767,328)	
Health and human services	523,561	32,442	50,977	-	(440,142)	-	(440,142)	
Leisure activities	4,279,623	409,688	908,773	1,376,197	(1,584,965)	-	(1,584,965)	
Conservation and economic development	5,713,888	631,904	-	-	(5,081,984)	-	(5,081,984)	
Interest and fiscal charges	1,430,035	-	-	-	(1,430,035)	-	(1,430,035)	
Total governmental activities	<u>30,690,722</u>	<u>4,043,337</u>	<u>1,785,109</u>	<u>1,694,137</u>	<u>(23,168,139)</u>	<u>-</u>	<u>(23,168,139)</u>	
Business-type activities:								
Water	1,707,466	2,684,956	-	270,314	-	1,247,804	1,247,804	
Sewer	2,798,438	2,343,986	-	162,748	-	(291,704)	(291,704)	
Pleasant View Golf Course	1,845,233	2,430,426	-	-	-	585,193	585,193	
Nonmajor Enterprise Funds	404,080	415,274	-	780,765	-	791,959	791,959	
Total business-type activities	<u>6,755,217</u>	<u>7,874,642</u>	<u>-</u>	<u>1,213,827</u>	<u>-</u>	<u>2,333,252</u>	<u>2,333,252</u>	
Total primary government	<u>\$ 37,445,939</u>	<u>\$ 11,917,979</u>	<u>\$ 1,785,109</u>	<u>\$ 2,907,964</u>	<u>(23,168,139)</u>	<u>2,333,252</u>	<u>(20,834,887)</u>	
Component Unit								
Community Development Authority	\$ 188,539	\$ 21,621	\$ -	\$ -				\$ (166,918)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					16,430,234	-	16,430,234	-
Property taxes, levied for tax increment district					9,126,294	-	9,126,294	-
Other taxes					1,699,681	-	1,699,681	-
Cable television franchise fees					258,069	-	258,069	-
Intergovernmental revenues not restricted to specific programs					1,160,158	-	1,160,158	-
Investment income					170,210	11,387	181,597	646
Gain on sale of property					2,659,850	-	2,659,850	-
Miscellaneous					596,707	-	596,707	-
Total general revenues					<u>32,101,203</u>	<u>11,387</u>	<u>32,112,590</u>	<u>646</u>
Transfers					<u>(1,904,073)</u>	<u>1,904,073</u>	<u>-</u>	<u>-</u>
Change in net position					7,028,991	4,248,712	11,277,703	(166,272)
NET POSITION - BEGINNING OF YEAR					<u>62,514,065</u>	<u>46,771,703</u>	<u>109,285,768</u>	<u>3,077,056</u>
NET POSITION - END OF YEAR					<u>\$ 69,543,056</u>	<u>\$ 51,020,415</u>	<u>\$ 120,563,471</u>	<u>\$ 2,910,784</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>TIF District No. 3</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 9,969,131	\$ 27,387	\$ 4,515,839	\$ 2,867,634	\$ 7,419,236	\$ 24,799,227
Receivables (net):						
Taxes:						
Tax levy	16,592,203	-	7,076,275	857,583	-	24,526,061
Special assessments on tax roll	9,572	-	177,030	-	-	186,602
Other	41,491	-	-	-	-	41,491
Delinquent taxes	104,029	-	-	-	-	104,029
Accounts	664,715	-	100,685	50,199	350,729	1,166,328
Special assessments	14,653	-	595,935	-	-	610,588
Due from other funds	4,668	-	-	-	-	4,668
Advances to other funds	2,594,780	-	4,653,545	-	-	7,248,325
Prepaid items	159,135	-	-	-	-	159,135
TOTAL ASSETS	<u>\$ 30,154,377</u>	<u>\$ 27,387</u>	<u>\$ 17,119,309</u>	<u>\$ 3,775,416</u>	<u>\$ 7,769,965</u>	<u>\$ 58,846,454</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,374,301	\$ 3,267	\$ 126,809	\$ 576,037	\$ 573,146	\$ 2,653,560
Advances from other funds	-	-	-	2,048,999	-	2,048,999
Deposits	-	-	-	-	863,685	863,685
Due to other funds	67,389	-	-	-	4,668	72,057
Due to other governments	14,369	-	-	-	-	14,369
Total liabilities	<u>1,456,059</u>	<u>3,267</u>	<u>126,809</u>	<u>2,625,036</u>	<u>1,441,499</u>	<u>5,652,670</u>
DEFERRED INFLOWS OF RESOURCES						
Subsequent year tax levy	16,592,203	-	7,076,275	857,583	-	24,526,061
Special assessments	24,225	-	772,964	-	-	797,189
Other receivables	5,267	-	-	-	-	5,267
	<u>16,621,695</u>	<u>-</u>	<u>7,849,239</u>	<u>857,583</u>	<u>-</u>	<u>25,328,517</u>
FUND BALANCES						
Nonspendable	2,857,944	-	-	-	-	2,857,944
Restricted	-	24,120	9,143,261	292,797	6,291,073	15,751,251
Committed	-	-	-	-	45,395	45,395
Assigned	4,083,717	-	-	-	-	4,083,717
Unassigned	5,134,962	-	-	-	(8,002)	5,126,960
Total fund balances	<u>12,076,623</u>	<u>24,120</u>	<u>9,143,261</u>	<u>292,797</u>	<u>6,328,466</u>	<u>27,865,267</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 30,154,377</u>	<u>\$ 27,387</u>	<u>\$ 17,119,309</u>	<u>\$ 3,775,416</u>	<u>\$ 7,769,965</u>	<u>\$ 58,846,454</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MIDDLETON, WISCONSIN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2016**

Fund balances - total governmental funds	\$ 27,865,267
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.</p>	91,664,881
<p>Some receivables that are not currently available are reported as deferred inflows of resources in the fund financial statements, but are recognized as revenue when earned in the government-wide statements.</p>	
Special assessments	797,189
Other receivables	5,267
<p>Long-term assets and deferred outflows are not related to the current period and, therefore, are not reported in the funds.</p>	
Deferred outflows of resources related to pension	6,432,142
Deferred outflows of resources related to loss on refunding	275,436
Deferred inflows of resources related to pension	(2,480,794)
<p>Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.</p>	
Long-term debt	(47,330,000)
Landfill post-closure liability	(677,110)
Debt discount or premium	(697,768)
Net pension liability	(1,183,900)
Compensated absences	(4,435,219)
Other postemployment benefits	(133,328)
Accrued interest payable	<u>(559,007)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 69,543,056</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
December 31, 2016

	General	Debt Service	TIF District No. 3	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 17,027,636	\$ -	\$ 9,126,294	\$ 472,884	\$ 1,369,480	\$ 27,996,294
Intergovernmental	2,318,777	-	344,948	71,217	851,885	3,586,827
Licenses and permits	1,153,102	-	-	-	899,202	2,052,304
Fines, forfeitures, and penalties	262,164	-	-	-	-	262,164
Public charges for services	1,364,157	-	-	-	1,481,227	2,845,384
Intergovernmental charges for services	1,946,971	-	-	-	-	1,946,971
Special assessments	212,815	-	254,823	-	-	467,638
Contributions	-	-	-	-	92,877	92,877
Investment and interest income	160,442	-	63,161	44	17,869	241,516
Miscellaneous	107,179	-	90,026	63,237	2,357	262,799
Total revenues	<u>24,553,243</u>	<u>-</u>	<u>9,879,252</u>	<u>607,382</u>	<u>4,714,897</u>	<u>39,754,774</u>
EXPENDITURES						
Current:						
General government	2,773,516	-	1,972,967	150	145,181	4,891,814
Public safety	8,462,228	-	-	-	-	8,462,228
Public works	3,614,347	-	-	150	-	3,614,497
Health and human services	473,469	-	-	-	30,108	503,577
Leisure activities	1,471,862	-	-	-	2,141,921	3,613,783
Conservation and economic development	758,985	-	1,166,961	2,127,387	1,087,673	5,141,006
Debt service:						
Principal	-	5,680,000	-	-	-	5,680,000
Interest and fiscal charges	-	1,375,169	-	3,500	-	1,378,669
Capital outlay	-	-	859,490	4,449,162	510,570	5,819,222
Total expenditures	<u>17,554,407</u>	<u>7,055,169</u>	<u>3,999,418</u>	<u>6,580,349</u>	<u>3,915,453</u>	<u>39,104,796</u>
Excess of revenues over (under) expenditures	6,998,836	(7,055,169)	5,879,834	(5,972,967)	799,444	649,978
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	3,900,000	-	2,100,000	-	6,000,000
Premium on debt issued	-	133,867	-	-	-	133,867
Proceeds from sale of capital assets	-	-	1,023,000	1,660,656	-	2,683,656
Refunding payment to escrow agent	-	(4,009,933)	-	-	-	(4,009,933)
Transfers in	488,046	7,027,677	-	1,909,959	1,427,997	10,853,679
Transfers out	(6,218,581)	-	(2,108,833)	(1,497,762)	(678,399)	(10,503,575)
	<u>(5,730,535)</u>	<u>7,051,611</u>	<u>(1,085,833)</u>	<u>4,172,853</u>	<u>749,598</u>	<u>5,157,694</u>
Net change in fund balances	1,268,301	(3,558)	4,794,001	(1,800,114)	1,549,042	5,807,672
FUND BALANCES - BEGINNING OF YEAR	<u>10,808,322</u>	<u>27,678</u>	<u>4,349,260</u>	<u>2,092,911</u>	<u>4,779,424</u>	<u>22,057,595</u>
FUND BALANCES - END OF YEAR	<u>\$ 12,076,623</u>	<u>\$ 24,120</u>	<u>\$ 9,143,261</u>	<u>\$ 292,797</u>	<u>\$ 6,328,466</u>	<u>\$ 27,865,267</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MIDDLETON, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
December 31, 2016**

Net change in fund balances - total governmental funds \$ 5,807,672

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

Governmental funds report capital outlays as expenditures.

However in the statement of activities, the cost of these assets is allocated over their estimated useful lives with depreciation expense reported in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.	4,842,002
Capital assets transferred to the airport	(2,254,177)
Depreciation is reported in the government-wide statements	(2,496,852)

Receivables not currently available are reported as deferred inflows in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(1,214,308)
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Proceeds from the sale of capital assets are recorded as revenues in the governmental funds but are removed from revenues in the statement of activities (2,683,656). The gain on the sale disposal of capital assets is recognized in the statement of activities \$(2,659,850).	(23,806)
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Debt and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(6,000,000)
Premium on debt issued	(133,867)
Loss on refunding	289,933
Debt retired	9,400,000
Landfill post-closure liability	(64,526)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(320,594)
Other postemployment benefits	(60,916)
Pension activity	(690,204)
Amortization of debt premium and discount and loss on refunding	92,489
Accrued interest on debt	(143,855)

Change in net position of governmental activities \$ 7,028,991

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF NET POSITION
December 31, 2016

	Business-type Activities Enterprise Funds				Totals
	Water	Sewer	Pleasant View Golf Course	Nonmajor Enterprise Funds	
ASSETS					
Current Assets:					
Cash and investments	\$ 3,342,795	\$ 1,604,366	\$ -	\$ 564,974	\$ 5,512,135
Accounts receivable	530,311	620,112	-	88,467	1,238,890
Accrued interest	-	7,879	-	-	7,879
Due from other funds	50,508	13,540	-	3,341	67,389
Total current assets	<u>3,923,614</u>	<u>2,245,897</u>	<u>-</u>	<u>656,782</u>	<u>6,826,293</u>
Noncurrent Assets:					
Restricted cash and investments	-	60,820	-	-	60,820
Special assessments receivable	-	2,009,059	-	-	2,009,059
Property held for future use	301,087	-	-	-	301,087
Capital assets:					
Property and equipment	30,782,572	17,089,126	11,841,037	6,231,126	65,943,861
Less: Accumulated depreciation	<u>(9,596,971)</u>	<u>(5,278,122)</u>	<u>(1,301,395)</u>	<u>(191,782)</u>	<u>(16,368,270)</u>
Total capital assets, net	<u>21,185,601</u>	<u>11,811,004</u>	<u>10,539,642</u>	<u>6,039,344</u>	<u>49,575,591</u>
Total noncurrent assets	<u>21,486,688</u>	<u>13,880,883</u>	<u>10,539,642</u>	<u>6,039,344</u>	<u>51,946,557</u>
Total assets	<u>25,410,302</u>	<u>16,126,780</u>	<u>10,539,642</u>	<u>6,696,126</u>	<u>58,772,850</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to pension	<u>243,853</u>	<u>110,740</u>	<u>260,232</u>	<u>-</u>	<u>614,825</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	122,307	465,487	33,423	50,653	671,870
Accrued interest	-	-	24,417	-	24,417
Accrued compensated absences	21,738	12,893	14,369	-	49,000
Current portion of long-term debt	-	-	300,000	-	300,000
Total current liabilities	<u>144,045</u>	<u>478,380</u>	<u>372,209</u>	<u>50,653</u>	<u>1,045,287</u>
Noncurrent Liabilities:					
Accrued compensated absences	182,544	108,271	120,670	-	411,485
Net pension liability	33,689	14,318	35,464	-	83,471
Advances from other funds	-	-	4,739,070	460,256	5,199,326
General obligation debt	-	-	1,400,000	-	1,400,000
Total noncurrent liabilities	<u>216,233</u>	<u>122,589</u>	<u>6,295,204</u>	<u>460,256</u>	<u>7,094,282</u>
Total liabilities	<u>360,278</u>	<u>600,969</u>	<u>6,667,413</u>	<u>510,909</u>	<u>8,139,569</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to pension	<u>90,492</u>	<u>40,783</u>	<u>96,416</u>	<u>-</u>	<u>227,691</u>
NET POSITION					
Net investment in capital assets	21,185,601	11,811,004	8,839,642	6,039,344	47,875,591
Restricted for equipment replacement	-	60,820	-	-	60,820
Unrestricted	<u>4,017,784</u>	<u>3,723,944</u>	<u>(4,803,597)</u>	<u>145,873</u>	<u>3,084,004</u>
Total net position	<u>\$ 25,203,385</u>	<u>\$ 15,595,768</u>	<u>\$ 4,036,045</u>	<u>\$ 6,185,217</u>	<u>\$ 51,020,415</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS
December 31, 2016

	Business-type Activities Enterprise Funds				Total
	Water	Sewer	Pleasant View Golf Course	Nonmajor Enterprise Funds	
OPERATING REVENUES					
Charges for services and sales	\$ 2,684,956	\$ 2,343,986	\$ 2,430,426	\$ 390,632	\$ 7,850,000
Miscellaneous	-	-	-	24,642	24,642
Total operating revenue	<u>2,684,956</u>	<u>2,343,986</u>	<u>2,430,426</u>	<u>415,274</u>	<u>7,874,642</u>
OPERATING EXPENSES					
Operation and maintenance	1,147,286	2,470,176	1,657,717	308,935	5,584,114
Depreciation	560,180	328,262	115,729	95,145	1,099,316
Total operating expenses	<u>1,707,466</u>	<u>2,798,438</u>	<u>1,773,446</u>	<u>404,080</u>	<u>6,683,430</u>
Operating income (loss)	<u>977,490</u>	<u>(454,452)</u>	<u>656,980</u>	<u>11,194</u>	<u>1,191,212</u>
NONOPERATING REVENUES (EXPENSES)					
Loss on disposal of capital assets	-	-	-	-	-
Investment income	3,508	7,879	-	-	11,387
Interest expense	-	-	(71,787)	-	(71,787)
Total nonoperating revenues (expenses)	<u>3,508</u>	<u>7,879</u>	<u>(71,787)</u>	<u>-</u>	<u>(60,400)</u>
Income (loss) before capital contributions and transfers	980,998	(446,573)	585,193	11,194	1,130,812
CAPITAL CONTRIBUTIONS	270,314	162,748	-	3,034,942	3,468,004
TRANSFERS IN	17,027	-	-	142,496	159,523
TRANSFERS OUT	<u>(488,046)</u>	<u>(21,581)</u>	<u>-</u>	<u>-</u>	<u>(509,627)</u>
Change in net position	780,293	(305,406)	585,193	3,188,632	4,248,712
NET POSITION - BEGINNING OF YEAR	<u>24,423,092</u>	<u>15,901,174</u>	<u>3,450,852</u>	<u>2,996,585</u>	<u>46,771,703</u>
NET POSITION - END OF YEAR	<u>\$ 25,203,385</u>	<u>\$ 15,595,768</u>	<u>\$ 4,036,045</u>	<u>\$ 6,185,217</u>	<u>\$ 51,020,415</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
December 31, 2016

	Business-type Activities				Totals
	Enterprise Funds				
	Water	Sewer	Pleasant View Golf Course	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 2,607,163	\$ 2,307,584	\$ 2,430,426	\$ 379,688	\$ 7,724,861
Operating transfers from other funds	-	-	-	-	-
Payments to suppliers for goods and services	(647,980)	(2,239,344)	(978,522)	(382,276)	(4,248,122)
Payments to employees for services	(472,937)	(216,406)	(648,221)	-	(1,337,564)
Operating transfers to other funds	-	(21,581)	-	-	(21,581)
Net cash provided (used) by operating activities	<u>1,486,246</u>	<u>(169,747)</u>	<u>803,683</u>	<u>(2,588)</u>	<u>2,117,594</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(471,019)	-	-	142,496	(328,523)
Due from other funds	-	(82,910)	-	-	(82,910)
Advance from TIF No. 3	-	-	545,877	60,256	606,133
Net cash provided (used) by noncapital financing activities	<u>(471,019)</u>	<u>(82,910)</u>	<u>545,877</u>	<u>202,752</u>	<u>194,700</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(2,776,192)	(603,646)	(336,096)	(16,570)	(3,732,504)
Proceeds from sale of capital assets	-	-	14,236	-	14,236
Principal paid on capital debt	-	-	(945,000)	-	(945,000)
Interest paid on capital debt	-	-	(82,700)	-	(82,700)
Net cash used by capital and related financing activities	<u>(2,776,192)</u>	<u>(603,646)</u>	<u>(1,349,560)</u>	<u>(16,570)</u>	<u>(4,745,968)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income received	3,508	10,576	-	-	14,084
Net increase (decrease) in cash and cash equivalents	(1,757,457)	(845,727)	-	183,594	(2,419,590)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,100,252</u>	<u>2,510,913</u>	<u>-</u>	<u>381,380</u>	<u>7,992,545</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,342,795</u>	<u>\$ 1,665,186</u>	<u>\$ -</u>	<u>\$ 564,974</u>	<u>\$ 5,572,955</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
(CONTINUED)
December 31, 2016

	Business-type Activities				
	Enterprise Funds				
	Water	Sewer	Pleasant View Golf Course	Nonmajor Enterprise Funds	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 977,490	\$ (454,452)	\$ 656,980	\$ 11,194	\$ 1,191,212
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	560,180	328,262	115,729	95,145	1,099,316
Depreciation charged to sewer utility	12,977	(12,977)	-	-	-
Operating transfers from (to)	-	(21,581)	-	-	(21,581)
Changes in noncash components of working capital:					
Accounts receivable	(77,793)	(69,338)	-	(17,369)	(164,500)
Special assessments receivable	-	32,936	-	-	32,936
Due from other funds	(7,399)	(1,511)	-	(3,341)	(12,251)
Accounts payable	11,398	(11,315)	(30,321)	(88,217)	(118,455)
Pension activity	25,124	11,319	26,768	-	63,211
Accrued compensated absences	(15,731)	28,910	34,527	-	47,706
Net cash provided (used) by operating activities	<u>\$ 1,486,246</u>	<u>\$ (169,747)</u>	<u>\$ 803,683</u>	<u>\$ (2,588)</u>	<u>\$ 2,117,594</u>
Reconciliation of cash and cash equivalents to the statement of net position - proprietary funds					
Cash and investments	\$ 3,342,795	\$ 1,604,366	\$ -	\$ 564,974	\$ 5,512,135
Restricted cash and investments	-	60,820	-	-	60,820
Cash and cash equivalents, end of year	<u>\$ 3,342,795</u>	<u>\$ 1,665,186</u>	<u>\$ -</u>	<u>\$ 564,974</u>	<u>\$ 5,572,955</u>
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES					
Developer financed additions to Utility capital assets	\$ 270,314	\$ 162,748	\$ -	\$ 709,062	\$ 1,142,124
City financed additions to Utility capital assets	-	-	-	-	-

The accompanying notes are an integral part of the financial statements.

CITY OF MIDDLETON, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
December 31, 2016

	Tax Roll	Fire District	Total Agency Funds
ASSETS			
Cash and investments	\$ 18,954,992	\$ (237,327)	\$ 18,717,665
Taxes receivable	22,251,289	461,657	22,712,946
 Total assets	 \$ 41,206,281	 \$ 224,330	 \$ 41,430,611
LIABILITIES			
Accounts payable	\$ -	\$ 94,669	\$ 94,669
Due to other governmental units	41,206,281	129,661	41,335,942
 Total liabilities	 \$ 41,206,281	 \$ 224,330	 \$ 41,430,611

The accompanying notes are an integral part of the financial statements.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Middleton, Wisconsin (the City) conform to generally accepted accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

This report includes all of the funds of the City of Middleton, Wisconsin. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate tax exempt organization should be reported as a component unit of the reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; and (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

Discretely Presented Component Unit - Community Development Authority of the City of Middleton, Wisconsin

The government-wide financial statements include the Community Development Authority of the City of Middleton, Wisconsin (CDA) as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the CDA and also create a potential financial benefit to or burden on the City. As a component unit, the CDA's financial statements have been presented as a discrete column in the basic financial statements. Separately issued financial statements of the CDA are not prepared.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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 City 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 as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Each fund is considered to be a separate accounting entity and is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditure/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

Funds are organized as major funds or nonmajor funds within the governmental and enterprise fund financial statements. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The City reports the following major governmental funds:

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

Debt Service Fund - accounts resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.

Tax Incremental Financing District (TIF) No. 3 Capital Projects Funds - accounts for expenditures outlined in the TIF project plan and related revenues and proceeds from long-term borrowing.

Capital Projects Fund - accounts for proceeds from long-term borrowing and other resources to be used for improvement projects originally initiated.

The City reports the following major enterprise funds:

Water Utility - accounts for operations of the water system.

Sanitary Sewer - accounts for operations of the sewer system.

Pleasant View Golf Course - accounts for operations of the Pleasant View Golf Course.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

The City reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes.

Subdividers' Deposits	Economic Development Grant
Lost and Damaged Books	Tourism Commission
Library Gift	Police Activities
Library Endowment	EMS Activities
Library Fund	Public Land Activities
Airport	Senior Center Activities
Safety Impact Fee and Other	Youth Center

The City reports the following nonmajor enterprise funds:

Stormwater Utility – used to account for the operations of stormwater system.

Middleton Utility District – used to account for the operations of the utility district.

Airport Utility – Beginning in 2016, used to account for the operations of the municipal airport.

In addition, the City reports the following fund types:

Agency funds - used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Roll
Fire District

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Government-Wide Financial Statements (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's Water and Sewer utility and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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. 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 City considers revenues to be available if they are collected within 60 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 of resources. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City, which are not available, are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are recorded as unearned revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Amounts due in future years are reflected as receivables and deferred inflows of resources. Delinquent special assessments being held for collection by the county are reported as receivables and deferred inflows of resources 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.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Fund Financial Statements (Continued)

The City reports unearned revenues and deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year which are for the subsequent year's operations, special assessments to be collected in future years and loans receivable to be collected in future years. For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the City 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 City has a legal claim to the resources, the liability for unearned revenue or deferred inflow of resources 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 the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement basis.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Sewer Utility, Stormwater Utility, the Middleton Utility District, Pleasant View Golf Course, and the Airport Utility are charges to customers for sales and services. Special assessments are recorded as receivables and contributions when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources 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.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by state statutes. Available investments are limited to:

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

The City has adopted an investment policy that follows the state statute for allowable investments. The City is exposed to custodial credit risk and credit risk for deposits and investments, as well as interest rate risk for investments. The City's policies with respect to these risks are as follows:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the City. To minimize credit risk, investments are limited to government agencies, the highest rated commercial paper, AAA rated money market funds, and CD's from Wisconsin's highest rated banks.

Custodial risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits that are in possession of an outside party. Most institutions do not offer custodial/collateral services for CD's; therefore, investments should be diversified among institutions avoiding concentrations of credit. In addition, investments should be placed only with Wisconsin financial institutions with current credit information kept on file for each institution.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

1. Cash and Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment resulting in losses if the investment was liquidated prior to maturity. The investment portfolio should be laddered over a three-year maturity schedule. Staggered investment maturities maximize liquidity to meet ongoing operations, and also allow the opportunity for reinvestment. Continual reinvestment allows City funds to ride the yield curve, minimizing interest rate risk for any given period. Investments should be held to maturity eliminating losses and risk from early liquidations.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. The City has investments in the Local Government Investment Pool (LGIP) and certificates of deposits (CDs) which are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average fund balance. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units in the accompanying agency fund statement of fiduciary net position.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Receivables (Continued)

Property tax calendar - 2016 tax roll:

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

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the Water and Sewer Utilities because they have the right by law to place delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

In the General Fund financial statements, advances to other funds are offset equally by a fund balance nonspendable account which indicates that they do not constitute expendable available resources and, therefore, are not available for appropriation.

The City has received federal grant funds for economic development loan programs to various businesses. It is the City’s policy to record revenue and expenditure when the initial loan is made from the federal grant funds. The City records a loan receivable and deferred inflows of resources when the loan has been made and funds have been disbursed. As loans are repaid, the receivable is reduced and revenue is recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the governmental fund balance sheet.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The remainder, if generated from earnings, is shown as restricted net position.

5. Pensions

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

6. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of one year. Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

6. Capital Assets (Continued)

Government-Wide Statements (Continued)

Additions to and replacements of capital assets of business-type activities are recorded at original cost or the fair value at the time of construction, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed funds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired, or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	40 Years
Land improvements	30 Years
Machinery and equipment	3-15 Years
Infrastructure	20-50 Years
Water Plant	
Source of supply	34 Years
Pumping	22-31 Years
Water treatment	22-30 Years
Transmission and distribution	18-77 Years
General	4-17 Years
Sewer Plant	
Collecting system	30-77 Years
Collecting system pumping	20-40 Years
General	7-40 Years

Fund Financial Statements

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

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2015 are determined on the basis of current salary rates and include salary-related payments.

The City provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retiring from the City or becoming disabled and being eligible to receive social security benefits or Wisconsin Retirement benefits. The benefits are based on contractual agreements with employee groups, local ordinances, and employee benefit policies.

8. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, landfill post-closure liability, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face-value of debts are reported as other financing sources, premium or discount on debt is reported as other financing sources or uses, and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue. Gains or losses on prior debt refunding are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year-end for both premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

8. Long-Term Obligations/Conduit Debt (Continued)

The City has approved the issuance of an industrial development revenue bond (IDRB) for the benefit of private business enterprises. IDRB's are secured mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not recorded as liabilities in the accompanying financial statements. The total amount of IRDB's outstanding at the end of the year is \$4.972 million, made up of one issue.

9. Claims and Judgments

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

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 (excluding unspent debt proceeds) 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 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 do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

10. Equity Classifications (Continued)

Fund Statements

In the governmental fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either:

Not in spendable form; or
Legally or contractually required to be maintained intact.

Restricted fund balance is reported when constraints placed on the use of resources are either:

Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
Imposed by law through constitutional provisions or enabling legislation

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Common Council.

Assigned fund balance is reported for amounts that are constrained by the City management's intent to be used for specific purposes, but is neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund or deficit balances in other funds.

When restricted, committed, assigned, and unassigned amounts are available for use, it is the City's policy to use restricted resources first, then committed resources, then assigned resources, then unassigned resources as they are needed.

11. Basis for Existing Rates - Proprietary Funds

Billings are rendered and recorded quarterly based on metered usage. The utilities do not accrue revenues beyond billing dates. Water rates were approved by the Public Service Commission of Wisconsin and became effective July 1, 2015. Sewer rates were approved by the Common Council effective December 15, 2015. Stormwater Utility rates were approved by the Common Council effective July 1, 2015.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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 1. A budget has been adopted for the General Fund, Debt Service Fund, certain special revenue funds, and capital project funds. Wisconsin Statute Section 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts between departments up to \$1,000. Transfers exceeding \$1,000 between departments and changes in the overall budget must be approved by a two-thirds vote of the City Council. Appropriations lapse at year-end unless specifically carried over.

Excess Expenditures over Appropriations

The following individual funds experienced excess expenditures over appropriations:

	<u>Budgeted</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	<u>Excess</u> <u>Expenditures</u> <u>Over Budget</u>
General Fund:			
Health and Human Services	\$ 452,723	\$ 473,469	\$ 20,746
Police Activities	5,000	8,000	3,000
Public Land Activities	100,000	417,778	317,778
Senior Center Activities	20,000	25,924	5,924
Library Fund	1,938,421	1,985,774	47,353
Public Works Capital Construction	3,656,225	3,669,000	12,775
TIF 5 Fund	723,015	1,431,998	708,983

The legal level of budget control is the function level in the General Fund and total expenditures in all other funds. The City controls expenditures at the departmental level for management purposes. TIF District No. 3 debt service was included in the Debt Service Fund, rather than TIF District No. 3. TIF District No. 3 debt service was funded by TIF. The detail of those items can be found in the City's year-end budget to actual report.

Limitations on the City's Tax Levy

As part of Wisconsin's Act 32 (2011), legislation was passed that limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent for the 2012 levy collected in 2013 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit, with certain exceptions.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City's cash and investments at year-end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Petty cash	\$ 1,100	\$ -	
Demand deposits:			
Noninterest bearing	1,165,486	1,166,054	Custodial credit
Interest bearing	32,554,975	32,791,754	Custodial credit
Certificates of deposit	5,547,951	5,547,951	Custodial credit
Total deposits	39,268,412	39,505,759	
Investments:			
Madison Community Foundation	219,765	219,765	Custodial credit
Local Government Investment Pool (LGIP)	10,292,470	10,292,470	Credit, interest rate
Total investments	10,512,235	10,512,235	
 Total cash and investments	 \$ 49,781,747	 \$ 50,017,994	
 Reconciliation to the statement of net position:			
Unrestricted cash and investments	\$ 30,311,362		
Restricted cash and investments	60,820		
Fiduciary funds - Agency Fund	18,717,665		
	49,089,847		
 Cash and investments held for component unit:			
Unrestricted	691,900		
 Total cash and investments	 \$ 49,781,747		

The City's library had \$219,765 in an endowment fund at the Madison Community Foundation, which is pooled with all other investments of the Foundation. The Foundation has variance power over the funds in the endowment.

Deposits in each local bank are insured by the FDIC in the amount of \$250,000 for demand deposits and \$250,000 for time and savings deposits. Bank accounts 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 not be significant to individual municipalities. This coverage has not been considered in computing the custodial credit risk.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Custodial Credit Risk

Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. As of December 31, 2016, \$2,868,684 of the City's total bank balances of \$39,505,759 was exposed to custodial credit risk as uninsured and uncollateralized.

Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City had no investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City had investments in the following external pools which are not rated:

Local Government Investment Pool

Interest Rate Risk

The City had \$10,292,470 invested in the local government investment pool, which had a weighted average maturity of 61 days. The City had \$5,547,951 invested in certificate of deposits with a weighted average maturity of 348 days.

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Fair Value Measurements (Continued)

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The City has the following recurring fair value measurements as of December 31, 2016:

1. The City has only one asset that is subject to fair value measurement. The City has used the fair value of its pro-rata share of the investment pool held by the Foundation to determine the fair value of the beneficial interest.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

B. Deferred Inflows of Resources and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds report deferred inflows of resources for the subsequent year's tax levy. Governmental funds report a liability in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Tax Levy</u>	<u>Total</u>
Property taxes	\$ -	\$ 24,526,061	\$ 24,526,061
Special assessments	797,189	-	797,189
Other receivables	5,267	-	5,267
	<u>\$ 802,456</u>	<u>\$ 24,526,061</u>	<u>\$ 25,328,517</u>

For economic development loans, the City is limited by the Wisconsin Economic Development Corporation to the amount of program income from economic development loans that it may retain and loan to other businesses. Program income includes the principal and interest received from economic development loans repayments. Based upon its current population, the City may retain \$750,000. At December 31, 2016, the City has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

C. Restricted Assets

Replacement Account

The sewer utility establishes an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. The balance in the equipment replacement fund at December 31, 2016 was \$60,820.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 7,448,053	\$ -	\$ 1,546,149	\$ 5,901,904
Right of way	18,751,280	104,637	-	18,855,917
Construction in progress	57,265	258,967	57,265	258,967
Total capital assets not being depreciated	<u>26,256,598</u>	<u>363,604</u>	<u>1,603,414</u>	<u>25,016,788</u>
Capital assets being depreciated:				
Land improvements	7,516,039	598,738	-	8,114,777
Buildings	28,615,012	199,958	745,292	28,069,678
Machinery and equipment	5,557,410	1,158,360	358,171	6,357,599
Streets-infrastructure	27,525,683	1,702,683	-	29,228,366
Storm sewers-infrastructure	9,294,846	328,264	-	9,623,110
Traffic signals-infrastructure	1,654,059	11,727	-	1,665,786
Sidewalks-infrastructure	4,154,083	426,797	-	4,580,880
Bridges-infrastructure	3,278,231	77,511	-	3,355,742
Fiber Optic-infrastructure	-	31,625	-	31,625
Rail spur-infrastructure	482,163	-	-	482,163
Total capital assets being depreciated	<u>88,077,526</u>	<u>4,535,663</u>	<u>1,103,463</u>	<u>91,509,726</u>
Less: accumulated depreciation for:				
Land improvements	3,458,124	405,484	-	3,863,608
Buildings	4,965,642	696,300	37,264	5,624,678
Machinery and equipment	3,922,615	546,665	334,365	4,134,915
Streets-infrastructure	4,597,347	436,244	-	5,033,591
Storm sewers-infrastructure	2,762,170	192,462	-	2,954,632
Traffic signals-infrastructure	783,974	66,631	-	850,605
Sidewalks-infrastructure	1,549,316	91,618	-	1,640,934
Bridges-infrastructure	529,975	44,743	-	574,718
Fiber Optic-infrastructure	-	633	-	633
Rail spur-infrastructure	167,247	16,072	-	183,319
Total accumulated depreciation	<u>22,736,410</u>	<u>2,496,852</u>	<u>371,629</u>	<u>24,861,633</u>
Capital assets being depreciated, net of depreciation	<u>65,341,116</u>	<u>2,038,811</u>	<u>731,834</u>	<u>66,648,093</u>
Total capital assets, net of depreciation	<u>\$ 91,597,714</u>	<u>\$ 2,402,415</u>	<u>\$ 2,335,248</u>	<u>\$ 91,664,881</u>

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Water Utility				
Capital assets not being depreciated:				
Land and land rights	\$ 222,277	\$ -	\$ -	\$ 222,277
Total capital assets not being depreciated	<u>222,277</u>	<u>-</u>	<u>-</u>	<u>222,277</u>
Capital assets being depreciated:				
Source of supply	781,509	168,214	-	949,723
Pumping	2,800,898	-	-	2,800,898
Treatment	458,602	6,818	-	465,420
Transmission and distribution	23,164,322	1,089,432	144,634	24,109,120
Administrative and general assets	910,153	1,324,981	-	2,235,134
Total capital assets being depreciated	<u>28,115,484</u>	<u>2,589,445</u>	<u>144,634</u>	<u>30,560,295</u>
Less: accumulated depreciation for:				
Source of supply	418,421	28,565	-	446,986
Pumping	1,586,357	98,984	-	1,685,341
Treatment	349,604	8,396	-	358,000
Transmission and distribution	6,136,584	356,128	144,634	6,348,078
Administrative and general assets	677,482	81,084	-	758,566
Total accumulated depreciation	<u>9,168,448</u>	<u>573,157</u>	<u>144,634</u>	<u>9,596,971</u>
Capital assets being depreciated, net of depreciation	<u>18,947,036</u>	<u>2,016,288</u>	<u>-</u>	<u>20,963,324</u>
Total capital assets, net of depreciation	<u>\$ 19,169,313</u>	<u>\$ 2,016,288</u>	<u>\$ -</u>	<u>\$ 21,185,601</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Sewer Utility				
Capital assets not being depreciated:				
Land and land rights	\$ 66,830	\$ -	\$ -	\$ 66,830
Construction in progress	305,353	-	305,353	-
Total capital assets not being depreciated	<u>372,183</u>	<u>-</u>	<u>305,353</u>	<u>66,830</u>
Capital assets being depreciated:				
Collection system	14,076,258	279,014	7,059	14,348,213
Collection system pumping	1,348,798	377,569	-	1,726,367
Administrative and general assets	532,552	415,164	-	947,716
Total capital assets being depreciated	<u>15,957,608</u>	<u>1,071,747</u>	<u>7,059</u>	<u>17,022,296</u>
Less: accumulated depreciation	<u>4,969,896</u>	<u>315,285</u>	<u>7,059</u>	<u>5,278,122</u>
Capital assets being depreciated, net of depreciation	<u>10,987,712</u>	<u>756,462</u>	<u>-</u>	<u>11,744,174</u>
Total capital assets, net of depreciation	<u>\$ 11,054,542</u>	<u>\$ 756,462</u>	<u>\$ -</u>	<u>\$ 11,811,004</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Pleasant View Golf Course				
Capital assets not being depreciated:				
Land and land rights	\$ 2,216,000	\$ -	\$ -	\$ 2,216,000
Capital assets being depreciated:				
Land improvements	7,315,236	168,053	-	7,483,289
Buildings	1,325,553	-	-	1,325,553
Equipment	711,549	168,043	63,397	816,195
Total capital assets being depreciated	<u>9,352,338</u>	<u>336,096</u>	<u>63,397</u>	<u>9,625,037</u>
Less: accumulated depreciation for:				
Land improvements	269,297	19,900	-	289,197
Buildings	441,041	42,445	-	483,486
Equipment	524,488	53,384	49,160	528,712
Total accumulated depreciation	<u>1,234,826</u>	<u>115,729</u>	<u>49,160</u>	<u>1,301,395</u>
Capital assets being depreciated, net of depreciation	<u>8,117,512</u>	<u>220,367</u>	<u>14,237</u>	<u>8,323,642</u>
Total capital assets, net of depreciation	<u>\$ 10,333,512</u>	<u>\$ 220,367</u>	<u>\$ 14,237</u>	<u>\$ 10,539,642</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Nonmajor Enterprise Funds				
Capital assets not being depreciated:				
Land and land rights	\$ 1,935,149	\$ 1,546,149	\$ -	\$ 3,481,298
Construction in progress	504,807	578,977	469,284	614,500
Total capital assets not being depreciated	2,439,956	2,125,126	469,284	4,095,798
Capital assets being depreciated:				
Land improvements	739,658	605,019	-	1,344,677
Buildings	-	708,028	-	708,028
Vehicles and equipment	-	82,623	-	82,623
Total capital assets being depreciated	739,658	1,395,670	-	2,135,328
Less: accumulated depreciation for:				
Land improvements	96,637	67,517	-	164,154
Buildings	-	18,632	-	18,632
Vehicles and equipment	-	8,996	-	8,996
Total accumulated depreciation	96,637	95,145	-	191,782
Capital assets being depreciated, net of depreciation	643,021	1,300,525	-	1,943,546
Total capital assets, net of depreciation	\$ 3,082,977	\$ 3,425,651	\$ 469,284	\$ 6,039,344
Total business-type activities				
capital assets, net of depreciation	\$ 43,640,344	\$ 6,418,768	\$ 483,521	\$ 49,575,591

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities

General government	\$ 46,080
Public safety	503,399
Public works, which includes the depreciation of streets, storm sewers, traffic signals, sidewalks, bridges, and rail spur	1,278,298
Conservation and development	136,639
Leisure activities	<u>532,436</u>
Total governmental activities depreciation expense	<u><u>\$ 2,496,852</u></u>

Business-type activities

Water Utility:	
Depreciation	\$ 573,157
Depreciation charged to Sewer Utility operation and maintenance expenses	<u>(12,977)</u>
	<u>560,180</u>
Sewer Utility:	
Depreciation	315,285
Depreciation charged to Sewer Utility operation and maintenance expenses	<u>12,977</u>
	<u>328,262</u>
Pleasant View Golf Course	<u>115,729</u>
Nonmajor Enterprise Funds	<u>95,145</u>
Total business-type activities depreciation expense	<u><u>\$ 1,099,316</u></u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables/Payables and Transfers

The following is a schedule of interfund receivables and payables reported in due to and due from other funds in the financial statements, including any overdrafts on pooled cash and investment accounts.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 4,668
Water Utility	General Fund	50,508
Sewer Utility	General Fund	13,540
Stomwater Utility	General Fund	3,341
Total fund financial statements		<u>\$ 72,057</u>

For the statement of net position, interfund balances, which are owed within the governmental activities or business-type activities, are netted and eliminated. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are due within one year.

The City of Middleton, Wisconsin General Fund and TIF District No. 3 have provided internal financing to the Pleasant View Golf Course, TIF District No. 5, and the Middleton Utility District. No repayment schedules have been established on the advances to the Pleasant View Golf Course and these amounts are not expected to be paid within one year. The principal purpose of these advances is to finance costs internally rather than borrowing externally. For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund advances.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Pleasant View Golf Course	\$ 2,594,780
TIF District No. 3	TIF District No. 5	2,048,999
TIF District No. 3	Pleasant View Golf Course	2,144,290
TIF District No. 3	Middleton Utility District - Nonmajor Enterprise Fund	460,256
Total fund financial statements		<u>\$ 7,248,325</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables/Payables and Transfers (Continued)

The following is a schedule of interfund transfers:

Transfer Out Fund	Transfer In Fund						Total
	General	Debt Service	Capital Projects	Water Utility	Nonmajor Enterprise Funds	Nonmajor Governmental Funds	
General	\$ -	\$ 3,566,319	\$ 1,323,655	\$ -	\$ -	\$ 1,328,607	\$ 6,218,581
TDF District No. 3	-	2,108,833	-	-	-	-	2,108,833
Capital Projects Fund	-	1,095,355	402,407	-	-	-	1,497,762
Water Utility	488,046	-	-	-	-	-	488,046
Sewer Utility	-	-	4,554	17,027	-	-	21,581
Nonmajor Governmental Funds	-	257,170	179,343	-	142,496	99,390	678,399
Totals	<u>\$ 488,046</u>	<u>\$ 7,027,677</u>	<u>\$ 1,909,959</u>	<u>\$ 17,027</u>	<u>\$ 142,496</u>	<u>\$ 1,427,997</u>	<u>\$ 11,013,202</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer from the Water Utility to the General Fund is for payment in lieu of property taxes.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

The City created an Airport Utility through action of the City Council. Capital assets were contributed from the Governmental Activities to the Airport Utility. On the statement of revenues, expenses, and changes in net position for the Airport Utility the assets were recognized as capital contributions in the amount of \$2,254,177 from the City. The capital contribution from the City was eliminated of the Government-wide statement of activities as a transfer.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
Bonds and notes payable:					
General obligation debt	\$ 50,730,000	\$ 6,000,000	\$ 9,400,000	\$ 47,330,000	\$ 5,953,611
Debt premium and discount	670,887	133,867	106,986	697,768	90,987
Landfill post-closure liability	612,584	64,526	-	677,110	-
	<u>52,013,471</u>	<u>6,198,393</u>	<u>9,506,986</u>	<u>48,704,878</u>	<u>6,044,598</u>
Other liabilities:					
Net pension liability (asset)	(1,718,300)	2,902,200	-	1,183,900	-
Other postemployment benefits	72,412	117,472	56,556	133,328	57,000
Vested compensated absences	4,114,625	1,250,051	929,457	4,435,219	929,000
Total other liabilities	<u>2,468,737</u>	<u>4,269,723</u>	<u>986,013</u>	<u>5,752,447</u>	<u>986,000</u>
Total governmental activities long-term liabilities	<u>\$ 54,482,208</u>	<u>\$ 10,468,116</u>	<u>\$ 10,492,999</u>	<u>\$ 54,457,325</u>	<u>\$ 7,030,598</u>
Business-type activities					
Bonds and notes payable:					
General obligation debt	\$ 2,645,000	\$ -	\$ 945,000	\$ 1,700,000	\$ 300,000
Debt premium	4,613	-	4,613	-	-
	<u>2,649,613</u>	<u>-</u>	<u>949,613</u>	<u>1,700,000</u>	<u>300,000</u>
Other liabilities:					
Net pension liability (asset)	(182,320)	265,791	-	83,471	-
Vested compensated absences	412,779	97,106	49,400	460,485	49,000
Total other liabilities	<u>412,779</u>	<u>97,106</u>	<u>49,400</u>	<u>460,485</u>	<u>49,000</u>
Total business-type activities long-term liabilities	<u>\$ 2,880,072</u>	<u>\$ 362,897</u>	<u>\$ 999,013</u>	<u>\$ 2,243,956</u>	<u>\$ 349,000</u>

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

The following general obligation debt was issued in 2016:

\$2,100,000 State Trust Fund Loan

On March 14, 2016, the City of Middleton, Wisconsin issued \$2,100,000 in a State Trust Fund Loan. The proceeds of the loan will be used to finance expenditures of Tax Incremental District No. 5. The loan will bear interest at a stated interest rate of 3.75%, with the final principal payment due March 15, 2034.

\$3,900,000 General Obligation Refunding Bonds

On May 23, 2016, the City of Middleton, Wisconsin issued \$3,900,000 General Obligation Refunding Bonds. The proceeds of the bonds will be used for the purpose of advance refunding \$3,720,000 of the General Obligation Refunding Bonds, Series 2008A, dated June 2, 2008. The refunding bonds will bear interest at a rate of 2.00%, with the final principal payment being due February 1, 2027.

The refunding resulted in a reduction of total debt service over 12 years by \$450,467 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$300,400.

Legal Debt Margin

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2016, was \$157,188,345. Total general obligation debt outstanding at year end was \$49,030,000. The City was in compliance with the legal debt limitation as of December 31, 2016.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

Type	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/16
Governmental Activities					
General Obligation Debt					
2008 General obligation refunding bonds	06/02/08	12/01/27	3.00%-4.00%	\$ 6,530,000	\$ 840,000
2010 General obligation refunding bonds	04/15/10	09/01/29	1.45%-8.5%	10,110,000	7,850,000
2010 General obligation promissory notes	04/15/10	09/01/17	1.20%-3.80%	2,010,000	160,000
2010 Taxable general obligation refunding bonds	11/23/10	09/01/20	.85%-3.75%	6,580,000	3,255,000
2010 General obligation refunding bonds	11/23/10	09/01/20	2.00%-4.00%	4,625,000	2,395,000
2011 General obligation promissory notes	05/09/11	09/01/19	2.00%-3.00%	2,500,000	1,600,000
2012 Taxable general obligation promissory notes	05/12/12	03/01/19	.46%-1.85%	2,540,000	1,120,000
2012 General obligation promissory notes	05/12/12	09/01/20	2.00%-2.25%	2,015,000	1,045,000
2012 General obligation promissory notes	12/28/12	09/01/21	1.00%-2.00%	4,500,000	2,990,000
2012 General obligation refunding bonds	12/28/12	09/01/32	1.05%-3.80%	5,110,000	5,110,000
2013 General obligation promissory notes	12/23/13	02/01/23	2.00%-3.00%	4,000,000	3,245,000
2014 General obligation promissory notes	12/09/14	08/01/22	2.00%-3.00%	2,000,000	1,505,000
2015 General obligation promissory notes	12/08/15	09/01/30	2.00%-3.00%	6,500,000	6,500,000
2015 General obligation promissory notes	12/08/15	02/01/23	2.00%	3,000,000	2,770,000
2015 General obligation promissory notes	12/21/15	08/01/17	2.00%	1,875,000	945,000
2016 General obligation refunding bonds	05/23/16	02/01/27	2.00%	3,900,000	3,900,000
2016 State trust fund loan	03/14/16	03/15/34	3.75%	2,100,000	<u>2,100,000</u>
Total governmental activities-general obligation debt					<u>\$ 47,330,000</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

<u>Type</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/16</u>
Business-type Activities					
General Obligation Debt					
2008 General obligation					
refunding bonds	12/30/08	09/01/21	3.505%-4.45%	\$ 1,700,000	<u>\$ 1,700,000</u>
Total business-type activities - general obligation debt					<u>\$ 1,700,000</u>

Debt service requirements to maturity are as follows:

	<u>Governmental Long-Term Debt</u>		<u>Business-type Long-Term Debt</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 5,953,611	\$ 1,592,742	\$ 300,000	\$ 66,875	\$ 7,913,228
2018	5,671,963	1,445,769	300,000	54,125	7,471,857
2019	5,525,224	1,137,607	400,000	39,250	7,102,081
2020	5,008,418	982,606	400,000	22,050	6,413,074
2021	3,307,110	830,702	300,000	6,675	4,444,487
2022-2026	12,657,825	2,915,686	-	-	15,573,511
2027-2031	8,042,578	1,002,059	-	-	9,044,637
2032-2034	1,163,271	58,920	-	-	1,222,191
Totals	<u>\$ 47,330,000</u>	<u>\$ 9,966,090</u>	<u>\$1,700,000</u>	<u>\$ 188,975</u>	<u>\$59,185,065</u>

Estimated payments of accumulated employee benefits and other commitments are not included in the above schedule. The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Governmental Activities Net Position/Fund Balances

Governmental Activities

Governmental activities net position reported on the government wide statement of net position at December 31, 2016 includes the following:

Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 91,664,881
Less: related long-term debt (excluding unspent capital related debt proceeds)	<u>(47,459,535)</u>
Total invested in capital assets, net of related debt	<u>44,205,346</u>
Restricted:	
Community development	12,070,553
Library	325,334
Impact fees	1,919,883
Tourism	1,726,759
Senior center	<u>164,769</u>
	<u>16,207,298</u>
Unrestricted	<u>9,130,412</u>
Total governmental activities net position	<u>\$ 69,543,056</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Governmental Activities Net Position/Fund Balances (Continued)

Governmental Fund Balances (Continued)

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

	<u>General</u>	<u>Debt Service</u>	<u>TIF District No. 3</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Nonspendable:						
Prepaid items	\$ 159,135	\$ -	\$ -	\$ -	\$ -	\$ 159,135
Advances to other funds	2,594,780	-	-	-	-	2,594,780
Noncurrent receivables	104,029	-	-	-	-	104,029
	<u>2,857,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,857,944</u>
Restricted:						
Debt service	-	24,120	-	-	-	24,120
Community development	-	-	9,143,261	-	2,154,328	11,297,589
Library	-	-	-	-	325,334	325,334
Capital improvements	-	-	-	292,797	-	292,797
Impact fees	-	-	-	-	1,919,883	1,919,883
Tourism	-	-	-	-	1,726,759	1,726,759
Senior center	-	-	-	-	164,769	164,769
	<u>-</u>	<u>24,120</u>	<u>9,143,261</u>	<u>292,797</u>	<u>6,291,073</u>	<u>15,751,251</u>
Committed:						
Library	-	-	-	-	45,395	45,395
Assigned:						
Post employment benefits	1,560,685	-	-	-	-	1,560,685
Public safety - fire	401,413	-	-	-	-	401,413
Public safety - EMS	336,000	-	-	-	-	336,000
Other	1,785,619	-	-	-	-	1,785,619
	<u>4,083,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,083,717</u>
Unassigned	<u>5,134,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,002)</u>	<u>5,126,960</u>
Total fund balances	<u>\$ 12,076,623</u>	<u>\$ 24,120</u>	<u>\$ 9,143,261</u>	<u>\$ 292,797</u>	<u>\$ 6,328,466</u>	<u>\$ 27,865,267</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

G. Governmental Activities Net Position/Fund Balances (Continued)

Business-Type Activities

Business-type activities net position reported on the government-wide and proprietary funds statement of net position at December 31, 2016 include the following:

	<u>Water</u>	<u>Sewer</u>	<u>Pleasant View Golf Course</u>	<u>Nonmajor Proprietary Funds</u>	<u>Totals</u>
Capital assets	\$ 30,782,572	\$ 17,089,126	\$ 11,841,037	\$ 6,231,126	\$ 65,943,861
Accumulated depreciation	<u>(9,596,971)</u>	<u>(5,278,122)</u>	<u>(1,301,395)</u>	<u>(191,782)</u>	<u>(16,368,270)</u>
Subtotals	21,185,601	11,811,004	10,539,642	6,039,344	49,575,591
Less capital related long-term debt	<u>-</u>	<u>-</u>	<u>1,700,000</u>	<u>-</u>	<u>1,700,000</u>
Net investment in capital assets	21,185,601	11,811,004	8,839,642	6,039,344	47,875,591
Restricted for equipment replacement	-	60,820	-	-	60,820
Unrestricted (deficit)	<u>4,017,784</u>	<u>3,723,944</u>	<u>(4,803,597)</u>	<u>145,873</u>	<u>3,084,004</u>
 Total business-type activities net position	 <u>\$ 25,203,385</u>	 <u>\$ 15,595,768</u>	 <u>\$ 4,036,045</u>	 <u>\$ 6,185,217</u>	 <u>\$ 51,020,415</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

H. Component Unit

This report contains the Community Development Authority (CDA), which is included as a component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities. In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

Basis of Accounting/Measurement Focus

The CDA follows the full accrual basis of accounting and the flow of economic resources measurement focus.

Capital Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Useful Lives</u>
Land	\$ 154,000	\$ -	\$ -	\$ 154,000	-
Buildings	2,874,692	58,805	-	2,933,497	40 years
Less: Accumulated depreciation	<u>(918,389)</u>	<u>(65,433)</u>	<u>-</u>	<u>(983,822)</u>	-
Totals	<u>\$ 2,110,303</u>	<u>\$ (6,628)</u>	<u>\$ -</u>	<u>\$ 2,103,675</u>	

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION

A. Employees' Retirement System

General Information about the Pension Plan

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

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.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

A. Employees' Retirement System (Continued)

General Information about the Pension Plan (Continued)

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8%	3.0%
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	-2.1%	-42.0%
2010	-1.3%	-22.0%
2011	-1.2%	11.0%
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%

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

During the reporting period, the WRS recognized \$764,194 in contributions from the employer.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

A. Employees' Retirement System (Continued)

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

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.8%	6.8%
Executive & Elected officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

At December 31, 2016, the City reported a liability of \$1,267,371 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.07799302%, which was an increase of 0.00061483% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$1,516,448.

At December 31, 2016, the City 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	\$ 214,403	\$ 2,667,162
Changes in assumptions	886,708	-
Net differences between projected and actual earnings on pension plan investments	5,188,981	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	41,323
Employer contributions subsequent to the measurement date	<u>756,875</u>	<u>-</u>
Total	<u>\$ 7,046,967</u>	<u>\$ 2,708,485</u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

A. Employees' Retirement System (Continued)

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

The \$756,875 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 in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 1,633,154	\$ 657,010
2018	1,633,154	657,010
2019	1,633,154	657,010
2020	1,362,263	651,734
2021	28,367	85,721
Thereafter	-	-

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

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

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

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

A. Employees' Retirement System (Continued)

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

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

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 table on the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset</u>	<u>Destination</u>	<u>Long-Term</u>	<u>Long-Term</u>
	<u>Allocation %</u>	<u>Target Asset Allocation%</u>	<u>Expected Nominal Rate of Return %</u>	<u>Expected Real Rate of Return %</u>
U.S. Equities	27.00%	23.00%	7.60%	4.70%
International Equities	24.50%	22.00%	8.50%	5.60%
Fixed Income	27.50%	37.00%	4.40%	1.60%
Inflation Sensitive Assets	10.00%	20.00%	4.20%	1.40%
Real Estate	7.00%	7.00%	6.50%	3.60%
Private Equity/Debt	7.00%	7.00%	9.40%	6.50%
Multi-Asset	4.00%	4.00%	6.70%	3.80%
Total Core Fund	<u>107.00%</u>	<u>120.00%</u>	<u>7.40%</u>	<u>4.50%</u>
 <u>Variable Fund Asset Class</u>				
U.S. Equities	70.00%	70.00%	7.60%	4.70%
International Equities	<u>30.00%</u>	<u>30.00%</u>	<u>8.50%</u>	<u>5.60%</u>
Total Variable Fund	<u>100.00%</u>	<u>100.00%</u>	<u>7.90%</u>	<u>5.00%</u>

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single Discount Rate - A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

A. Employees' Retirement System (Continued)

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.

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

Sensitivity of the Utilities' allocation of the City's Proportionate Share of the Net Pension Liability (Asset) - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City'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%)
City's proportionate share of the net pension liability (asset)	\$ 8,889,367	\$ 1,267,371	\$ (4,685,543)

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

Payables to the Pension Plan

The City reported payables to WRS of \$232,216 for the City's share.

B. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors, and omissions; worker's 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 have been no significant reductions in insurance coverage to the prior year.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

C. Other Postemployment Benefits

The City provides a single-employer defined benefit healthcare plan. The plan allows eligible retirees to remain on the City's health care plan which covers both active and retired members. Under the current arrangement the retiree is responsible for 100 percent of the medical and dental premiums.

Benefit provisions were established through collective bargaining contracts for represented employees and by City policy for nonrepresented employees. To be eligible for these benefits the retiree must have retired under the provisions of the Wisconsin Retirement System, with 20 years of service to the City, not employed in another capacity that offers health insurance, and is not currently eligible for Medicare.

The Plan does not issue stand-alone financial statements.

The City pays these post-employment benefits on a pay-as-you-go basis; accordingly no liability is recognized within the fund financial statements. However, a liability is recorded for the unfunded liability on the government-wide financial statements on a go forward basis as allowed under Government Accounting Standards Board Statement No. 45.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you-go basis), and the changes in the City's net OPEB obligation:

Annual Required Contribution	\$ 117,453
Interest on Net OPEB Obligation	2,897
Actuarial Adjustment to ARC	<u>(2,878)</u>
Annual OPEB Cost (expense)	117,472
Contributions made	<u>(56,556)</u>
Increase in net OPEB Obligation	60,916
Net OPEB Liability - beginning of the year	<u>72,412</u>
Net OPEB Liability - end of year	<u><u>\$ 133,328</u></u>

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

C. Other Postemployment Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB liability for the current year and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
12/31/2016	\$ 117,472	48.14%	\$ 133,328
12/31/2015	117,453	38.35%	72,412
12/31/2014	-	0.00%	-

The funded status as of December 31, 2015, the most recent actuarial valuation date, was zero percent funded. The actuarial accrued liability for benefits was \$1,128,865 and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$1,128,865. The covered payroll (annual payroll of active employees covered by the plan) was \$7,030,820, and the ratio of the UAAL to the covered payroll is 16.06%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the Employer, and are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The retiree healthcare valuation was based on the level percentage amortization method. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. In addition, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The OPEB valuation uses a discount rate assumption of 4.0 percent based on the City's actuarial valuation. The healthcare cost trends rate is 7.5 percent initially, and reduced by decrements to the ultimate rate of 5.0 percent in 18 years.

The actuarial accrued liability for the benefits is amortized over an open period of 30 years.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

D. Commitments and Contingencies

From time to time, the City becomes party to claims and legal proceedings. Although, the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City's legal counsel that the likelihood is remote that most of such claims or proceedings will not have a material adverse effect on the City's financial position.

Expenditures of the City's Tax Increment Districts are subject to review and audit in accordance with State Statute 66.1105 by an independent audit firm. The City has allocated certain expenditures for administration, public safety, public lands administration, and transit services which were reimbursed to the City's General Fund. For 2016, these costs amount to approximately \$1.577 million. Review by the Wisconsin Department of Revenue or the overlapping taxation districts could result in a portion of these expenditures being disallowed.

The City has entered into various development agreements in connection with the Tax Increment Districts. Under the terms of these agreements, the City has made commitments for development incentives or reimbursements. As of January 1, 2016, the City had outstanding commitments of \$12.4 million. During the year, the City committed to an additional \$24.9 million, and satisfied \$3.3 million. As of December 31, 2016, the City has remaining commitments of \$36.7 million pending satisfaction of the underlying agreements.

E. Tax Abatements

The City of Middleton, Wisconsin enters into agreements with developers under the provisions of Wisconsin Statutes 66.1105 "Tax Increment Law," which allows the City to rebate taxes generated under a specific developer agreement in order to incentive economic development.

As of December 31, 2016, the City maintains and operates Tax Increment District No. 3 and Tax Increment District No. 5, which are presented in the financial statements as capital projects funds.

<u>TID Purpose</u>	<u>Amount of Taxes Rebated during the Fiscal Year</u>	<u>Amount of Taxes Collected during the Fiscal Year</u>	<u>Percentage of Total Taxes Rebated during the Fiscal Year</u>
3 Rebate of taxes for the promotion of economic development	\$ 1,166,961	\$ 1,282,408	91.00%
5 Rebate of taxes for the promotion of economic development	27,387	58,555	46.77%
Total rebate of taxes for the promotion of economic development	<u>\$ 1,194,348</u>	<u>\$ 1,340,963</u>	<u>89.07%</u>

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities.

CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - OTHER INFORMATION (Continued)

F. Joint Ventures

Metropolitan Refuse District, Inc.

The Cities of Middleton, Monona, Verona and the Villages of Shorewood Hills and Waunakee are members of the Metropolitan Refuse District, Inc. (District), which owns and operates the closed local sanitary landfill. The landfill stopped accepting waste at the end of 1996. The three member communities share in the operational costs of the District based on estimated population, with the 2016 percentages as follows:

City of Middleton	35%
City of Monona	16%
City of Verona	21%
Village of Shorewood Hills	3%
Village of Waunakee	26%

The District is made up of member from each community. For the City, the corporate member is the Mayor or the Mayor's appointed designee. For each of the Villages, the corporate member is the Village President or the Village President's appointed designee. At the annual meeting, members appoint directors and officers as the governing body. The governing body has authority to adopt its own budget and control of financial affairs of the District. The District's fund balance at December 31, 2016 is a deficit of \$1,209,125. Reporting standards require the City to report its share of the net deficit. The City's proportionate share in the operations of the District is 56%, which amounts to \$677,110 of the District's net deficit. The City's share of the net deficit has been reported in the government-wide statement of net position as landfill post-closure cost. The City made payments totaling \$79,630 to the District in 2016. The City will continue to support the District's postclosure care costs in the future.

The District's closed landfill is being monitored for possible groundwater contamination as required by the Wisconsin Department of Natural Resources. The costs for groundwater monitoring are being budgeted for on an annual basis. At the current time, it is not possible to determine if extensive contamination has occurred and the effects, if any, on the District. Separately issued financial statements of the District are not prepared.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - OTHER INFORMATION (Continued)

F. Joint Ventures (Continued)

Multijurisdictional Public Safety Information System Commission (MJPISC)

The City of Fitchburg, City of Sun Prairie, City of Middleton, City of Verona, and the City of Monona jointly operate the Multijurisdictional Public Safety Information System Commission. On March 20, 2003, the City of Middleton, City of Fitchburg, and the City of Sun Prairie executed an intergovernmental agreement under authority of Section 66.0301 of the Wisconsin Statutes. The City of Verona and the City of Monona joined the Commission in 2009. The Commission adopts its own budget. Net operating costs including debt service are shared by the five communities equally. The department is governed by the Intermunicipal Commission. The Commission consists of one representative from each community. The transactions of the Commission are not reflected in these financial statements. Separately issued financial statements of the Commission can be obtained from the City of Sun Prairie at 300 East Main Street, Sun Prairie, Wisconsin 53590. The City does not have an equity interest in this joint venture.

Middleton Fire District

The City of Middleton and the Towns of Springfield, Westport, and Middleton jointly operate the local fire district, which is called the Middleton Fire District, which provides fire protection. The communities share in the operations of the District based on the ratio of equalized values of each member. The governing body is made up of elected officials 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 City has made payments totaling \$829,692 to the District in 2016 for operating expenses. The transactions of the District are not reflected in these financial statements. The City does not have an equity interest in the joint venture. Separately issued financials statements of the District are not prepared.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MIDDLETON, WISCONSIN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 17,019,234	\$ 17,019,234	\$ 17,027,636	\$ 8,402
Intergovernmental	2,166,589	2,157,889	2,318,777	160,888
Licenses and permits	740,898	740,898	1,153,102	412,204
Fines, forfeitures, and penalties	315,000	315,000	262,164	(52,836)
Public charges for services	1,314,687	1,286,187	1,364,157	77,970
Interdepartmental charges for services	1,919,823	1,919,823	1,946,971	27,148
Special assessments	104,000	104,000	212,815	108,815
Investment income	40,917	60,917	160,442	99,525
Miscellaneous	90,445	70,445	107,179	36,734
Total revenues	<u>23,711,593</u>	<u>23,674,393</u>	<u>24,553,243</u>	<u>878,850</u>
EXPENDITURES				
Current:				
General government	3,158,482	2,945,736	2,773,516	172,220
Public safety	8,558,448	8,558,448	8,462,228	96,220
Public works	3,679,770	3,679,770	3,614,347	65,423
Health and human services	460,003	452,723	473,469	(20,746)
Leisure activities	1,657,451	1,657,451	1,471,862	185,589
Conservation and development	795,968	795,968	758,985	36,983
Total expenditures	<u>18,310,122</u>	<u>18,090,096</u>	<u>17,554,407</u>	<u>535,689</u>
Excess of revenues over expenditures	<u>5,401,471</u>	<u>5,584,297</u>	<u>6,998,836</u>	<u>1,414,539</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	400,000	400,000	488,046	88,046
Transfers out	(6,572,686)	(5,687,533)	(6,218,581)	(531,048)
Total other financing sources (uses)	<u>(6,172,686)</u>	<u>(5,287,533)</u>	<u>(5,730,535)</u>	<u>(443,002)</u>
Net change in fund balance	(771,215)	296,764	1,268,301	971,537
FUND BALANCE - Beginning of Year	<u>10,808,322</u>	<u>10,808,322</u>	<u>10,808,322</u>	<u>-</u>
FUND BALANCE - End of Year	<u>\$ 10,037,107</u>	<u>\$ 11,105,086</u>	<u>\$ 12,076,623</u>	<u>\$ 971,537</u>

The accompanying notes are an integral part of the required supplementary information.

CITY OF MIDDLETON, WISCONSIN
Schedule of OPEB Funding Progress
December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b-a)/c}
12/31/2016	\$ -	\$ 1,128,865	\$ 1,128,865	0.00%	\$ 7,030,820	16.06%
12/31/2015	-	1,128,865	1,128,865	0.00%	7,030,820	16.06%
12/31/2014	-	2,862,888	2,862,888	0.00%	8,946,525	32.00%

CITY OF MIDDLETON, WISCONSIN
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
December 31, 2016

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.07799302%	0.07737819%
City's proportionate share of the net pension liability (asset)	\$ 1,267,371	\$ (1,900,620)
City's covered - employee payroll	\$ 9,708,670	\$ 9,162,017
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%

CITY OF MIDDLETON, WISCONSIN
Schedule of the City's Contributions
Wisconsin Retirement System
December 31, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 764,194	\$ 753,137
Contributions in relation to the contractually required contributions	\$ 764,194	\$ 753,137
Contribution deficiency (excess)	\$ -	\$ -
City's covered - employee payroll	\$ 9,708,670	\$ 9,162,017
Contributions as a percentage of covered - employee payroll	7.87%	8.22%

The accompanying notes are an integral part of the required supplementary information.

**CITY OF MIDDLETON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2015**

NOTE 1 - BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in the notes to the financial statements. A budget has been adopted for the General Fund, Debt Service Fund, certain special revenue funds, and capital project funds. Wisconsin Statute Section 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts between departments up to \$1,000. Transfers exceeding \$1,000 between departments and changes in the overall budget must be approved by a two-thirds vote of the City Council. Appropriations lapse at year-end unless specifically carried over.

NOTE 2 - EXCESS EXPENDITURES OVER APPROPRIATIONS

The following functions experienced excess expenditures over appropriations:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General Fund:			
Health and Human Services	\$ 452,723	\$ 473,469	\$ 20,746
Police Activities	5,000	8,000	3,000
Public Land Activities	100,000	417,778	317,778
Senior Center Activities	20,000	25,924	5,924
Library Fund	1,938,421	1,985,774	47,353
Public Works Capital Construction	3,656,225	3,669,000	12,775
TIF 5 Fund	723,015	1,431,998	708,983

The legal level of budget control is the function level in the General Fund and total expenditures in all other funds. The City controls expenditures at the departmental level for management purposes. TIF District No. 3 debt service was included in the Debt Service Fund, rather than TIF District No. 3. TIF District No. 3 debt service was funded by TIF. The detail of those items can be found in the City's year-end budget to actual report.

NOTE 3 – WISCONSIN RETIREMENT SYSTEM

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

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

This information is an integral part of the required supplementary information.

SUPPLEMENTARY INFORMATION

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
TAXES				
General property tax	\$ 16,386,134	\$ 16,386,134	\$ 16,386,134	\$ -
Omitted taxes	10,000	10,000	-	(10,000)
Fees in lieu of taxes	44,100	44,100	44,100	-
Room tax	577,000	577,000	586,922	9,922
Interest and penalties on taxes	2,000	2,000	10,480	8,480
Total taxes	<u>17,019,234</u>	<u>17,019,234</u>	<u>17,027,636</u>	<u>8,402</u>
INTERGOVERNMENTAL				
Shared taxes from state	571,923	571,923	274,721	(297,202)
Expenditure restraint aid	-	-	305,312	305,312
State aid - road allotment	1,083,506	1,083,506	1,082,975	(531)
State aid - exempt computer aid	210,000	210,000	346,413	136,413
State aid - fire insurance dues	98,491	98,491	107,919	9,428
State aid - local aid - police school liason officer	80,000	80,000	78,043	(1,957)
Federal and state aid - other	55,250	55,250	52,345	(2,905)
County aid - signals	9,500	9,500	20,072	10,572
County aid - senior citizens	49,219	49,219	50,977	1,758
County aid - youth center	8,700	-	-	-
Total intergovernmental	<u>2,166,589</u>	<u>2,157,889</u>	<u>2,318,777</u>	<u>160,888</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	34,000	34,000	39,440	5,440
Operators' licenses	12,000	12,000	21,890	9,890
Alarm licenses	9,000	9,000	8,580	(420)
Cigarette licenses	500	500	630	130
Dog and cat licenses	4,000	4,000	3,162	(838)
Cable TV franchise license	175,000	175,000	258,069	83,069
Other miscellaneous licenses	1,300	1,300	2,710	1,410
Building permits	264,222	264,222	441,998	177,776
Electrical permits	67,343	67,343	111,959	44,616
Plumbing permits	64,839	64,839	114,976	50,137
Erosion control permits	15,320	15,320	33,927	18,607
Other permits	-	-	4,810	4,810
Other miscellaneous fees	38,374	38,374	37,904	(470)
Zoning permits	20,000	20,000	31,808	11,808
Park reservation permits	35,000	35,000	41,239	6,239
Total licenses and permits	<u>740,898</u>	<u>740,898</u>	<u>1,153,102</u>	<u>412,204</u>
FINES, FORFEITURES, AND PENALTIES				
Court penalties	200,000	200,000	143,823	(56,177)
Parking violations	40,000	40,000	37,260	(2,740)
Court costs	75,000	75,000	81,081	6,081
Total fines, forfeitures, and penalties	<u>315,000</u>	<u>315,000</u>	<u>262,164</u>	<u>(52,836)</u>

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2016

PUBLIC CHARGES FOR SERVICES

Clerk fees	\$ 13,000	\$ 13,000	\$ 20,275	\$ 7,275
Police special services	-	-	40	40
Police department fees	9,000	9,000	12,622	3,622
Ambulance services	920,749	920,749	889,979	(30,770)
Plan commission charges	17,000	17,000	15,000	(2,000)
Senior citizens	26,500	26,500	32,442	5,942
Swimming pool	173,000	173,000	194,042	21,042
Acquatic concession revenue	31,248	31,248	33,133	1,885
Summer recreation	50,836	50,836	42,362	(8,474)
Fall-Winter-Spring recreation	10,000	10,000	40,420	30,420
Hubbard Art Center Program	24,854	24,854	66,738	41,884
Public works charges	-	-	1,712	1,712
Administration reimbursements - Recycling	20,000	10,000	12,672	2,672
Donations	-	-	2,720	2,720
Other charges for services	18,500	-	-	-
Total public charges for services	<u>1,314,687</u>	<u>1,286,187</u>	<u>1,364,157</u>	<u>77,970</u>

INTERDEPARTMENTAL CHARGES FOR SERVICES

Administration reimbursements - Utilities	133,500	133,500	135,000	1,500
Administration reimbursements - Metro	-	-	25,648	25,648
Administrative reimbursements - TIF	1,576,530	1,576,530	1,576,530	-
EMS fixed cost abatement	202,193	202,193	202,193	-
Administration reimbursements - Landfill	5,000	5,000	5,000	-
Administration reimbursements - Fire District	2,600	2,600	2,600	-
Total interdepartmental charges for services	<u>1,919,823</u>	<u>1,919,823</u>	<u>1,946,971</u>	<u>27,148</u>

SPECIAL ASSESSMENTS

Curb, gutter, and sidewalks	104,000	104,000	212,815	108,815
Interest on special assessments	-	-	-	-
Total special assessments	<u>104,000</u>	<u>104,000</u>	<u>212,815</u>	<u>108,815</u>

INVESTMENT INCOME

	<u>40,917</u>	<u>40,917</u>	<u>140,442</u>	<u>99,525</u>
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MISCELLANEOUS REVENUES

Polar express track lease	20,000	20,000	20,000	-
Credit card rebate	25,945	25,945	42,226	16,281
Insurance recoveries	-	-	7,101	7,101
Rent of city property	20,000	20,000	-	(20,000)
Sale of materials	2,000	2,000	833	(1,167)
Miscellaneous	22,000	22,000	56,521	34,521
Interlocking ignition device	500	500	498	(2)
Total commercial revenues	<u>90,445</u>	<u>90,445</u>	<u>127,179</u>	<u>36,734</u>

OTHER FINANCING SOURCES

Transfer in - Water Utility	400,000	400,000	488,046	88,046
Total other financing sources	<u>400,000</u>	<u>400,000</u>	<u>488,046</u>	<u>88,046</u>

**TOTAL REVENUES AND OTHER
FINANCING SOURCES**

	<u>\$ 24,111,593</u>	<u>\$ 24,074,393</u>	<u>\$ 25,041,289</u>	<u>\$ 966,896</u>
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CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
Council	\$ 67,038	\$ 67,038	\$ 66,167	\$ 871
Boards and commissions	67,658	10,350	9,259	1,091
General administration	299,515	299,515	246,683	52,832
Municipal court	111,235	111,235	85,645	25,590
Finance	643,679	689,088	703,457	(14,369)
General administration - sick leave	-	-	193,771	(193,771)
Information technology	684,855	684,855	690,234	(5,379)
Legal counseling	227,000	227,000	269,745	(42,745)
Buildings and grounds	91,250	91,250	86,720	4,530
Illegal taxes and tax refunds	10,080	10,080	-	10,080
General contingency	472,422	255,832	-	255,832
Risk management and insurance	395,800	395,800	332,118	63,682
Bank fees	-	-	197	(197)
Miscellaneous	87,950	103,693	89,520	14,173
Total general government	<u>3,158,482</u>	<u>2,945,736</u>	<u>2,773,516</u>	<u>172,220</u>
PUBLIC SAFETY				
Police department	5,243,904	5,243,904	5,180,288	63,616
Fire suppression	829,423	829,423	829,692	(269)
Public fire protection	485,000	485,000	437,391	47,609
EMS	1,636,472	1,636,472	1,632,139	4,333
Building inspector	317,711	317,711	333,760	(16,049)
Emergency preparedness	45,938	45,938	48,958	(3,020)
Total public safety	<u>8,558,448</u>	<u>8,558,448</u>	<u>8,462,228</u>	<u>96,220</u>
PUBLIC WORKS				
Machinery	770,266	770,266	738,747	31,519
Street maintenance	1,470,372	1,470,372	1,462,938	7,434
Snow and ice control	1,000	1,000	-	1,000
Street lighting	119,000	119,000	120,134	(1,134)
Storm sewers	52,000	52,000	40,306	11,694
Mass transit	410,551	410,551	410,554	(3)
Garbage collection	510,000	510,000	497,132	12,868
Sanitary landfill	80,000	80,000	79,630	370
Recycling	266,581	266,581	264,906	1,675
Total public works	<u>3,679,770</u>	<u>3,679,770</u>	<u>3,614,347</u>	<u>65,423</u>
HEALTH AND HUMAN SERVICES				
Senior center	460,003	452,723	473,469	(20,746)
LEISURE ACTIVITIES				
Recreation facilities	287,544	287,544	274,230	13,314
Recreation administration	392,741	392,741	347,143	45,598
Libraries	-	-	23	(23)
Public lands	977,166	977,166	850,466	126,700
Total leisure activities	<u>1,657,451</u>	<u>1,657,451</u>	<u>1,471,862</u>	<u>185,589</u>

CITY OF MIDDLETON, WISCONSIN
DETAILED SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2016

CONSERVATION AND DEVELOPMENT

Sustainability committee	13,250	13,250	9,891	3,359
Forestry	231,292	231,292	230,392	900
Water resources	35,624	35,624	20,882	14,742
Conservancy lands	168,719	168,719	145,073	23,646
Planning	338,083	338,083	336,385	1,698
Other	<u>9,000</u>	<u>9,000</u>	<u>16,362</u>	<u>(7,362)</u>
Total conservation and development	<u>795,968</u>	<u>795,968</u>	<u>758,985</u>	<u>36,983</u>

OTHER FINANCING USES

Transfers out - Nonmajor Funds - Other	20,108	20,108	78,608	(58,500)
Transfer out - Capital Projects Fund	836,107	851,107	1,323,655	(472,548)
Transfers out - Library Fund	1,194,532	1,249,999	1,249,999	-
Transfers out - Debt Service Fund	<u>4,521,939</u>	<u>3,566,319</u>	<u>3,566,319</u>	<u>-</u>
Total other financing uses	<u>6,572,686</u>	<u>5,687,533</u>	<u>6,218,581</u>	<u>(531,048)</u>

**TOTAL EXPENDITURES AND OTHER
FINANCING USES**

<u>\$ 24,882,808</u>	<u>\$ 23,777,629</u>	<u>\$ 23,772,988</u>	<u>\$ 4,641</u>
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**CITY OF MIDDLETON, WISCONSIN
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS
December 31, 2016**

	<u>Subdividers' Deposits</u>	<u>Lost and Damaged Books</u>	<u>Library Gift</u>	<u>Library Endowment</u>	<u>Library Fund</u>	<u>Airport</u>	<u>Safety Impact Fee and Other</u>	<u>Economic Development Grant</u>
ASSETS								
Cash and investments	\$ 2,748,368	\$ 45,666	\$ 16,318	\$ 250,109	\$ 98,819	\$ -	\$ 883,970	\$ 278,163
Accounts receivable	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 2,748,368</u>	<u>\$ 45,666</u>	<u>\$ 16,318</u>	<u>\$ 250,109</u>	<u>\$ 98,819</u>	<u>\$ -</u>	<u>\$ 883,970</u>	<u>\$ 278,163</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 8,518	\$ 271	\$ -	\$ -	\$ 39,912	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
Deposits	863,685	-	-	-	-	-	-	-
Total liabilities	<u>872,203</u>	<u>271</u>	<u>-</u>	<u>-</u>	<u>39,912</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES								
Restricted	1,876,165	-	16,318	250,109	58,907	-	883,970	278,163
Committed	-	45,395	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>1,876,165</u>	<u>45,395</u>	<u>16,318</u>	<u>250,109</u>	<u>58,907</u>	<u>-</u>	<u>883,970</u>	<u>278,163</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,748,368</u>	<u>\$ 45,666</u>	<u>\$ 16,318</u>	<u>\$ 250,109</u>	<u>\$ 98,819</u>	<u>\$ -</u>	<u>\$ 883,970</u>	<u>\$ 278,163</u>

**CITY OF MIDDLETON, WISCONSIN
COMBINING BALANCE SHEET – NONMAJOR
GOVERNMENTAL FUNDS (CONTINUED)
December 31, 2016**

	<u>Tourism Commission</u>	<u>Police Activities</u>	<u>EMS Activities</u>	<u>Public Land Activities</u>	<u>Youth Center Activities</u>	<u>Senior Center Activities</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS							
Cash and investments	\$ 1,650,689	\$ -	\$ 31,032	\$ 1,251,170	\$ -	\$ 164,932	\$ 7,419,236
Accounts receivable	345,179	-	-	5,550	-	-	350,729
TOTAL ASSETS	<u>\$ 1,995,868</u>	<u>\$ -</u>	<u>\$ 31,032</u>	<u>\$ 1,256,720</u>	<u>\$ -</u>	<u>\$ 164,932</u>	<u>\$ 7,769,965</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 269,109	\$ -	\$ -	\$ 251,839	\$ 3,334	\$ 163	\$ 573,146
Due to other funds	-	1,952	-	-	2,716	-	4,668
Deposits	-	-	-	-	-	-	863,685
Total liabilities	<u>269,109</u>	<u>1,952</u>	<u>-</u>	<u>251,839</u>	<u>6,050</u>	<u>163</u>	<u>1,441,499</u>
FUND BALANCES							
Restricted	1,726,759	-	31,032	1,004,881	-	164,769	6,291,073
Committed	-	-	-	-	-	-	45,395
Unassigned	-	(1,952)	-	-	(6,050)	-	(8,002)
Total fund balances	<u>1,726,759</u>	<u>(1,952)</u>	<u>31,032</u>	<u>1,004,881</u>	<u>(6,050)</u>	<u>164,769</u>	<u>6,328,466</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,995,868</u>	<u>\$ -</u>	<u>\$ 31,032</u>	<u>\$ 1,256,720</u>	<u>\$ -</u>	<u>\$ 164,932</u>	<u>\$ 7,769,965</u>

**CITY OF MIDDLETON, WISCONSIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2016**

	<u>Subdividers' Deposits</u>	<u>Lost and Damaged Books</u>	<u>Library Gift</u>	<u>Library Endowment</u>	<u>Library Fund</u>	<u>Airport</u>	<u>Safety Impact Fee and Other</u>	<u>Economic Development Grant</u>
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	792,005	-	-	-
Licenses and permits	434,609	-	-	-	-	-	464,593	-
Public charges for services	148,947	20,677	900	-	15,959	-	-	-
Contributions	-	-	4,636	8,881	-	-	240	-
Investment income	-	-	-	16,643	-	-	-	1,226
Miscellaneous	-	-	-	-	9	-	-	1,000
Total revenues	<u>583,556</u>	<u>20,677</u>	<u>5,536</u>	<u>25,524</u>	<u>807,973</u>	<u>-</u>	<u>464,833</u>	<u>2,226</u>
EXPENDITURES								
Current:								
General Government	-	-	-	-	-	-	-	-
Health and Human Services	-	-	-	-	-	-	-	-
Leisure activities	-	1,895	814	15,671	1,995,779	-	375	-
Conservation and development	-	-	-	-	-	-	-	-
Capital outlay	<u>88,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,758</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>88,489</u>	<u>1,895</u>	<u>814</u>	<u>15,671</u>	<u>2,000,537</u>	<u>-</u>	<u>375</u>	<u>-</u>
Excess of revenues over (under) expenditures	495,067	18,782	4,722	9,853	(1,192,564)	-	464,458	2,226
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	1,249,999	-	-	93,280
Transfers out	-	-	-	-	-	(142,496)	(350,450)	-
Net change in fund balances	495,067	18,782	4,722	9,853	57,435	(142,496)	114,008	95,506
FUND BALANCES - BEGINNING OF YEAR	<u>1,381,098</u>	<u>26,613</u>	<u>11,596</u>	<u>240,256</u>	<u>1,472</u>	<u>142,496</u>	<u>769,962</u>	<u>182,657</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,876,165</u>	<u>\$ 45,395</u>	<u>\$ 16,318</u>	<u>\$ 250,109</u>	<u>\$ 58,907</u>	<u>\$ -</u>	<u>\$ 883,970</u>	<u>\$ 278,163</u>

**CITY OF MIDDLETON, WISCONSIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 December 31, 2016**

	<u>Tourism Commission</u>	<u>Police Activities</u>	<u>EMS Activities</u>	<u>Public Land Activities</u>	<u>Youth Center Activities</u>	<u>Senior Center Activities</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES							
Taxes	\$ 1,369,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,369,480
Intergovernmental	28,598	-	4,355	-	7,969	18,958	851,885
Licenses and permits	-	-	-	-	-	-	899,202
Public charges for services	-	-	-	1,292,167	2,577	-	1,481,227
Contributions	-	-	-	68,243	-	10,877	92,877
Investment income	-	-	-	-	-	-	17,869
Miscellaneous	1,348	-	-	-	-	-	2,357
Total revenues	<u>1,399,426</u>	<u>-</u>	<u>4,355</u>	<u>1,360,410</u>	<u>10,546</u>	<u>29,835</u>	<u>4,714,897</u>
EXPENDITURES							
Current:							
General Government	145,181	-	-	-	-	-	145,181
Health and Human Services	-	-	-	-	-	30,108	30,108
Leisure activities	-	-	-	66,073	61,314	-	2,141,921
Conservation and development	1,078,231	-	-	9,442	-	-	1,087,673
Capital outlay	-	25,188	41,379	350,756	-	-	510,570
Total expenditures	<u>1,223,412</u>	<u>25,188</u>	<u>41,379</u>	<u>426,271</u>	<u>61,314</u>	<u>30,108</u>	<u>3,915,453</u>
Excess of revenues over (under) expenditures	176,014	(25,188)	(37,024)	934,139	(50,768)	(273)	799,444
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	40,000	44,718	-	1,427,997
Transfers out	-	-	-	(185,453)	-	-	(678,399)
Net change in fund balances	176,014	(25,188)	(37,024)	788,686	(6,050)	(273)	1,549,042
FUND BALANCES - BEGINNING OF YEAR	<u>1,550,745</u>	<u>23,236</u>	<u>68,056</u>	<u>216,195</u>	<u>-</u>	<u>165,042</u>	<u>4,779,424</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,726,759</u>	<u>\$ (1,952)</u>	<u>\$ 31,032</u>	<u>\$ 1,004,881</u>	<u>\$ (6,050)</u>	<u>\$ 164,769</u>	<u>\$ 6,328,466</u>

**CITY OF MIDDLETON, WISCONSIN
COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND
December 31, 2016**

	<u>TIF District No. 5</u>	<u>Public Works Capital Construction</u>	<u>Public Lands Capital Construction</u>	<u>General Capital Projects</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 1,325,982	\$ 790,589	\$ 29,545	\$ 721,518	\$ 2,867,634
Taxes receivable	857,583	-	-	-	857,583
Receivables	-	44,412	5,787	-	50,199
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 2,183,565</u>	<u>\$ 835,001</u>	<u>\$ 35,332</u>	<u>\$ 721,518</u>	<u>\$ 3,775,416</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,119	\$ 501,666	\$ 10,894	\$ 60,358	\$ 576,037
Advances from other funds	2,048,999	-	-	-	2,048,999
Total liabilities	<u>2,052,118</u>	<u>501,666</u>	<u>10,894</u>	<u>60,358</u>	<u>2,625,036</u>
DEFERRED INFLOWS OF RESOURCES					
Subsequent year tax levy	857,583	-	-	-	857,583
Other receivable	-	-	-	-	-
Total deferred inflows	<u>857,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>857,583</u>
FUND BALANCES					
Restricted	(726,136)	333,335	24,438	661,160	292,797
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,183,565</u>	<u>\$ 835,001</u>	<u>\$ 35,332</u>	<u>\$ 721,518</u>	<u>\$ 3,775,416</u>

CITY OF MIDDLETON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – CAPITAL PROJECTS FUND
December 31, 2016

	<u>TIF District No. 5</u>	<u>Public Works Capital Construction</u>	<u>Public Lands Capital Construction</u>	<u>General Capital Projects</u>	<u>Total</u>
REVENUES					
Taxes	\$ 472,884	\$ -	\$ -	\$ -	\$ 472,884
Intergovernmental	24,018	24,412	15,787	7,000	71,217
Investment and interest income	43	1	-	-	44
Miscellaneous	-	30,002	27,552	5,683	63,237
Total revenues	<u>496,945</u>	<u>54,415</u>	<u>43,339</u>	<u>12,683</u>	<u>607,382</u>
EXPENDITURES					
Current:					
General government	150	-	-	-	150
Public Works	-	150	-	-	150
Conservation and development	2,127,387	-	-	-	2,127,387
Capital outlay	27,631	2,648,587	954,916	818,028	4,449,162
Debt service					
Interest and fiscal charges	3,500	-	-	-	3,500
Total expenditures	<u>2,158,668</u>	<u>2,648,737</u>	<u>954,916</u>	<u>818,028</u>	<u>6,580,349</u>
Excess of revenues over (under) expenditures	(1,661,723)	(2,594,322)	(911,577)	(805,345)	(5,972,967)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	2,100,000	-	-	-	2,100,000
Proceeds from sale of capital asset	-	1,660,656	-	-	1,660,656
Transfers in	-	1,333,241	-	576,718	1,909,959
Transfers out	<u>(497,394)</u>	<u>(891,858)</u>	<u>(47,941)</u>	<u>(60,569)</u>	<u>(1,497,762)</u>
Net change in fund balances	(59,117)	(492,283)	(959,518)	(289,196)	(1,800,114)
FUND BALANCES - BEGINNING OF YEAR	<u>(667,019)</u>	<u>825,618</u>	<u>983,956</u>	<u>950,356</u>	<u>2,092,911</u>
FUND BALANCES - END OF YEAR	<u>\$ (726,136)</u>	<u>\$ 333,335</u>	<u>\$ 24,438</u>	<u>\$ 661,160</u>	<u>\$ 292,797</u>

**CITY OF MIDDLETON, WISCONSIN
COMBINING STATEMENT OF NET POSITION –
NONMAJOR PROPRIETARY FUNDS
December 31, 2016**

ASSETS	Stormwater	Middleton Utility District	Airport	Totals
Current Assets:				
Cash and investments	\$ 336,035	\$ -	\$ 228,939	\$ 564,974
Accounts receivable	70,250	18,217	-	88,467
Due from other funds	3,341	-	-	3,341
Total current assets	<u>409,626</u>	<u>18,217</u>	<u>228,939</u>	<u>656,782</u>
Noncurrent Assets:				
Capital assets:				
Property and equipment	3,888,676	-	2,342,450	6,231,126
Less: Accumulated depreciation	(163,589)	-	(28,193)	(191,782)
Total capital assets, net	<u>3,725,087</u>	<u>-</u>	<u>2,314,257</u>	<u>6,039,344</u>
Total noncurrent assets	<u>3,725,087</u>	<u>-</u>	<u>2,314,257</u>	<u>6,039,344</u>
Total assets	<u>4,134,713</u>	<u>18,217</u>	<u>2,543,196</u>	<u>6,696,126</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	-	-	50,653	50,653
Total current liabilities	<u>-</u>	<u>-</u>	<u>50,653</u>	<u>50,653</u>
Noncurrent Liabilities:				
Advances from other funds	-	460,256	-	460,256
Total noncurrent liabilities	<u>-</u>	<u>460,256</u>	<u>-</u>	<u>460,256</u>
Total liabilities	<u>-</u>	<u>460,256</u>	<u>50,653</u>	<u>510,909</u>
NET POSITION				
Net investment in capital assets	3,725,087	-	2,314,257	6,039,344
Unrestricted	409,626	(442,039)	178,286	145,873
Total net position	<u>\$ 4,134,713</u>	<u>\$ (442,039)</u>	<u>\$ 2,492,543</u>	<u>\$ 6,185,217</u>

**CITY OF MIDDLETON, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION –
NONMAJOR PROPRIETARY FUNDS
December 31, 2016**

	Stormwater	Middleton Utility District	Airport	Total
OPERATING REVENUES				
Charges for services and sales	\$ 273,046	\$ -	\$ 117,586	\$ 390,632
Miscellaneous	-	18,217	6,425	24,642
Total operating revenues	<u>273,046</u>	<u>18,217</u>	<u>124,011</u>	<u>415,274</u>
OPERATING EXPENSES				
Operation and maintenance	-	237,284	71,651	308,935
Depreciation	66,952	-	28,193	95,145
Total operating expenses	<u>66,952</u>	<u>237,284</u>	<u>99,844</u>	<u>404,080</u>
Operating income (loss)	<u>206,094</u>	<u>(219,067)</u>	<u>24,167</u>	<u>11,194</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	-	-	-	-
Interest expense	-	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before capital contributions and transfers	206,094	(219,067)	24,167	11,194
CAPITAL CONTRIBUTIONS	709,062	-	2,325,880	3,034,942
TRANSFERS IN	<u>-</u>	<u>-</u>	<u>142,496</u>	<u>142,496</u>
Change in net position	915,156	(219,067)	2,492,543	3,188,632
NET POSITION - BEGINNING OF YEAR	<u>3,219,557</u>	<u>(222,972)</u>	<u>-</u>	<u>2,996,585</u>
NET POSITION - END OF YEAR	<u>\$ 4,134,713</u>	<u>\$ (442,039)</u>	<u>\$ 2,492,543</u>	<u>\$ 6,185,217</u>

**CITY OF MIDDLETON, WISCONSIN
COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
December 31, 2016**

	<u>Stormwater</u>	<u>Middleton Utility District</u>	<u>Airport</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 273,894	\$ (18,217)	\$ 124,011	\$ 379,688
Payments to suppliers for goods and services	<u>(3,341)</u>	<u>(357,937)</u>	<u>(20,998)</u>	<u>(382,276)</u>
Net cash provided (used) by operating activities	<u>270,553</u>	<u>(376,154)</u>	<u>103,013</u>	<u>(2,588)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	-	142,496	142,496
Advance from TIF No. 3	<u>-</u>	<u>60,256</u>	<u>-</u>	<u>60,256</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>60,256</u>	<u>142,496</u>	<u>202,752</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	<u>-</u>	<u>-</u>	<u>(16,570)</u>	<u>(16,570)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(16,570)</u>	<u>(16,570)</u>
Net increase (decrease) in cash and cash equivalents	270,553	(315,898)	228,939	183,594
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>65,482</u>	<u>315,898</u>	<u>-</u>	<u>381,380</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 336,035</u>	<u>\$ -</u>	<u>\$ 228,939</u>	<u>\$ 564,974</u>

**CITY OF MIDDLETON, WISCONSIN
COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS (CONTINUED)
December 31, 2016**

	Nonmajor Fund Middleton			
	<u>Stormwater</u>	<u>Utility District</u>	<u>Airport</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 206,094	\$ (219,067)	\$ 24,167	\$ 11,194
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	66,952	-	28,193	95,145
Depreciation charged to sewer utility	-	-	-	-
Changes in noncash components of working capital:				
Accounts receivable	848	(18,217)	-	(17,369)
Special assessments receivable	-	-	-	-
Due from other funds	(3,341)	-	-	(3,341)
Accounts payable	-	(138,870)	50,653	(88,217)
Pension activity	-	-	-	-
Accrued compensated absences	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 270,553</u>	<u>\$ (376,154)</u>	<u>\$ 103,013</u>	<u>\$ (2,588)</u>
Reconciliation of cash and cash equivalents to the statement of net position - proprietary funds				
Cash and investments	<u>\$ 336,035</u>	<u>\$ -</u>	<u>\$ 228,939</u>	<u>\$ 564,974</u>
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES				
Developer financed additions to Utility capital assets	\$ 709,062	\$ -	\$ -	\$ 709,062
City financed additions to Utility capital assets	-	-	2,325,880	-