

CITY OF BROADHEAD
BROADHEAD, WISCONSIN

FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Common Council
City of Brodhead
Brodhead, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brodhead (City), Wisconsin, as of and for the year ended December 31, 2014, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Brodhead Water and Light Commission, which is both a major fund and 62 percent, 62 percent, and 81 percent, respectively, of the assets, net position and operating revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Brodhead Water and Light Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Pewaukee Office:
W239 N3490 Pewaukee Road
Suite 200
Pewaukee, WI 53072
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brodhead, Wisconsin, as of December 31, 2014, 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 budgetary comparison information on pages 37-38 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brodhead's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2015 on our consideration of the City of Brodhead's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Brodhead's internal control over financial reporting and compliance

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
August 24, 2015

CITY OF BRODHEAD
STATEMENT OF NET POSITION
December 31, 2014

| | Governmental Activities | Business-Type Activity | Total |
|--|----------------------------|---------------------------|----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and investments | \$ 1,736,019 | \$ 3,113,558 | \$ 4,849,577 |
| Restricted cash and investments | - | 706,650 | 706,650 |
| Receivables | | | |
| Taxes | 2,164,663 | - | 2,164,663 |
| Accounts | 95,400 | 560,038 | 655,438 |
| Special assessments | 106,705 | - | 106,705 |
| Internal balances | 229,013 | (229,013) | - |
| Prepaid expenditures | 1,890 | - | 1,890 |
| Inventories | - | 75,493 | 75,493 |
| Other assets | - | 143 | 143 |
| Capital assets not being depreciated | 1,009,212 | 140,474 | 1,149,686 |
| Capital assets, net of accumulated depreciation | 15,097,465 | 9,279,437 | 24,376,902 |
| Total assets | \$ 20,440,367 | \$ 13,646,780 | \$ 34,087,147 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 329,290 | \$ 333,826 | \$ 663,116 |
| Accrued interest | 33,920 | 12,314 | 46,234 |
| Unearned revenue | 71,085 | 13,973 | 85,058 |
| Commitment to community | - | 1,862 | 1,862 |
| Compensated absences | 217,535 | 175,364 | 392,899 |
| Noncurrent liabilities | | | |
| Due within one year | 414,824 | 419,773 | 834,597 |
| Due in more than one year | 3,208,947 | 934,335 | 4,143,282 |
| Total liabilities | 4,275,601 | 1,891,447 | 6,167,048 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 2,164,663 | - | 2,164,663 |
| Unavailable revenue - special assessments | 85,077 | - | 85,077 |
| Total deferred inflows of resources | 2,249,740 | - | 2,249,740 |
| NET POSITION | | | |
| Net investment in capital assets | 12,482,906 | 8,074,510 | 20,557,416 |
| Restricted: | | | |
| Debt service | - | 706,650 | 706,650 |
| Capital projects | 420,148 | - | 420,148 |
| Unrestricted | 1,011,972 | 2,974,173 | 3,986,145 |
| Total net position | 13,915,026 | 11,755,333 | 25,670,359 |
| Total liabilities, deferred inflows of resources and net position | \$ 20,440,367 | \$ 13,646,780 | \$ 34,087,147 |

CITY OF BRODHEAD
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

| | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | |
|---------------------------------------|------------------|-------------------------|--|--|--|---------------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activity | Business- Type Activities | Total |
| GOVERNMENTAL ACTIVITIES: | | | | | | | |
| General government | \$ 549,011 | \$ 114,075 | \$ 9,625 | \$ - | \$ (425,311) | \$ - | \$ (425,311) |
| Public safety | 1,565,575 | 29,844 | 34,351 | - | (1,501,380) | - | (1,501,380) |
| Public works | 1,421,129 | 18,111 | 177,267 | - | (1,225,751) | - | (1,225,751) |
| Leisure activities | 687,583 | 81,613 | 99,898 | - | (506,072) | - | (506,072) |
| Conservation and development | 354,377 | 30,994 | - | - | (323,383) | - | (323,383) |
| Interest and fiscal charges | 144,476 | - | - | - | (144,476) | - | (144,476) |
| Total governmental activities | 4,722,151 | 274,637 | 321,141 | - | (4,126,373) | - | (4,126,373) |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | |
| Water and light commission | 4,332,786 | 4,344,890 | - | 136,005 | - | 148,109 | 148,109 |
| Wastewater utility | 673,068 | 841,203 | - | 62,464 | - | 230,599 | 230,599 |
| Storm water utility | 56,534 | 83,992 | - | - | - | 27,458 | 27,458 |
| Total business-type activities | 5,062,388 | 5,270,085 | - | 198,469 | - | 406,166 | 406,166 |
| GENERAL REVENUES: | | | | | | | |
| Property taxes | | | | | 2,430,079 | - | 2,430,079 |
| State shared revenues | | | | | 807,928 | - | 807,928 |
| Investment earnings | | | | | 2,024 | 25,109 | 27,133 |
| Miscellaneous | | | | | 62,628 | 2,737 | 65,365 |
| Gain on disposal of capital assets | | | | | 32,016 | - | 32,016 |
| Total general revenues | | | | | 3,334,675 | 27,846 | 3,362,521 |
| Change in net position | | | | | (791,698) | 434,012 | (357,686) |
| Net position—beginning of year | | | | | 14,706,724 | 11,321,321 | 26,028,045 |
| Net position—end of year | | | | | \$13,915,026 | \$ 11,755,333 | \$25,670,359 |

CITY OF BRODHEAD
BALANCE SHEET—GOVERNMENTAL FUNDS
December 31, 2014

| | General Fund | Capital Projects Fund | Debt Service Fund | Nonmajor Funds | Total Governmental Funds |
|---|---------------------|--------------------------|----------------------|-------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 988,013 | \$ 721,367 | \$ - | \$ 26,639 | \$ 1,736,019 |
| Receivables | | | | | |
| Taxes | 1,998,076 | 166,587 | - | - | 2,164,663 |
| Special assessments | 106,705 | - | - | - | 106,705 |
| Due from other funds | 839,741 | 140,000 | - | - | 979,741 |
| Prepaid expenditures | 1,890 | - | - | - | 1,890 |
| Total assets | \$ 3,934,425 | \$ 1,027,954 | \$ - | \$ 26,639 | \$ 4,989,018 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 216,332 | \$ 19,715 | \$ - | \$ - | \$ 236,047 |
| Accrued wages and related taxes | 93,243 | - | - | - | 93,243 |
| Due to other funds | 140,000 | 421,504 | 188,902 | 322 | 750,728 |
| Unearned revenues | 71,085 | - | - | - | 71,085 |
| Total liabilities | 536,942 | 441,219 | 188,902 | 322 | 1,167,385 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | 1,998,076 | 166,587 | - | - | 2,164,663 |
| Unavailable revenue - special assessments | 85,077 | - | - | - | 85,077 |
| Total deferred inflows of resources | 2,083,153 | 166,587 | - | - | 2,249,740 |
| FUND BALANCES | | | | | |
| Nonspendable | 1,890 | - | - | - | 1,890 |
| Restricted | 74,688 | 420,148 | - | - | 494,836 |
| Committed | 350,000 | - | - | - | 350,000 |
| Assigned | - | - | - | 26,639 | 26,639 |
| Unassigned | 887,752 | - | (188,902) | (322) | 698,528 |
| Total fund balances | 1,314,330 | 420,148 | (188,902) | 26,317 | 1,571,893 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 3,934,425 | \$ 1,027,954 | \$ - | \$ 26,639 | \$ 4,989,018 |

CITY OF BRODHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
December 31, 2014

Total fund balances - governmental funds \$ 1,571,893

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:

| | |
|--------------------------|---------------------|
| Cost of capital assets | \$ 34,674,130 |
| Accumulated depreciation | <u>(18,567,453)</u> |

Net capital assets 16,106,677

Other long-term assets are not available to pay for current period expenditures and are not reported in the funds:

| | |
|--------------------------|--------|
| Fire District receivable | 95,400 |
|--------------------------|--------|

Long-term liabilities, including bonds payable, are not due and the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

| | |
|--------------------------|------------------|
| Bonds and notes payable | (3,623,771) |
| Accrued interest payable | (33,920) |
| Compensated absences | <u>(201,253)</u> |

Total long-term debt liabilities (3,858,944)

Total net position - governmental activities \$ 13,915,026

CITY OF BRODHEAD
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Year Ended December 31, 2014

| | General Fund | Capital Projects Fund | Debt Service Fund | Nonmajor Funds | Total Governmental Funds |
|--|---------------------|--------------------------|----------------------|-------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 2,072,095 | \$ 349,450 | \$ - | \$ 8,534 | \$ 2,430,079 |
| Intergovernmental | 1,131,864 | 810 | - | - | 1,132,674 |
| Licenses and permits | 75,849 | - | - | - | 75,849 |
| Fines, forfeitures and penalties | 29,844 | - | - | - | 29,844 |
| Public charges for services | 106,931 | 30,994 | - | - | 137,925 |
| Investment income | 901 | 809 | 227 | 87 | 2,024 |
| Miscellaneous | 119,460 | - | - | 14,682 | 134,142 |
| Total revenues | <u>3,536,944</u> | <u>382,063</u> | <u>227</u> | <u>23,303</u> | <u>3,942,537</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 447,152 | 10,553 | 1,822 | 55 | 459,582 |
| Public safety | 1,530,794 | - | - | - | 1,530,794 |
| Public works | 736,812 | - | - | 1,400 | 738,212 |
| Leisure activities | 527,689 | - | - | 7,555 | 535,244 |
| Conservation and development | 217,913 | 111,792 | - | 24,672 | 354,377 |
| Capital outlay | 266,264 | 252,203 | - | - | 518,467 |
| Debt service | | | | | |
| Principal | 3,875 | - | 402,475 | - | 406,350 |
| Interest and fees | - | - | 149,108 | - | 149,108 |
| Total expenditures | <u>3,730,499</u> | <u>374,548</u> | <u>553,405</u> | <u>33,682</u> | <u>4,692,134</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(193,555)</u> | <u>7,515</u> | <u>(553,178)</u> | <u>(10,379)</u> | <u>(749,597)</u> |
| Other financing sources (uses) | | | | | |
| Long term debt issued | 350,000 | - | - | - | 350,000 |
| Proceeds from sale of capital assets | 54,208 | - | - | - | 54,208 |
| Transfers in | - | - | 568,926 | - | 568,926 |
| Transfers out | <u>(457,726)</u> | <u>(111,200)</u> | <u>-</u> | <u>-</u> | <u>(568,926)</u> |
| Total other financing sources | <u>(53,518)</u> | <u>(111,200)</u> | <u>568,926</u> | <u>-</u> | <u>404,208</u> |
| Net change in fund balances | <u>(247,073)</u> | <u>(103,685)</u> | <u>15,748</u> | <u>(10,379)</u> | <u>(345,389)</u> |
| Fund balances—beginning of year | <u>1,561,403</u> | <u>523,833</u> | <u>(204,650)</u> | <u>36,696</u> | <u>1,917,282</u> |
| Fund balances—end of year | <u>\$ 1,314,330</u> | <u>\$ 420,148</u> | <u>\$ (188,902)</u> | <u>\$ 26,317</u> | <u>\$ 1,571,893</u> |

CITY OF BRODHEAD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

| | | |
|--|-----------------|----------------------------|
| Net change in fund balances—total governmental funds | | \$ (345,389) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense. | | |
| Capital outlay reported in governmental fund statements | \$ 518,467 | |
| Depreciation expense reported in the statement of activities | (942,647) | |
| Net book value of assets disposed of | <u>(22,192)</u> | (446,372) |
| | | |
| Certain revenues which provide current financial resources are not reported in the statement of activities. | | |
| Decrease in Fire District receivable | | (44,100) |
| | | |
| Bond, note and capital lease proceeds are reported as financing sources in governmental funds and contribute to the change in fund balance. In the statement of net assets issuing debt increases long-term liabilities and does not affect the statement of activities. | | (350,000) |
| | | |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. | | |
| Bonds and notes | 402,475 | |
| Capital leases | <u>3,647</u> | 406,122 |
| | | |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | |
| Decrease in accrued interest payable | 4,860 | |
| Net increase in compensated absences | <u>(16,819)</u> | <u>(11,959)</u> |
| | | |
| Change in net position of governmental activities | | <u><u>\$ (791,698)</u></u> |

CITY OF BRODHEAD
STATEMENT OF NET POSITION—PROPRIETARY FUNDS
December 31, 2014

| | Water and Light Commission | Wastewater Treatment | Storm Water Utility | Total |
|--------------------------------------|----------------------------------|-------------------------|------------------------|----------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and investments | \$ 2,766,784 | \$ 175,807 | \$ 170,967 | \$ 3,113,558 |
| Accounts receivable | 399,644 | 147,131 | 13,263 | 560,038 |
| Inventories | 74,323 | 1,170 | - | 75,493 |
| Total current assets | 3,240,751 | 324,108 | 184,230 | 3,749,089 |
| NONCURRENT ASSETS | | | | |
| Restricted cash and cash equivalents | - | 706,650 | - | 706,650 |
| Other assets | 143 | - | - | 143 |
| Capital assets | | | | |
| Land | 76,374 | 64,100 | - | 140,474 |
| Plant and equipment | 11,113,362 | 8,844,391 | - | 19,957,753 |
| Less accumulated depreciation | (5,877,657) | (4,800,659) | - | (10,678,316) |
| Total noncurrent assets | 5,312,222 | 4,814,482 | - | 10,126,704 |
| Total assets | 8,552,973 | 5,138,590 | 184,230 | 13,875,793 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 288,540 | 3,749 | 12,071 | 304,360 |
| Due to other funds | 212,047 | 16,966 | - | 229,013 |
| Accrued expenses | 29,466 | - | - | 29,466 |
| Accrued interest | 2,040 | 10,274 | - | 12,314 |
| Current portion of note payable | 1,361 | - | - | 1,361 |
| Commitment to community | 1,862 | - | - | 1,862 |
| General obligation debt—current | 20,000 | 27,864 | - | 47,864 |
| Revenue bonds—current | - | 370,548 | - | 370,548 |
| Total current liabilities | 555,316 | 429,401 | 12,071 | 996,788 |
| NONCURRENT LIABILITIES | | | | |
| General obligation debt | - | 152,233 | - | 152,233 |
| Revenue bonds | - | 774,756 | - | 774,756 |
| Compensated absences | 129,330 | 46,034 | - | 175,364 |
| Note payable | 7,346 | - | - | 7,346 |
| Unearned revenues | 13,973 | - | - | 13,973 |
| Total noncurrent liabilities | 150,649 | 973,023 | - | 1,123,672 |
| Total liabilities | 705,965 | 1,402,424 | 12,071 | 2,120,460 |
| NET POSITION | | | | |
| Net investment in capital assets | 5,292,079 | 2,782,431 | - | 8,074,510 |
| Restricted for debt service | - | 706,650 | - | 706,650 |
| Unrestricted | 2,554,929 | 247,085 | 172,159 | 2,974,173 |
| Total net position | \$ 7,847,008 | \$ 3,736,166 | \$ 172,159 | \$ 11,755,333 |

CITY OF BRODHEAD
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION—PROPRIETARY FUNDS
Year Ended December 31, 2014

| | Water and Light Commission | Wastewater Treatment | Storm Water Utility | Total |
|---|----------------------------------|-------------------------|------------------------|----------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 4,234,645 | \$ 815,921 | \$ 78,866 | \$ 5,129,432 |
| Other revenue | 110,245 | 25,282 | 5,126 | 140,653 |
| Total operating revenues | 4,344,890 | 841,203 | 83,992 | 5,270,085 |
| OPERATING EXPENSES | | | | |
| Operation and maintenance | 3,689,003 | 381,576 | 56,534 | 4,127,113 |
| Depreciation | 413,547 | 246,013 | - | 659,560 |
| Total expenditures | 4,102,550 | 627,589 | 56,534 | 4,786,673 |
| Operating income | 242,340 | 213,614 | 27,458 | 483,412 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 20,986 | 3,697 | 426 | 25,109 |
| Interest expense | (1,223) | (45,479) | - | (46,702) |
| Other nonoperating revenue | 2,737 | - | - | 2,737 |
| Total nonoperating revenues (expenses) | 22,500 | (41,782) | 426 | (18,856) |
| Income before contributions and transfers | 264,840 | 171,832 | 27,884 | 464,556 |
| Capital contributions | 136,005 | 62,464 | - | 198,469 |
| Payment in lieu of taxes | (229,013) | - | - | (229,013) |
| Change in net position | 171,832 | 234,296 | 27,884 | 434,012 |
| Net position—beginning of year | 7,675,176 | 3,501,870 | 144,275 | 11,321,321 |
| Net position—end of year | \$ 7,847,008 | \$ 3,736,166 | \$ 172,159 | \$ 11,755,333 |

CITY OF BRODHEAD
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
Year Ended December 31, 2014

| | Water and Light Commission | Wastewater Treatment | Storm Water Utility | Total |
|---|----------------------------------|-------------------------|------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 4,384,621 | \$ 807,300 | \$ 80,505 | \$ 5,272,426 |
| Payments to suppliers | (3,226,472) | (234,222) | 73,264 | (3,387,430) |
| Payments to employees | (419,541) | (141,310) | (123,206) | (684,057) |
| Net cash provided by operating activities | 738,608 | 431,768 | 30,563 | 1,200,939 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Paid to municipality for tax equivalent | (216,651) | - | - | (216,651) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income | 20,986 | 3,697 | 426 | 25,109 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of plant assets | (216,348) | (90,472) | - | (306,820) |
| Capital contributions received | 21,968 | 62,464 | - | 84,432 |
| Principal payments on capital debt | (26,361) | (386,823) | - | (413,184) |
| Interest paid on capital debt | (1,528) | (45,479) | - | (47,007) |
| Net cash used by capital and related financing activities | (222,269) | (460,310) | - | (682,579) |
| Net increase in cash and cash equivalents | 320,674 | (24,845) | 30,989 | 326,818 |
| Cash and cash equivalents—beginning of year | 2,446,110 | 907,302 | 139,978 | 3,493,390 |
| Cash and cash equivalents—end of year | \$ 2,766,784 | \$ 882,457 | \$ 170,967 | \$ 3,820,208 |
| Cash and cash equivalents at year end consist of: | | | | |
| Unrestricted cash and cash equivalents | \$ 2,766,784 | \$ 175,807 | \$ 170,967 | \$ 3,113,558 |
| Restricted cash and cash equivalents | - | 706,650 | - | 706,650 |
| | \$ 2,766,784 | \$ 882,457 | \$ 170,967 | \$ 3,820,208 |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Municipality financed additions to utility plant | \$ 114,037 | \$ - | \$ - | \$ 114,037 |

CITY OF BRODHEAD
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
Year Ended December 31, 2014

| | Water and Light Commission | Wastewater Treatment | Storm Water Utility | Total |
|--|----------------------------------|-------------------------|------------------------|---------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating income | \$ 242,340 | \$ 213,614 | \$ 27,458 | \$ 483,412 |
| Nonoperating revenue | 2,737 | - | - | 2,737 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Depreciation | 413,547 | 246,013 | - | 659,560 |
| Depreciation charged to clearing and other utilities | 4,229 | - | - | 4,229 |
| Changes in assets and liabilities | | | | |
| Accounts receivable | 64,008 | (44,771) | (3,487) | 15,750 |
| Inventory | (548) | - | - | (548) |
| Due (to) from other funds | - | 12,364 | - | 12,364 |
| Accounts payable | 40,794 | (6,620) | 6,592 | 40,766 |
| Commitment to community | (25,961) | - | - | (25,961) |
| Customer deposits | (5,282) | - | - | (5,282) |
| Compensated absences | 5,166 | 11,168 | - | 16,334 |
| Other liabilities | (2,422) | - | - | (2,422) |
| Net cash provided by operating activities | \$ 738,608 | \$ 431,768 | \$ 30,563 | \$ 1,200,939 |

CITY OF BRODHEAD
STATEMENT OF FIDUCIARY ASSETS
December 31, 2014

| | <u>Agency Fund Tax Collection</u> |
|--------------------------|---|
| ASSETS | |
| Cash and investments | \$ 1,632,126 |
| Taxes receivable | <u>843,020</u> |
| Total assets | <u><u>\$ 2,475,146</u></u> |
| | |
| LIABILITIES | |
| Due to other governments | <u>\$ 2,475,146</u> |
| Total liabilities | <u><u>\$ 2,475,146</u></u> |

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

This report includes all of the funds of the City of Brodhead. 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 impose specific financial burdens on the primary government. The City may be financially accountable if an organization is fiscally dependent on the primary government. The Brodhead Water and Light Commission (Commission) is identified as a blended component unit.

Separately issued financial reports are available for the Brodhead Water and Light Commission. These reports may be obtained by contacting the Brodhead Water and Light Commission, 507 19th St, PO Box 227, Brodhead, Wisconsin.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity, except for the fiduciary fund. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

The City reports the following major governmental funds:

General Fund – The general fund is the primary operating fund of the City. The general fund accounts for all financial resources of the City, except those required to be accounted for in another fund.

Capital Service Fund – Capital projects funds are used to account for the acquisition or construction of the City's major capital facilities, other than those financed by proprietary funds and trust funds.

Debt Service Fund – The debt service fund is used to account for financial resources to be used for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs

The City reports the following nonmajor governmental funds:

Special Revenue Fund – Special revenue funds are used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the Business Improvement District and Citizens Park and Recreation as special revenue funds.

The City reports the three major enterprise funds:

Brodhead Water and Light Commission – The water and light fund accounts for the activity of the Commission, a blended component unit of the City. The Commission operates the water and light distribution system for the residents of the City of Brodhead.

Wastewater – The wastewater fund accounts for the City's wastewater treatment and disposal services to residents, business entities, and public authorities of the City.

Storm Water – The storm water fund accounts for storm water management services to residents, business entities and public authorities of the City.

Additionally the City reports the following fiduciary fund:

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

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. Property tax revenue is recognized as revenue in the subsequent year when services financed by the levy are provided. State shared revenues, grants, contributions and interest associated with the current fiscal period are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligible requirements are met, including any time requirements and the amount is received during the period or within 60 days of year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period of 60 days within year end. All other revenue items are considered to be measurable and available only when the cash is received by the City.

Proprietary financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 principle operating revenues of the water utility and sewer utility are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures.

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

Cash and Cash Equivalents

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

Investments are reported at fair value based on quoted market prices except for the State of Wisconsin Local Government Investment Pool (LGIP). The LGIP is part of the State Investment Fund (SIF). The fund operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7. Accordingly the SIF qualifies as a 2a7-like pool and is reported at the net asset value which approximates fair value. The SIF is subject to regulatory oversight by the State of Wisconsin Investment Board although it is not registered with the SEC.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

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

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied in December on the assessed value as of the prior January 1. Taxes are recorded in the year levied as receivables and deferred inflows of resources. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. The City bills and collects its own property taxes and also collects taxes for state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as due to other governments on the accompanying statement of fiduciary assets and liabilities. Property tax calendar 2014 tax roll is as follows:

| | |
|--|------------------|
| Lien date and levy date | December 2014 |
| Tax bills mailed | December 2014 |
| Payment in full, or | January 31, 2015 |
| First installment due | January 31, 2015 |
| Second installment due | July 31, 2015 |
| Personal property taxes in full | January 31, 2015 |
| Tax sale—2014 delinquent real estate taxes | October 2017 |

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

Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements at historical cost. Capital assets are defined by the government as assets with an initial cost of more than \$2,000 for general capital assets with a useful life in excess of 1 year for general capital assets. Water and Light Commission defines capital assets as assets with an initial cost of \$500. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are reported at estimated fair value at the time received.

Interest incurred during the construction phase of capital assets of the proprietary funds is included in the capitalized value of the assets constructed.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

| | |
|-------------------------|---------------|
| Buildings | 20 – 50 years |
| Improvements | 20 years |
| Machinery and Equipment | 5 – 20 years |
| Water and Light System | 3 – 77 years |
| Wastewater treatment | 3 – 60 years |
| Infrastructure | 30 – 50 years |

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

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no qualifying deferred outflows as of December 31, 2014.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Under the modified accrual basis of accounting, the City reports unavailable revenue from property taxes and special assessments in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

City employees are granted vacation and sick leave benefits in varying amounts in accordance with City paid time off policies. Current City employee policy requires vacation be taken in the year accrued unless special circumstances arise. Accrued vacation is paid upon termination. Sick leave may accumulate up to 100 days. Sick leave is paid upon termination or death at 50% of accumulated benefit, except for Commission employees who may after 15 years of continuous service, accumulate 45 days of sick pay to be paid upon retirement.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the governmental funds, a liability for compensated absences is reported only if they have matured (for example, as a result of employee resignations or retirements). In the proprietary funds, compensated absences are accrued as incurred.

Bond Premiums, Discounts and Issuance Costs

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

Commitment to Community

The electric utility charges commitment to community fees to all customers as required by the 1999 Energy Reliability Act. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance programs. The utility is acting as an agent administering the program. Revenues and expenses associated with the program are recorded as a liability on the statement of net position. The account also includes demand side management costs recovered from customers in excess of amounts expended.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is reported in the governmental funds if it has matured. Claims and judgments are recorded in the proprietary funds as expenses when the related liabilities are incurred.

There were no significant claims or judgments at year end.

Fund Balance

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

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

Restricted—Resources that can be spent only for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Net Position

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

Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position—Consists of restricted assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position—the net amount of assets deferred outflows of resources, liabilities, and deferred inflows of resources that are not restricted or included in net investment in capital assets.

Use of Restricted Resources

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

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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

Operating budgets are adopted each year for the general fund and park fund. The original budgets for 2014 were adopted in November 2013.

Deficit Balances

The debt service fund and certain tax incremental district funds had a deficit fund balance of as of December 31, 2014.

| Fund | Amount | Reason |
|------------------------------|------------|---|
| Debt service fund | \$ 188,902 | Deficits of this fund are expected to be covered by the general fund |
| Tax incremental district #4 | 256,846 | Deficits of this fund are expected to be covered by future tax increments |
| Tax incremental district #7 | 165,672 | Deficits of this fund are expected to be covered by future tax increments |
| Citizens park and recreation | 322 | Deficits of this fund are expected to be covered by future user charges |

Limitations on the City Tax Levy

Wisconsin law 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. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2014 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved in a referendum.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3—CASH AND CASH EQUIVALENTS

Cash for all City funds is pooled for investment purposes with the exception of a separate checking account for tax collections. At December 31, 2014, the cash and investments consisted of the following:

| | Statement Balance | Carrying Value | Risk |
|---|----------------------|-------------------|--|
| Cash on hand | \$ 259 | \$ 259 | |
| Deposits with financial institutions | 5,351,216 | 5,028,260 | Custodial credit |
| U.S. agencies | 1,837,703 | 1,837,703 | Credit, custodial credit, interest rate, concentration of credit |
| Wisconsin Local Government Investment Pool | 322,131 | 322,131 | Credit, interest rate |
| | \$ 7,511,309 | \$ 7,188,353 | |

Reconciliation to the basic financial statements:

| | |
|---|--------------|
| Statement of net position | |
| Unrestricted cash and investments | \$ 4,849,577 |
| Restricted cash and investments | 706,650 |
| Statement of fiduciary assets - agency fund | 1,632,126 |
| | \$ 7,188,353 |

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To limit credit risk, the City is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3—CASH AND CASH EQUIVALENTS (continued)

4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Rating Services, Moody's Investors Service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
 - a. Bonds or securities issued under the authority of the municipality.
 - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP).
 - c. Agreements in which a public depository agrees to repay funds advanced to it by the City, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
 - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
 - e. Repurchase agreements with public depositories, with certain conditions.

Deposits in each local and area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for demand deposits and \$250,000 for time deposits. Banks are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

The City has invested funds in the Wisconsin Local Government Investment Pool (LGIP). At December 31, 2014, the fair value of the LGIP's assets were substantially equal to the City's share as noted above. Investments in the local government investment pool are covered under the surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage and principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

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. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances.

The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Custodial Credit Risk

Deposits - Custodial credit is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3—CASH AND CASH EQUIVALENTS (continued)

Investment - 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 investments or collateral securities that are in the possession of an outside party.

The City has \$4,186,674 in deposits and investments exposed to custodial credit risk. The City has not yet adopted a policy that addresses custodial credit risk.

The Brodhead Water & Light Commission adopted an investment policy to diversify its investments by security type and institution. With the exception of US Treasury Securities and authorized pools, no more than the amount of FDIC coverage plus the \$400,000 of State Guaranteed Fund may be maintained with a single financial institution, unless fully collateralized. The Commission investment policy further requires that all investments be insured or registered, or collateralized by or evidenced by, securities held by the utility or its agent in the Commission's name. Investments of \$1,837,703 with the Federal Home Loan Bank and Federal Farm were 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 has not yet adopted a policy that addresses this risk.

As of December 31, 2014, the City held investments in the Local Government Investment Pool (LGIP). The Commission's investments in U.S. Agency Bonds were rated by Moody's Investors Service as AAA.

The Commission's investment policy requires investment in securities rated within the highest or second highest rating category of a nationally recognized rating agency.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2014, all of the Brodhead Water & Light Commission's investment portfolio was invested in U.S Agencies.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3—CASH AND CASH EQUIVALENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The City has not yet adopted a policy that addresses interest rate risk. As of December 31, 2014, the City's investments were as follows:

| Investment Type | Fair Value | Maturity (in years) | | |
|----------------------------------|---------------------|---------------------|---------------------|----------------------|
| | | Less than 1 Year | 1-5 Years | Greater than 5 years |
| Governmental activities | | | | |
| Local Government Investment Pool | \$ 322,131 | \$ 322,131 | \$ - | \$ - |
| Business- type activities | | | | |
| U.S. agencies | 1,837,703 | - | 1,837,703 | - |
| | <u>\$ 2,159,834</u> | <u>\$ 322,131</u> | <u>\$ 1,837,703</u> | <u>\$ -</u> |

Investments Highly Sensitive to Market Changes

At December 31, 2014, the Brodhead Water and Light Commission utility held \$1,837,703 in U.S. Agency investments which mature on various dates through 2018. The market value of those investments at December 31, 2014 was \$1,837,703 and is subject to change at their maturity dates.

The Commission investment policy does not address this risk. The balance consists of repurchase agreements which are approved in the investment policy and can be withdrawn at any time.

NOTE 4—RESTRICTED ASSETS

As a condition of the 1997 Sewerage System Revenue Bonds issued under the State of Wisconsin Clean Water Fund Loan provisions, the City is required to establish a separate fund in which monies will be accumulated to pay the cost for obtaining and installing equipment, accessories or appurtenances which are necessary to maintain the capacity and performance of the wastewater works during its service life. The annual deposit required under these provisions is \$25,053. The City has also voluntarily restricted other monies in a Sewer Equipment Replacement Fund to help fund future sewerage treatment plant equipment and construction costs. The restricted assets of the Wastewater Treatment Fund at December 31, 2014 are summarized as follows:

| | |
|--|-------------------|
| Clean Water Fund Loan Replacement Fund | \$ 423,007 |
| Sewer Equipment Replacement Fund | <u>283,643</u> |
| | <u>\$ 706,650</u> |

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5—INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts the general fund as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The composition of interfund transfers for the year ended December 31, 2014 is as follows:

| <u>Transferred to</u> | <u>Transferred from</u> | <u>Amount</u> |
|-----------------------|------------------------------|-------------------|
| Debt service | General fund | \$ 457,726 |
| Debt service | Capital projects fund | |
| | Tax incremental district # 6 | <u>111,200</u> |
| | | <u>\$ 568,926</u> |

NOTE 6—INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2014 is as follows:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------------|------------------------------|-------------------|
| General fund | Capital projects fund | \$ 256,846 |
| | Tax incremental district # 4 | |
| General fund | Capital projects fund | 164,658 |
| | Tax incremental district #7 | |
| General fund | Debt service fund | 188,902 |
| General fund | Water | 212,047 |
| Capital projects fund | General fund | 140,000 |
| Tax incremental district # 2 | | |
| General fund | Citizens Park fund | 322 |
| General fund | Wastewater | <u>16,966</u> |
| | | <u>\$ 979,741</u> |

The outstanding balances between funds result mainly 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. These amounts include balances of working capital loans to funds which the general fund expects to collect in the subsequent year.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 7—CHARGES FOR SERVICES

The Brodhead Water and Light Commission bills and records revenues monthly based on metered usage. The commission does not accrue revenues beyond billing dates.

Current electric rates were approved by the Public Service Commission of Wisconsin (PSCW) effective June 14, 2012 and are designed to provide a 6% return on rate base.

Current water rates were approved by the PSCW effective May 15, 2001 and are designed to provide a 7.5% return on rate base.

NOTE 8—CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|--|----------------------|---------------------|--------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 957,279 | \$ - | \$ (230) | \$ 957,049 |
| Construction in progress | 52,163 | - | - | 52,163 |
| Total capital assets not being depreciated | 1,009,442 | - | (230) | 1,009,212 |
| Capital assets being depreciated | | | | |
| Land improvements | 2,812,953 | - | - | 2,812,953 |
| Building | 3,679,387 | 21,377 | (93,000) | 3,607,764 |
| Infrastructure | 25,706,654 | 432,120 | - | 26,138,774 |
| Equipment | 1,061,549 | 64,970 | (21,092) | 1,105,427 |
| Total capital assets being depreciated | 33,260,543 | 518,467 | (114,092) | 33,664,918 |
| Less accumulated depreciation | 17,716,936 | 942,647 | (92,129) | 18,567,454 |
| Total capital assets being depreciated-net | 15,543,607 | (424,180) | (21,963) | 15,097,464 |
| Governmental activity capital assets-net | <u>\$ 16,500,886</u> | <u>\$ (424,180)</u> | <u>\$ (22,193)</u> | <u>\$ 16,106,676</u> |

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 8—CAPITAL ASSETS (continued)

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|--------------------|---------------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 140,474 | \$ - | \$ - | \$ 140,474 |
| Capital assets being depreciated | | | | |
| Buildings and equipment | 15,885,325 | 283,026 | (76,043) | 16,092,308 |
| Water distribution system | <u>3,720,425</u> | <u>163,360</u> | <u>(18,340)</u> | <u>3,865,445</u> |
| Total capital assets being depreciated | 19,605,750 | 446,386 | (94,383) | 19,957,753 |
| Less accumulated depreciation | <u>10,071,939</u> | <u>700,760</u> | <u>(94,383)</u> | <u>10,678,316</u> |
| Total capital assets being depreciated-net | <u>9,533,811</u> | <u>(254,374)</u> | <u>-</u> | <u>9,279,437</u> |
| Business-type activities capital assets-net | <u>\$ 9,674,285</u> | <u>\$ (254,374)</u> | <u>\$ -</u> | <u>\$ 9,419,911</u> |

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

| | |
|--|-------------------|
| General government | \$ 72,610 |
| Public safety | 34,780 |
| Public works | 682,918 |
| Leisure activities | <u>152,339</u> |
| Total depreciation expense - governmental activities | <u>\$ 942,647</u> |

NOTE 9—EMPLOYEE RETIREMENT PLAN

All eligible City of Brodhead employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 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. All employees initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees), and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teacher's contracts), but expected to return year after year are considered to have met the one-year requirement.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 9—EMPLOYEE RETIREMENT PLAN (continued)

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including teachers, and executives and elected officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2014 are:

| | Employee | Employer |
|------------------------------------|----------|----------|
| General (including teachers) | 7.00% | 7.00% |
| Executives and elected officials | 7.75% | 7.75% |
| Protective with Social Security | 7.00% | 10.10% |
| Protective without Social Security | 7.00% | 13.70% |

The payroll for City employees covered by the WRS for the year ended December 31, 2014 was \$1,475,391; the employer's total payroll was \$1,715,404. The total required contribution for the year ended December 31, 2014 was \$220,321, which consisted of \$117,044, or 7.9% of payroll from the City and \$103,277, or 7.0% of payroll from employees. Total contributions for the years ended December 31, 2013 and 2012 were \$200,997 and \$181,674, respectively, equal to the required contributions for each year.

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

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 10—LONG-TERM DEBT

Long-term obligations activity for the year ended December 31, 2014 was are follows:

| | Balance 1/1/2014 | Additions | Reductions | Balance 12/31/2014 | Due Within One Year |
|---|---------------------|-------------------|---------------------|-----------------------|------------------------|
| Governmental activities | | | | | |
| General obligation bonds | \$ 560,000 | \$ - | \$ (130,000) | \$ 430,000 | \$ 135,000 |
| Notes payable | 3,113,978 | 350,000 | (272,475) | 3,191,503 | 277,556 |
| Total general obligation debt | 3,673,978 | 350,000 | (402,475) | 3,621,503 | 412,556 |
| | | | | | |
| Capital leases | 5,915 | - | (3,647) | 2,268 | 2,268 |
| Accrued compensated absences | 211,883 | 59,914 | (54,262) | 217,535 | - |
| Total governmental activities long-term liabilities | <u>\$ 3,891,776</u> | <u>\$ 409,914</u> | <u>\$ (460,384)</u> | <u>\$ 3,841,306</u> | <u>\$ 414,824</u> |
| | | | | | |
| Business-type activities | | | | | |
| Revenue bonds | \$ 1,505,067 | \$ - | \$ (359,763) | \$ 1,145,304 | \$ 370,548 |
| General obligation debt | 252,157 | - | (52,060) | 200,097 | 47,864 |
| Total general obligation debt | 1,757,224 | - | (411,823) | 1,345,401 | 418,412 |
| | | | | | |
| Capital leases | 10,067 | - | (1,361) | 8,706 | 1,361 |
| Accrued compensated absences | 159,030 | 61,139 | (44,805) | 175,364 | - |
| Total business-type activities long-term liabilities | <u>\$ 1,926,321</u> | <u>\$ 61,139</u> | <u>\$ (457,989)</u> | <u>\$ 1,529,471</u> | <u>\$ 419,773</u> |

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. 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.

The City has pledged future revenues of the sewer fund, net of specified expenses, to repay \$5,789,600 in revenue bonds issued in 1997. The bonds are payable solely from utility revenues and are payable through 2017.

Wisconsin State Statute 67.03 limits total general obligation indebtedness of the City to five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2014 was \$7,935,905. Total general obligation debt outstanding at December 31, 2014 was \$3,821,600.

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 10—LONG-TERM DEBT (continued)

The following is a list of long term obligations at December 31, 2014:

| Description | Issue Date | Interest Rate (%) | Date of Maturity | Original Amounts | Balance 12/31/2014 | Amounts Due Within One Year |
|---------------------------------|------------|-------------------|------------------|------------------|--------------------|-----------------------------|
| Governmental activities | | | | | | |
| G.O. Bonds | 9/1/2002 | 4.2 - 4.7% | 3/1/2017 | \$ 805,000 | \$ 430,000 | \$ 135,000 |
| G.O. Note | 12/15/2009 | 4 - 4.25% | 3/1/2015 | 1,545,000 | 205,000 | 205,000 |
| G.O. Note | 7/7/2010 | 3.47% | 9/1/2017 | 1,495,000 | 1,420,000 | 60,000 |
| G.O. Note | 9/2/2008 | 4% | 9/2/2018 | 1,000,000 | 1,000,000 | - |
| G.O. Note | 6/16/2014 | 5.50% | 3/15/2027 | 216,503 | 216,503 | 12,556 |
| G.O. Note | 9/12/2014 | 4.25% | 3/15/2034 | 350,000 | 350,000 | - |
| | | | | | <u>3,621,503</u> | <u>\$ 412,556</u> |
| Business-type activities | | | | | | |
| Sewer system revenue bonds | 7/14/1997 | 3.00% | 5/1/2017 | \$ 5,789,600 | \$ 1,145,304 | \$ 370,548 |
| Wisconsin clean water fund | 9/27/2000 | 2.97% | 5/1/2020 | 494,586 | 180,097 | 27,864 |
| G.O. Note | 12/15/2006 | 4 - 4.25% | 3/1/2015 | 195,000 | 20,000 | 20,000 |
| | | | | | <u>1,345,401</u> | <u>\$ 418,412</u> |

Debt service requirements to maturity are as follows:

| Year Ended December 31 | Governmental Activities | | Business-Type Activities | | | | Total | |
|---------------------------|-------------------------|-------------------|--------------------------|------------------|---------------------|------------------|---------------------|-------------------|
| | G.O. Debt | | G.O. Debt | | Revenue Bonds | | Principal | Interest |
| | Principal | Interest | Principal | Interest | Principal | Interest | | |
| 2015 | \$ 412,556 | \$ 121,300 | \$ 47,864 | \$ 5,335 | \$ 370,548 | \$ 28,782 | \$ 830,968 | \$ 155,417 |
| 2016 | 290,300 | 127,692 | 28,691 | 4,095 | 381,657 | 17,506 | 700,648 | 149,293 |
| 2017 | 1,543,703 | 107,805 | 29,543 | 3,231 | 393,099 | 5,893 | 1,966,345 | 116,929 |
| 2018 | 899,922 | 54,760 | 30,421 | 2,340 | - | - | 930,343 | 57,100 |
| 2019 | 31,177 | 20,206 | 31,324 | 1,423 | - | - | 62,501 | 21,629 |
| 2020 - 2024 | 176,937 | 79,977 | 32,254 | 479 | - | - | 209,191 | 80,456 |
| 2025 - 2029 | 266,908 | 58,138 | - | - | - | - | 266,908 | 58,138 |
| | <u>\$ 3,621,503</u> | <u>\$ 569,878</u> | <u>\$ 200,097</u> | <u>\$ 16,903</u> | <u>\$ 1,145,304</u> | <u>\$ 52,181</u> | <u>\$ 4,966,904</u> | <u>\$ 638,962</u> |

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 10—LONG-TERM DEBT (continued)

Capital Leases

The City has entered into lease agreements as lessee to finance the acquisition of equipment valued at \$34,509. This equipment has variable estimated useful lives. This year \$5,407 was included in depreciation expense. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease obligations and net present value on these minimum lease payments as of December 31, 2014, were as follows:

| <u>Year Ended December 31</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|------------------|
| 2015 | \$ 2,268 | \$ 1,361 | \$ 3,629 |
| 2016 | - | 1,361 | 1,361 |
| 2017 | - | 1,361 | 1,361 |
| 2018 | - | 1,361 | 1,361 |
| 2019 | - | 1,361 | 1,361 |
| 2020 - 2024 | - | 1,901 | 1,901 |
| Present value minimum lease payments | <u>\$ 2,268</u> | <u>\$ 8,706</u> | <u>\$ 10,974</u> |

NOTE 11—RISK MANAGEMENT

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

NOTE 12—COMMITMENTS AND CONTINGENCIES

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

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

CITY OF BRODHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 12—COMMITMENTS AND CONTINGENCIES (continued)

Purchased Power Contract

The Brodhead Water and Light Commission is one of 51 WWPI member municipalities located throughout the State of Wisconsin. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric services from WPPI under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

In 2002, all WPPI Energy members ratified a thirteen year extension to their original thirty-five year contracts. The new contract expires at midnight on December 31, 2037.

WPPI Energy's outstanding service obligation to be paid to members through their wholesale power charges through the remainder of the long-term contract was \$455 million as of December 31, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRODHEAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND
Year Ended December 31, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 2,042,264 | \$ 2,042,264 | \$ 2,072,095 | \$ 29,831 |
| Intergovernmental | 1,066,737 | 1,066,737 | 1,131,864 | 65,127 |
| Licenses and permits | 45,625 | 45,625 | 75,849 | 30,224 |
| Fines, forfeitures and penalties | 55,855 | 55,855 | 29,844 | (26,011) |
| Public charges for services | 104,336 | 104,336 | 106,931 | 2,595 |
| Investment income | 5,200 | 5,200 | 901 | (4,299) |
| Miscellaneous | 117,476 | 117,476 | 119,460 | 1,984 |
| Total revenues | 3,437,493 | 3,437,493 | 3,536,944 | 99,451 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 419,897 | 419,897 | 447,152 | (27,255) |
| Public safety | 1,404,449 | 1,404,449 | 1,530,794 | (126,345) |
| Public works | 840,535 | 840,535 | 736,812 | 103,723 |
| Leisure activities | 555,381 | 555,381 | 527,689 | 27,692 |
| Conservation and development | 85,596 | 85,596 | 217,913 | (132,317) |
| Capital outlay | 4,750 | 4,750 | 266,264 | (261,514) |
| Total expenditures | 3,310,608 | 3,310,608 | 3,726,624 | (416,016) |
| Excess (deficiency) of revenues over (under) expenditures | 126,885 | 126,885 | (189,680) | (316,565) |
| Other financing sources (uses) | (151,524) | (151,524) | (57,393) | 94,131 |
| Net change in fund balances | (24,639) | (24,639) | (247,073) | (222,434) |
| Fund balances—beginning of year | 1,561,403 | 1,561,403 | 1,561,403 | - |
| Fund balances—end of year | \$ 1,536,764 | \$ 1,536,764 | \$ 1,314,330 | \$ (222,434) |

CITY OF BRODHEAD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

NOTE 1—BUDGETARY INFORMATION

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

Excess Expenditures Over Appropriations

The following general fund functions had an excess of actual expenditures over appropriations for the year ended December 31, 2014.

| <u>Function</u> | <u>Excess Expenditures</u> |
|------------------------------|--------------------------------|
| General government | \$21,086 |
| Public safety | \$118,603 |
| Conservation and development | 132,317 |

OTHER SUPPLEMENTARY INFORMATION

CITY OF BRODHEAD
COMBINING BALANCE SHEET—CAPITAL PROJECT FUND
 December 31, 2014

| | TIF #2 | TIF #3 | TIF #4 | TIF #5 | TIF #6 | TIF #7 | Total Capital Project Fund |
|---|------------------|------------------|------------------|-----------------|-----------------|------------------|----------------------------------|
| ASSETS | | | | | | | |
| Cash | \$254,853 | \$366,613 | \$ - | \$41,368 | \$58,533 | \$ - | \$721,367 |
| Receivables: | | | | | | | |
| Taxes | 53,266 | 1,487 | 18,863 | 17,777 | 16,457 | 58,737 | 166,587 |
| Due from other funds | 140,000 | - | - | - | - | - | 140,000 |
| Total assets | <u>\$448,119</u> | <u>\$368,100</u> | <u>\$18,863</u> | <u>\$59,145</u> | <u>\$74,990</u> | <u>\$58,737</u> | <u>\$1,027,954</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$16,402 | \$ - | \$ - | \$ - | \$2,299 | \$1,014 | \$19,715 |
| Due to other funds | - | - | 256,846 | - | - | 164,658 | 421,504 |
| Total liabilities | 16,402 | - | 256,846 | - | 2,299 | 165,672 | 441,219 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - property taxes | 53,266 | 1,487 | 18,863 | 17,777 | 16,457 | 58,737 | 166,587 |
| FUND BALANCES | | | | | | | |
| Restricted | 378,451 | 366,613 | - | 41,368 | 56,234 | - | 842,666 |
| Unassigned | - | - | (256,846) | - | - | (165,672) | (422,518) |
| Total fund balances | <u>378,451</u> | <u>366,613</u> | <u>(256,846)</u> | <u>41,368</u> | <u>56,234</u> | <u>(165,672)</u> | <u>420,148</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$448,119</u> | <u>\$368,100</u> | <u>\$18,863</u> | <u>\$59,145</u> | <u>\$74,990</u> | <u>\$58,737</u> | <u>\$1,027,954</u> |

CITY OF BRODHEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—CAPITAL PROJECTS FUND
Year Ended December 31, 2014

| | TIF #2 | TIF #3 | TIF #4 | TIF #5 | TIF #6 | TIF #7 | Total Capital Project Fund |
|--|------------------|------------------|--------------------|-----------------|------------------|--------------------|----------------------------------|
| REVENUES | | | | | | | |
| Taxes | \$102,061 | \$159,790 | \$ 2,877 | \$36,680 | \$ 48,042 | \$ - | \$ 349,450 |
| Intergovernmental | 513 | - | - | 297 | - | - | 810 |
| Public charges for services | - | - | - | - | 30,994 | - | 30,994 |
| Investment income | 254 | 136 | 18 | 32 | 369 | - | 809 |
| Total revenues | 102,828 | 159,926 | 2,895 | 37,009 | 79,405 | - | 382,063 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 1,869 | 1,050 | 150 | 150 | 7,224 | 110 | 10,553 |
| Conservation and development | 60,256 | 170 | - | - | 4,837 | 46,529 | 111,792 |
| Capital outlay | 252,203 | - | - | - | - | - | 252,203 |
| Total expenditures | 314,328 | 1,220 | 150 | 150 | 12,061 | 46,639 | 374,548 |
| Excess (deficiency) of revenues over (under) expenditures | (211,500) | 158,706 | 2,745 | 36,859 | 67,344 | (46,639) | 7,515 |
| Other financing uses | | | | | | | |
| Transfer out | - | - | - | - | (111,200) | - | (111,200) |
| Net change in fund balances | (211,500) | 158,706 | 2,745 | 36,859 | (43,856) | (46,639) | (103,685) |
| Fund balances—beginning of year | 589,951 | 207,907 | (259,591) | 4,509 | 100,090 | (119,033) | 523,833 |
| Fund balances—end of year | \$378,451 | \$366,613 | \$(256,846) | \$41,368 | \$ 56,234 | \$(165,672) | \$ 420,148 |

CITY OF BRODHEAD
 COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2014

| | Special Revenue Funds | | Total Nonmajor Governmental Funds |
|--|-------------------------------------|------------------------------------|--|
| | Business Improvement District | Citizens Park and Recreation | |
| ASSETS | | | |
| Cash and investments | \$ 26,639 | \$ - | \$ 26,639 |
| LIABILITIES | | | |
| Due to other funds | \$ - | \$ 322 | \$ 322 |
| FUND BALANCES | | | |
| Assigned | 26,639 | - | 26,639 |
| Unassigned | - | (322) | (322) |
| Total fund balances | 26,639 | (322) | 26,317 |
| Total liabilities and fund balances | \$ 26,639 | \$ - | \$ 26,639 |

CITY OF BRODHEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2014

| | Special Revenue funds | | Total Nonmajor Governmental Funds |
|------------------------------------|-------------------------------------|------------------------------------|--|
| | Business Improvement District | Citizens Park and Recreation | |
| REVENUES | | | |
| Taxes | \$ 8,534 | \$ - | \$ 8,534 |
| Investment income | 75 | 12 | 87 |
| Miscellaneous | 12,482 | 2,200 | 14,682 |
| Total revenues | 21,091 | 2,212 | 23,303 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 55 | - | 55 |
| Public works | 1,400 | - | 1,400 |
| Leisure activities | 7,555 | - | 7,555 |
| Conservation and development | 24,672 | - | 24,672 |
| Total expenditures | 33,682 | - | 33,682 |
| Net change in fund balances | (12,591) | 2,212 | (10,379) |
| Fund balance—beginning of year | 39,230 | (2,534) | 36,696 |
| Fund balances—end of year | \$ 26,639 | \$ (322) | \$ 26,317 |



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Board
City of Brodhead, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Brodhead, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Brodhead's basic financial statements, and have issued our report thereon dated August 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Brodhead's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Brodhead's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brodhead's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Brodhead's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Janesville Office:

101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:

123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Pewaukee Office:

W239 N3490 Pewaukee Road
Suite 200
Pewaukee, WI 53072
P: (262) 522-7555
F: (262) 522-7550

Madison Office:

2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

City of Brodhead's Response to Finding

The City of Brodhead's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Brodhead's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
August 24, 2015

CITY OF BRODHEAD
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2014

2014-1

Condition: Management of the City of Brodhead has not adequately designed a process for the preparation of financial statements and related notes in accordance with generally accepted accounting principles.

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Cause: Due to limited resources, management has decided to accept certain risks relevant to financial reporting and relies on the auditor to assist with the preparation of the City's audited financial statements.

Effect: Because management relies on the auditor to assist with the preparation of the audited financial statements, the City's system of internal control may not prevent, detect, or correct misstatements in the financial statements.

Recommendation: The auditor will continue to work with the City, providing information and training where needed, to make the City's personnel more knowledgeable about its responsibility for the audited financial statements.

Views of Responsible Officials and Planned Corrective Actions: The control deficiency has been discussed with the City board and we acknowledge our responsibility for the audited financial statements. We will continue to work with the auditor to implement changes to the internal control structure.