

**CITY OF BRODHEAD**

Brodhead, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2015

# CITY OF BRODHEAD

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# CITY OF BRODHEAD

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**INDEPENDENT AUDITORS' REPORT**

To the City 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brodhead, Wisconsin as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Brodhead's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City of Brodhead's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Brodhead'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.

To the City Council  
City of Brodhead

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brodhead, Wisconsin as of December 31, 2015 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.

### ***Emphasis of Matter***

As discussed in Note I, the City of Brodhead adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinions are not modified with respect to this matter.

As discussed in Note III to the financial statements, net position and fund balance as of December 30, 2014 have been restated to correct a material misstatement. Our opinions are not modified with respect to this matter.

### ***Other Matters***

The financial statements of the City of Brodhead as of December 31, 2014, prior to restatement, were audited by other auditors whose report dated August 24, 2015, expressed unmodified opinions on those statements.

As part of the audit of the December 31, 2015 financial statements, we also audited the adjustments described in Note III that were applied to restate the December 31, 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2014 financial statements of the City of Brodhead other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2014 financial statements as a whole.

### ***Required Supplementary Information***

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

Management has omitted the 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 opinions on the basic financial statements are not affected by this missing information.

To the City Council  
City of Brodhead

*Supplementary 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 accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 accompanying supplementary information is 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 December 19, 2016 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 the City of Brodhead's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
December 19, 2016

## CITY OF BROADHEAD

### STATEMENT OF NET POSITION As of December 31, 2015

	Governmental Activities	Business-type Activities	Totals	Business Improvement District
<b>ASSETS</b>				
Cash and investments	\$ 1,701,256	\$ 3,204,624	\$ 4,905,880	\$ 11,539
Receivables (net)				
Taxes	2,040,384	-	2,040,384	8,544
Accounts	-	478,198	478,198	-
Special assessments	121,884	-	121,884	-
Delinquent personal property taxes	3,060	-	3,060	-
Other Receivables	123,977	-	123,977	-
Internal balances	161,872	(161,872)	-	-
Due from other governmental units	318,879	-	318,879	-
Inventories	-	76,092	76,092	-
Other assets	-	143	143	-
Restricted assets				
Cash and investments	-	709,963	709,963	-
Net pension asset	194,382	100,905	295,287	-
Capital Assets				
Land	957,049	140,474	1,097,523	-
Construction in progress	85,355	115,988	201,343	-
Capital assets, net of depreciation	<u>14,597,652</u>	<u>9,005,193</u>	<u>23,602,845</u>	-
Total Assets	<u>20,305,750</u>	<u>13,669,708</u>	<u>33,975,458</u>	<u>20,083</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related amounts	<u>186,388</u>	<u>106,672</u>	<u>293,060</u>	-
<b>LIABILITIES</b>				
Accounts payable	85,004	289,974	374,978	-
Other accrued liabilities	75,233	32,601	107,834	-
Due to other governmental units	253,100	-	253,100	-
Deposits	151	30,858	31,009	-
Commitment to community	-	5,396	5,396	-
Noncurrent Liabilities				
Due within one year	376,484	416,539	793,023	-
Due in more than one year	<u>3,433,565</u>	<u>675,693</u>	<u>4,109,258</u>	-
Total Liabilities	<u>4,223,537</u>	<u>1,451,061</u>	<u>5,674,598</u>	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenues	<u>2,097,483</u>	<u>11,178</u>	<u>2,108,661</u>	<u>8,544</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,610,161	8,327,321	20,937,482	-
Restricted	1,147,814	810,868	1,958,682	-
Unrestricted	<u>413,143</u>	<u>3,175,952</u>	<u>3,589,095</u>	<u>11,539</u>
<b>TOTAL NET POSITION</b>	<u>\$ 14,171,118</u>	<u>\$ 12,314,141</u>	<u>\$ 26,485,259</u>	<u>\$ 11,539</u>

See accompanying notes to financial statements.

# CITY OF BRODHEAD

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 518,094	\$ 10,973	\$ 12,599	\$ -
Public safety	1,534,793	75,032	9,090	-
Public works	715,656	5,048	177,806	6,416
Culture, education and recreation	792,012	79,010	144,393	18,500
Conservation and development	490,446	5,258	-	-
Interest and fiscal charges	139,151	-	-	-
Total Governmental Activities	4,190,152	175,321	343,888	24,916
Business-type Activities				
Water & Light Commission	4,188,004	4,374,842	105,539	28,288
Wastewater Treatment	632,767	857,985	22,758	-
Storm Water Utility	62,373	79,196	5,038	-
Total Business-type Activities	4,883,144	5,312,023	133,335	28,288
Total Primary Government	\$ 9,073,296	\$ 5,487,344	\$ 477,223	\$ 53,204
Component Unit				
Business Improvement District	\$ 38,711	\$ 8,434	\$ 8,713	\$ -
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, levied for TIF districts				
Property taxes, levied for library				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Investment income (loss)				
Sale of Capital Assets				
Miscellaneous				
Total General Revenues				
Transfers				
<b>Change in net position</b>				
NET POSITION - Beginning of Year (as restated)				
<b>NET POSITION - END OF YEAR</b>				

See accompanying notes to financial statements.



Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	Business Improvement District
\$ (494,522)	\$ -	\$ (494,522)	\$ -
(1,450,671)	-	(1,450,671)	-
(526,386)	-	(526,386)	-
(550,109)	-	(550,109)	-
(485,188)	-	(485,188)	-
(139,151)	-	(139,151)	-
<u>(3,646,027)</u>	<u>-</u>	<u>(3,646,027)</u>	<u>-</u>
-	320,665	320,665	-
-	247,976	247,976	-
-	21,861	21,861	-
<u>-</u>	<u>590,502</u>	<u>590,502</u>	<u>-</u>
<u>(3,646,027)</u>	<u>590,502</u>	<u>(3,055,525)</u>	<u>-</u>
-	-	-	(21,564)
1,315,733	-	1,315,733	-
429,126	-	429,126	-
166,371	-	166,371	-
179,535	-	179,535	-
34,757	-	34,757	-
738,402	-	738,402	-
(630)	28,089	27,459	54
4,655	-	4,655	-
9,364	2,088	11,452	6,410
<u>2,877,313</u>	<u>30,177</u>	<u>2,907,490</u>	<u>6,464</u>
<u>264,793</u>	<u>(264,793)</u>	<u>-</u>	<u>-</u>
(503,921)	355,886	(148,035)	(15,100)
<u>14,675,039</u>	<u>11,958,255</u>	<u>26,633,294</u>	<u>26,639</u>
<u>\$ 14,171,118</u>	<u>\$ 12,314,141</u>	<u>\$ 26,485,259</u>	<u>\$ 11,539</u>

See accompanying notes to financial statements.

# CITY OF BRODHEAD

## BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2015

	General Fund	Debt Service Fund	TIF Capital Projects Fund
<b>ASSETS</b>			
Cash and investments	\$ 819,404	\$ -	\$ 527,600
Receivables			
Taxes	1,354,091	327,022	175,125
Other receivables	-	-	123,977
Special assessments	109,234	-	12,650
Delinquent personal property taxes	3,060	-	-
Due from other governments	570	318,309	-
Due from other funds	231,770	-	-
Advances to other funds	352,395	-	-
	<u>\$ 2,870,524</u>	<u>\$ 645,331</u>	<u>\$ 839,352</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 83,628	\$ -	\$ -
Accrued liabilities	11,470	-	-
Deposits	151	-	-
Due to other governments	8,698	-	244,402
Due to other funds	69,729	-	-
Advances from other funds	-	114,717	237,678
Total Liabilities	<u>173,676</u>	<u>114,717</u>	<u>482,080</u>
Deferred Inflows of Resources			
Unearned revenues	1,411,190	327,022	175,125
Unavailable revenues	4,265	-	136,627
Total Deferred Inflows of Resources	<u>1,415,455</u>	<u>327,022</u>	<u>311,752</u>
Fund Balances			
Nonspendable	355,455	-	-
Restricted	-	318,309	283,198
Unassigned (deficit)	925,938	(114,717)	(237,678)
Total Fund Balances	<u>1,281,393</u>	<u>203,592</u>	<u>45,520</u>
	<u>\$ 2,870,524</u>	<u>\$ 645,331</u>	<u>\$ 839,352</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			

See accompanying notes to financial statements.

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Nonmajor Governmental Funds	Totals
\$ 354,252	\$ 1,701,256
184,146	2,040,384
-	123,977
-	121,884
-	3,060
-	318,879
-	231,770
-	352,395
<u>\$ 538,398</u>	<u>\$ 4,893,605</u>

\$ 1,376	\$ 85,004
951	12,421
-	151
-	253,100
169	69,898
-	352,395
<u>2,496</u>	<u>772,969</u>

184,146	2,097,483
-	140,892
<u>184,146</u>	<u>2,238,375</u>

-	355,455
351,925	953,432
(169)	573,374
<u>351,756</u>	<u>1,882,261</u>

<u>\$ 538,398</u>	<u>\$ 4,893,605</u>
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See accompanying notes to financial statements.

## CITY OF BRODHEAD

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2015

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Total Fund Balances - Governmental Funds	\$	1,882,261
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land		957,049
Construction in progress		85,355
Other capital assets		34,150,686
Less: Accumulated depreciation		(19,553,034)

Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.		140,892
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The net pension asset does not relate to current financial resources and is not reported in the governmental funds.		194,382
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Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		186,388
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Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable		(3,539,812)
Compensated absences		(245,342)
Accrued interest		(62,812)
Leases		(24,895)
		<u>(4,872,801)</u>

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>14,171,118</u></b>
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## CITY OF BRODHEAD

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	General Fund	Debt Service Fund	TIF Capital Projects Fund
<b>REVENUES</b>			
Taxes	\$ 1,928,156	\$ -	\$ 166,371
Special assessments	4,212	-	5,730
Intergovernmental	923,022	-	2,277
Licenses and permits	60,547	-	-
Fines, forfeitures and penalties	58,581	-	-
Public charges for services	74,327	-	-
Investment income (loss)	(1,730)	16	819
Miscellaneous	69,853	45,900	30,994
Total Revenues	3,116,968	45,916	206,191
<b>EXPENDITURES</b>			
Current			
General government	425,509	-	11,917
Public safety	1,401,639	-	-
Public works	461,858	-	-
Culture, recreation and education	284,998	-	-
Conservation and development	113,625	-	287,404
Capital Outlay	201,209	-	91,931
Debt Service			
Principal	-	616,503	-
Interest and fiscal charges	-	110,257	-
Total Expenditures	2,888,838	726,760	391,252
Excess (deficiency) of revenues over expenditures	228,130	(680,844)	(185,061)
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt issued	-	534,812	-
Property sales	4,655	-	-
Proceeds of capital leases	29,288	-	-
Transfers in	231,601	538,526	-
Transfers out	(826,497)	-	(209,400)
Total Other Financing Sources (Uses)	(560,953)	1,073,338	(209,400)
<b>Net Change in Fund Balances</b>	(332,823)	392,494	(394,461)
FUND BALANCES (DEFICIT) - Beginning of Year (as restated)	1,614,216	(188,902)	439,981
<b>FUND BALANCES - END OF YEAR</b>	\$ 1,281,393	\$ 203,592	\$ 45,520

See accompanying notes to financial statements.

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Nonmajor Governmental Funds	Totals
\$ -	\$ 2,094,527
-	9,942
78,197	1,003,496
-	60,547
-	58,581
11,748	86,075
264	(631)
<u>3,398</u>	<u>150,145</u>
<u>93,607</u>	<u>3,462,682</u>
-	437,426
-	1,401,639
-	461,858
236,887	521,885
2,013	403,042
-	293,140
-	616,503
-	<u>110,257</u>
<u>238,900</u>	<u>4,245,750</u>
<u>(145,293)</u>	<u>(783,068)</u>
-	534,812
-	4,655
-	29,288
497,371	1,267,498
-	<u>(1,035,897)</u>
<u>497,371</u>	<u>800,356</u>
352,078	17,288
<u>(322)</u>	<u>1,864,973</u>
<u>\$ 351,756</u>	<u>\$ 1,882,261</u>

See accompanying notes to financial statements.

## CITY OF BRODHEAD

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2015

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Net change in fund balances - total governmental funds	\$	17,288
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		578,814
Depreciation is reported in the government-wide financial statements		(988,079)
Net book value of assets retired		(16,088)
<p>Contributed capital assets are reported as revenues in the government-wide financial statements.</p>		
		33,192
<p>Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.</p>		
Fire department receivable		(95,399)
<p>Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Debt issued		(534,812)
Leases issued		(29,288)
Principal repaid - debt		616,503
Principal repaid - capital lease		6,661
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences		(44,089)
Accrued interest on debt		(28,893)
Net pension asset/liability		(125,791)
Deferred outflows of resources related to pensions		<u>106,060</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(503,921)</u></b>

See accompanying notes to financial statements.

## CITY OF BROADHEAD

### STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2015

	Business-type Activities - Enterprise Funds			Totals
	Water and Light Commission	Wastewater Treatment	Nonmajor Enterprise Fund - Storm Water Utility	
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 2,842,696	\$ 199,047	\$ 162,881	\$ 3,204,624
Receivables				
Accounts	339,964	127,828	10,406	478,198
Due from other funds	-	66,986	2,743	69,729
Inventories	74,922	1,170	-	76,092
Total Current Assets	3,257,582	395,031	176,030	3,828,643
Noncurrent Assets				
Restricted Assets				
Net pension asset	82,386	17,742	777	100,905
Equipment replacement	-	709,963	-	709,963
Capital Assets				
Land	76,374	64,100	-	140,474
Construction in progress	73,563	42,425	-	115,988
Utility Plant	11,394,024	8,844,391	-	20,238,415
Less: Accumulated depreciation	(6,185,503)	(5,047,719)	-	(11,233,222)
Other Assets				
Nonutility property	143	-	-	143
Total Noncurrent Assets	5,440,987	4,630,902	777	10,072,666
Total Assets	8,698,569	5,025,933	176,807	13,901,309
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related amounts	87,052	18,508	1,112	106,672
Total Deferred Outflows of Resources	87,052	18,508	1,112	106,672

See accompanying notes to financial statements.



	Business-type Activities - Enterprise Funds			Totals
	Water and Light Commission	Wastewater Treatment	Nonmajor Enterprise Fund - Storm Water Utility	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	251,130	23,755	15,089	289,974
Due to other funds	216,929	14,672	-	231,601
Deposits	30,858	-	-	30,858
Accrued wages	19,490	2,856	-	22,346
Accrued interest	414	4,625	-	5,039
Sales tax payable	5,216	-	-	5,216
Current portion of note payable	1,361	-	-	1,361
Current portion of general obligation debt	-	28,690	-	28,690
Current portion of revenue bonds	-	381,657	-	381,657
Commitment to community	5,396	-	-	5,396
Current portion of compensated absences	-	4,831	-	4,831
Total Current Liabilities	<u>530,794</u>	<u>461,086</u>	<u>15,089</u>	<u>1,006,969</u>
Noncurrent Liabilities				
Long-Term Debt				
General obligation debt payable	-	123,542	-	123,542
Revenue bonds payable	-	393,099	-	393,099
Notes payable	5,985	-	-	5,985
Other Liabilities				
Compensated absences	<u>106,002</u>	<u>47,065</u>	-	<u>153,067</u>
Total Noncurrent Liabilities	<u>111,987</u>	<u>563,706</u>	-	<u>675,693</u>
Total Liabilities	<u>642,781</u>	<u>1,024,792</u>	<u>15,089</u>	<u>1,682,662</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenues	<u>11,178</u>	-	-	<u>11,178</u>
Total Deferred Inflows of Resources	<u>11,178</u>	-	-	<u>11,178</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,351,112	2,976,209	-	8,327,321
Restricted for				
Pension	82,386	17,742	777	100,905
Equipment replacement	-	709,963	-	709,963
Unrestricted	<u>2,698,164</u>	<u>315,735</u>	<u>162,053</u>	<u>3,175,952</u>
<b>TOTAL NET POSITION</b>	<u>\$ 8,131,662</u>	<u>\$ 4,019,649</u>	<u>\$ 162,830</u>	<u>\$ 12,314,141</u>

See accompanying notes to financial statements.

## CITY OF BROADHEAD

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			Totals
	Water & Light Commission	Wastewater Treatment	Nonmajor Enterprise Fund - Storm Water Utility	
<b>OPERATING REVENUES</b>				
Public charges for services	\$ 4,374,842	\$ 857,985	\$ 79,196	\$ 5,312,023
Miscellaneous operating revenues	<u>105,539</u>	<u>22,758</u>	<u>5,038</u>	<u>133,335</u>
Total Operating Revenues	<u>4,480,381</u>	<u>880,743</u>	<u>84,234</u>	<u>5,445,358</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	3,757,073	357,639	62,373	4,177,085
Depreciation	<u>430,905</u>	<u>247,060</u>	<u>-</u>	<u>677,965</u>
Total Operating Expenses	<u>4,187,978</u>	<u>604,699</u>	<u>62,373</u>	<u>4,855,050</u>
Operating Income	<u>292,403</u>	<u>276,044</u>	<u>21,861</u>	<u>590,308</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	23,756	3,932	401	28,089
Interest expense	(26)	(28,068)	-	(28,094)
Miscellaneous	<u>2,088</u>	<u>-</u>	<u>-</u>	<u>2,088</u>
Total Nonoperating Revenues (Expenses)	<u>25,818</u>	<u>(24,136)</u>	<u>401</u>	<u>2,083</u>
Income Before Contributions and Transfers	<u>318,221</u>	<u>251,908</u>	<u>22,262</u>	<u>592,391</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions	28,288	-	-	28,288
Transfers - Tax equivalent	(231,601)	-	-	(231,601)
Transfers out	<u>-</u>	<u>-</u>	<u>(33,192)</u>	<u>(33,192)</u>
Total Contributions and Transfers	<u>(203,313)</u>	<u>-</u>	<u>(33,192)</u>	<u>(236,505)</u>
<b>Change in Net Position</b>	114,908	251,908	(10,930)	355,886
NET POSITION - Beginning of Year (as restated)	<u>8,016,754</u>	<u>3,767,741</u>	<u>173,760</u>	<u>11,958,255</u>
<b>NET POSITION- END OF YEAR</b>	<u>\$ 8,131,662</u>	<u>\$ 4,019,649</u>	<u>\$ 162,830</u>	<u>\$ 12,314,141</u>

See accompanying notes to financial statements.

# CITY OF BRODHEAD

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			Totals
	Water & Light Commission	Wastewater Treatment	Nonmajor Enterprise Fund - Storm Water Utility	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from customers	\$ 4,314,540	\$ 833,059	\$ 84,347	\$ 5,231,946
Received from municipality for services	242,769	-	-	242,769
Paid to suppliers for goods and services	(3,401,323)	(228,673)	(52,187)	(3,682,183)
Paid to employees for services	(392,740)	(107,212)	(7,455)	(507,407)
Net Cash Flows From Operating Activities	<u>763,246</u>	<u>497,174</u>	<u>24,705</u>	<u>1,285,125</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	23,756	3,932	401	28,089
Net Cash Flows From Investing Activities	<u>23,756</u>	<u>3,932</u>	<u>401</u>	<u>28,089</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Paid to municipality for tax equivalent Transfers	(226,719)	-	-	(226,719)
Net Cash Flows From Noncapital Financing Activities	<u>(226,719)</u>	<u>-</u>	<u>(33,192)</u>	<u>(259,911)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Debt retired	(21,361)	(398,412)	-	(419,773)
Interest paid	(400)	(33,716)	-	(34,116)
Acquisition and construction of capital assets	(479,338)	(42,425)	-	(521,763)
Capital contributions received	16,728	-	-	16,728
Net Cash Flows From Capital and Related Financing Activities	<u>(484,371)</u>	<u>(474,553)</u>	<u>-</u>	<u>(958,924)</u>
<b>Net Change in Cash and Cash Equivalents</b>	75,912	26,553	(8,086)	94,379
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,766,784</u>	<u>882,457</u>	<u>170,967</u>	<u>3,820,208</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,842,696</u>	<u>\$ 909,010</u>	<u>\$ 162,881</u>	<u>\$ 3,914,587</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Water & Light Commission	Wastewater Treatment	Nonmajor Enterprise Fund - Storm Water Utility	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income	\$ 292,403	\$ 276,044	\$ 21,861	\$ 590,308
Nonoperating revenue	2,088	-	-	2,088
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation	430,905	247,060	-	677,965
Depreciation charged to other funds	4,991	-	-	4,991
Changes in assets and liabilities				
Customer accounts receivable	59,680	(35,895)	(697)	23,088
Receivable from municipality	-	(11,788)	810	(10,978)
Materials and supplies	(599)	-	-	(599)
Pension related deferrals and assets	308	306	(289)	325
Accounts payable	(30,039)	15,024	3,020	(11,995)
Commitment to community	3,534	-	-	3,534
Customer deposits	6,635	-	-	6,635
Compensated absences	(23,328)	-	-	(23,328)
Other current liabilities	16,668	8,717	-	25,385
Due to other funds	-	(2,294)	-	(2,294)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 763,246</u>	<u>\$ 497,174</u>	<u>\$ 24,705</u>	<u>\$ 1,285,125</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>				
Cash and investments	\$ 2,842,696	\$ 199,047	\$ 162,881	\$ 3,204,624
Restricted cash and investments	-	709,963	-	709,963
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 2,842,696</u>	<u>\$ 909,010</u>	<u>\$ 162,881</u>	<u>\$ 3,914,587</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Customer financed additions to utility plant	\$ 11,560	-	-	

See accompanying notes to financial statements.

# CITY OF BRODHEAD

## STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND As of December 31, 2015

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,645,831
Receivables	
Taxes	<u>884,252</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,530,083</u></u>
<b>LIABILITIES</b>	
Other current liabilities	\$ 4,474
Due to other governments	<u>2,525,609</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 2,530,083</u></u>

See accompanying notes to financial statements.

# CITY OF BRODHEAD

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### ***A. REPORTING ENTITY***

This report includes all of the funds of the City. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### A. REPORTING ENTITY (cont.)

##### ***Discretely Presented Component Unit***

###### *Business Improvement District*

The government-wide financial statements include the Business Improvement District ("BID") as a component unit. The BID is a legally separate organization. The board of the BID is appointed by the Mayor and approved by the City Council. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the BID, and also create a potential financial benefit to or burden on the City. See Note III.J. As a component unit, the BID's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2015. The BID does not issue separate financial statements.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2012, the GASB issued statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. In November 2013, the GASB issued statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. These standards were implemented January 1, 2015.

##### ***Government-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.



# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

#### ***Fund Financial Statements***

Financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Debt service fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- TIF Capital projects fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the TID programs.

The City reports the following major enterprise funds:

- Water and Electric Utility - accounts for operations of the water and electric system
- Wastewater Utility - accounts for operations of the wastewater system

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

#### ***Fund Financial Statements (cont.)***

The City reports the following nonmajor governmental and enterprise fund:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Library Fund  
Citizens Park and Recreation  
Revolving Loan Fund

Enterprise Funds - used to account for and report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Storm Water Utility

In addition, the City reports the following fund types:

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

Tax Collection

### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

#### ***Government-Wide Financial Statements***

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)*

##### *Government-Wide Financial Statements (cont.)*

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

##### *Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. Delinquent special assessments being held by the county are reported as receivables and unavailable revenues. At December 31, 2015, there were \$6,606 of unrecorded anticipated future assessments which are not recorded as receivables in the Water and Light Utility because collection is subject to certain events occurring in the future. No formal repayment schedule has been established.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

##### ***Fund Financial Statements (cont.)***

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Electric, Wastewater and Storm Water funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY***

##### ***1. Deposits and Investments***

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

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

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

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

***1. Deposits and Investments (cont.)***

The City has not adopted an investment policy. However, the Water and Light Commission ("Commission") has adopted an investment policy. The Commission's policy is to follow the state statutes for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. 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 balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2015, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

***2. Receivables***

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

Property tax calendar - 2015 tax roll:

Lien date and levy date	December 2015
Tax bills mailed	December 2015
Payment in full, or	January 31, 2016
First installment due	January 31, 2016
Second installment due	July 31, 2016
Personal property taxes in full	January 31, 2016
Tax sale - 2015 delinquent real estate taxes	October 2018

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

**2. *Receivables*** (cont.)

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

In prior years, the City entered into a developer agreement pertaining to TIF No. 6. The developer guaranteed a minimum increase in equalized value. This did not occur; as a result, the developer owed the difference between the increase that the developer committed, and the taxes on the actual increase which amounted to \$216,959 as of January 1, 2013. The scheduled remaining payments from the developer to the City are as follows:

2016	\$	30,994
2017		30,994
2018		30,994
2019		<u>30,995</u>
Total	\$	<u>123,977</u>

The developer owes amounts for years 2013 to present, however, the amount has not yet been determined.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***2. Receivables (cont.)***

In 2015, the City of Brodhead took out a State Trust Fund Loan in the amount of \$318,309. The bond proceeds were loaned to the City of Brodhead fire department for the purchase of a new fire truck. The City of Brodhead fire department is scheduled to make the following payments:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 62,123	\$ 6,052
2017	62,184	5,991
2018	63,742	4,433
2019	65,339	2,836
2020	<u>64,921</u>	<u>1,203</u>
Total	<u>\$ 318,309</u>	<u>\$ 20,515</u>

##### ***3. Inventories***

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the purchases method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or operation and maintenance expense when used.

##### ***4. Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

##### ***5. Capital Assets***

###### ***Government-Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. City, wastewater and stormwater capital assets are defined by the government as assets with an initial cost of more than \$2,000 for general capital assets and \$2,000 for infrastructure assets, and an estimated useful life in excess of one year. Water and Light Commission assets are defined by the Commission as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### **5. Capital Assets (cont.)**

###### ***Government-Wide Statements (cont.)***

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

Depreciation and amortization 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 and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50	Years
Land Improvements	20	Years
Machinery and Equipment	5-20	Years
Utility System	3-77	Years
Infrastructure	30-50	Years

###### ***Fund Financial Statements***

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

##### **6. Deferred Outflows of Resources**

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

##### **7. Compensated Absences**

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



# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***7. Compensated Absences (cont.)***

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

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

##### ***8. Long-Term Obligations***

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

##### ***9. Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

##### ***10. Equity Classifications***

###### ***Government-Wide Statements***

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use 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.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

---

## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

#### ***10. Equity Classifications (cont.)***

##### ***Government-Wide Statements (cont.)***

- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

##### ***Fund Statements***

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution, adopted a financial policy authorizing the Administrator to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

---

## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

### *D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)*

#### *10. Equity Classifications (cont.)*

##### *Fund Statements (cont.)*

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. H. for further information.

#### *11. Basis for Existing Rates*

##### *Water*

Current water rates were approved by the Public Service Commission of Wisconsin on December 14, 2015. The authorized rate of return is 2.0%.

##### *Electric*

Current electric rates were approved by the PSCW on June 14, 2012. The authorized rate of return is 6.0%.

##### *Wastewater*

Current wastewater rates were approved by the City Council on April 16, 2013 and implemented on May 7, 2013.

##### *Stormwater*

Current stormwater rates were approved and implemented by the City Council on February 8, 2010.

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## NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### *A. BUDGETARY INFORMATION*

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

### **NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)**

#### **A. BUDGETARY INFORMATION (cont.)**

A budget has been adopted for all funds except for the Revolving Loan Fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The City may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the fund level of expenditure.

#### **B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS**

Funds	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Excess Expenditures Over Budget
Debt service	\$ 538,525	\$ 726,760	\$ 188,235

The City controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report.

#### **C. DEFICIT BALANCES**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2015, the following individual funds held a deficit balance:

Fund	Amount	Reason
Citizens Park and Recreation	\$ 169	Deficits of this fund are expected to be covered by future user charges
Tax Incremental District #5 *	24,974	Deficits of this fund are expected to be covered by future tax increments
Tax Incremental District #6 *	61,483	Deficits of this fund are expected to be covered by future tax increments
Tax Incremental District #7 *	151,221	Deficits of this fund are expected to be covered by future tax increments

\* These amounts are reported within the TIF Capital Projects fund.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)**

**C. DEFICIT BALANCES (cont.)**

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases.

**D. LIMITATIONS ON THE CITY'S 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 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

**NOTE III - DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 4,543,895	\$ 4,207,381	Custodial credit risk
U.S. agencies - implicitly guaranteed	1,956,706	1,956,706	Custodial credit, interest rate, concentration of credit, credit
LGIP	397,604	397,604	Credit risk
Repurchase agreements - implicitly guaranteed U.S. agencies	374,048	374,048	Custodial credit, interest rate, concentration of credit, credit
Petty cash	960	-	N/A
Total Deposits and Investments	\$ 7,273,213	\$ 6,935,739	

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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#### A. DEPOSITS AND INVESTMENTS (cont.)

Reconciliation to financial statements

Per statement of net position	
Unrestricted cash and investments	\$ 4,905,880
Restricted cash and investments	709,963
Business Improvement District	11,539
Per statement of net position	
Agency Fund	<u>1,645,831</u>
Total Deposits and Investments	<u>\$ 7,273,213</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

The Water and Light Commission maintains collateral agreements with its banks. At December 31, 2015, the banks had pledged various government securities in the amount of \$2,102,140 to secure the City's deposits.

#### ***Custodial Credit Risk***

##### **Deposits**

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

As of December 31, 2015, \$2,563,013 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 2,563,013</u>
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# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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#### A. DEPOSITS AND INVESTMENTS (cont.)

##### **Custodial Credit Risk** (cont.)

##### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2015, the City's investments were exposed to custodial credit risk as follows:

Investment Type

Federal Home Loan Bank and Federal Farm Credit Bank	<u>\$ 1,956,706</u>
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The utility's investment policy addresses this risk. It requires diversifying investments by security type and institution. With the exception of U.S. Treasury Securities and authorized pools, no more than the amount of FDIC coverage plus the \$400,000 of State Deposit Guarantee Fund may be maintained with a single financial institution, unless fully collateralized.

##### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2015, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investors Services</u>
U.S. Agencies	AAA

The utility's investment policy addresses this risk. It requires the investments to be with entities that are rated within the highest or second highest rating category of a nationally recognized rating agency.

The City also held investments in LGIP, an external investment pool which is not rated.

##### **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.

## CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### A. DEPOSITS AND INVESTMENTS (cont.)

##### **Concentration of Credit Risk** (cont.)

At December 31, 2015, the City's investment portfolio was concentrated as follows:

Investment Type	Percentage of Portfolio
U.S. Agencies	100.00%

The utility's investment policy addresses this risk. It requires that it diversify its investments by security type and institution. With the exception of U.S. Treasury Securities and authorized pools, no more than the amount of FDIC coverage plus the \$400,000 of State Guarantee Fund may be maintained with a single financial institution, unless fully collateralized.

##### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2015, the City's investments were as follows:

Investment Type	Maturity in Years			
	Fair Value	Less than 1 Year	1-5 Years	Greater than 5 Years
Repurchase agreement - U.S. agencies	\$ 87,918	\$ -	\$ -	\$ 87,918
Repurchase agreement - U.S. agencies	286,130	-	286,130	-
U.S. agencies	1,956,706	-	1,956,706	-
Totals	\$ 2,330,754	\$ -	\$ 2,242,836	\$ 87,918

The utility's investment policy addresses this risk. The utility will purchase investments and repurchase agreements with fixed interest rates or deposit funds in money market or general checking accounts to address this risk. Variable rates are acceptable if a fixed lower limit is used for the interest rate.

See Note I.D.1. for further information on deposit and investment policies.



**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

**B. RECEIVABLES**

All of the receivables on the balance sheet are expected to be collected in one year with the exception of the following:

Special assessments	\$	121,884
Delinquent person property taxes		3,060
Other receivables		92,983
Due from other governments		<u>256,186</u>
 Total Receivables Not Due Within One Year	 \$	 <u>474,113</u>

Receivables in the wastewater treatment fund are reported net of uncollectible sewer hook up fees in the amount of \$10,560.

Revenues of the Wastewater Treatment Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to Sewer hook-up fees	\$	<u>10,560</u>
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Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>		<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 1,989,454	\$	-
Delinquent property taxes receivable	3,060		-
Special assessments not yet due	<u>104,969</u>		<u>140,892</u>
 Total Unearned/Unavailable Revenue for Governmental Funds	 <u>\$ 2,097,483</u>	 \$	 <u>140,892</u>

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

**C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

***Equipment Replacement Account***

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.

***Net Pension Asset***

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Following is a list of restricted assets at December 31, 2015:

	<u>Restricted Assets</u>
Equipment replacement account	\$ 709,963
Net pension asset	<u>295,287</u>
 Total	 <u><u>\$ 1,005,250</u></u>

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Adjustments*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 957,049	\$ -	\$ -	\$ -	\$ 957,049
Construction in progress	<u>52,163</u>	<u>-</u>	<u>33,192</u>	<u>-</u>	<u>85,355</u>
Total Capital Assets Not Being Depreciated	<u>1,009,212</u>	<u>-</u>	<u>33,192</u>	<u>-</u>	<u>1,042,404</u>

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

**D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
<b>Governmental Activities (cont.)</b>					
Capital assets being depreciated					
Land improvements	\$ 2,812,953	\$ -	\$ -	\$ -	\$ 2,812,953
Building	3,607,764	1,056	-	-	3,608,820
Infrastructure	26,138,774	(75,702)	463,637	-	26,526,709
Equipment	1,105,427	-	115,177	18,400	1,202,204
Total Capital Assets Being Depreciated	33,664,918	(74,646)	578,814	18,400	34,150,686
Total Capital Assets	34,674,130	(74,646)	612,006	18,400	35,193,090
Less: Accumulated depreciation for governmental activities	(18,567,454)	187	(988,079)	2,312	(19,553,034)
Total Accumulated Depreciation	(18,567,454)	187	(988,079)	2,312	(19,553,034)
Net Capital Assets Being Depreciated	15,097,464	(74,459)	(409,265)	16,088	14,597,652
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 16,106,676	\$ (74,459)	\$ (376,073)	\$ 16,088	\$ 15,640,056

\* Beginning balances adjusted due to errors in the fixed asset reports. See Note III. I.

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 40,743
Public safety	35,387
Public works	734,764
Culture and recreation	177,185
Total Governmental Activities Depreciation Expense	\$ 988,079

## CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type Activities</b>				
Capital assets not being depreciation				
Land	\$ 140,474	\$ -	\$ -	\$ 140,474
Construction in progress	-	115,988	-	115,988
Total Capital Assets Not Being Depreciation	140,474	115,988	-	256,462
Capital assets being depreciated				
Buildings and equipment	16,092,308	298,409	105,210	16,285,507
Water Distribution System	3,865,445	128,196	40,733	3,952,908
Total Capital Assets Being Depreciated	19,957,753	426,605	145,943	20,238,415
Total Capital Assets	20,098,227	542,593	145,943	20,494,877
Less: Accumulated depreciation/amortization for business-type activities	(10,678,316)	(700,849)	145,943	(11,233,222)
Total Accumulated Depreciation/Amortization	(10,678,316)	(700,849)	145,943	(11,233,222)
Net Capital Assets Being Depreciated	9,279,437	(274,244)	-	9,005,193
Business-type Capital Assets, Net of Accumulated Depreciation/Amortization	\$ 9,419,911	\$ (158,256)	\$ -	\$ 9,261,655

#### Business-type Activities

Depreciation expense was charged to functions as follows:

#### Business-type Activities

Water	\$ 136,140
Electric	294,765
Wastewater	247,060
Total Business-type Activities Depreciation Expense	\$ 677,965

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS***

***Interfund Receivables/Payables***

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Light Commission	\$ 216,929
	Citizens Park and Recreation	
General Fund	Fund	169
General Fund	Wastewater Fund	14,672
Wastewater Treatment	General Fund	66,986
Stormwater Utility	General Fund	<u>2,743</u>
Total - Fund Financial Statements		301,499
Less: Government-wide eliminations		<u>(139,627)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ 161,872</u></u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 231,601
Business-type Activities	Governmental Activities	<u>(69,729)</u>
Total Government-Wide Financial Statements		<u><u>\$ 161,872</u></u>

All amounts are due within one year.

The principal purpose of these interfunds is payment in lieu of tax and utility items placed on the tax roll. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

***Advances***

The general fund is advancing funds to the debt service fund and the TIF capital projects fund. The amount advanced to the TIF capital projects fund is determined by the deficiency of revenues and other financing sources over expenditures and other financing uses since the district's inception. The amount advanced to debt service is the result of inadequate funds being available in the debt service fund to make the required debt service payments. No repayment schedules have been established.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)***

***Advances (cont.)***

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	Debt Service Fund	\$ 114,717	\$ 114,717
	TIF Capital Projects Fund - TIF		
General Fund	No. 5	24,974	24,974
	TIF Capital Projects Fund - TIF		
General Fund	No. 6	61,483	61,483
	TIF Capital Projects Fund - TIF		
General Fund	No. 7	151,221	151,221
Total - Fund Financial Statements		352,395	
Less: Fund eliminations		(352,395)	
Total - Interfund Advances - Government-Wide Statement of Net Position		\$ -	

***Transfers***

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Water and Light Commission	\$ 231,601	Payment in lieu of taxes
Debt Service Fund	General Fund	429,126	2015 tax levy
Debt Service Fund	TIF Capital Projects Fund - TIF No. 6	109,400	Debt payments
Revolving Loan Fund	TIF Capital Projects Fund - TIF No. 2	100,000	Establish a revolving loan fund
Library	General Fund	217,836	Establish library as a new fund
Library	General Fund	179,535	2015 tax levy
Total - Fund Financial Statements		1,267,498	
Less: Government-wide eliminations		(1,035,897)	
Add: Transfer from Stormwater Utility to the Governmental Activities - capital contribution		33,192	
Total Transfers - Government-Wide Statement of Activities		\$ 264,793	

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

##### Transfers (cont.)

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

#### F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 3,621,503	\$ 534,812	\$ 616,503	\$ 3,539,812	\$ 350,049
Sub-totals	<u>3,621,503</u>	<u>534,812</u>	<u>616,503</u>	<u>3,539,812</u>	<u>350,049</u>
Other Liabilities					
Vested compensated absences	217,535	106,370	78,563	245,342	20,577
Capital leases	<u>2,268</u>	<u>29,288</u>	<u>6,661</u>	<u>24,895</u>	<u>5,858</u>
Total Other Liabilities	<u>219,803</u>	<u>135,658</u>	<u>85,224</u>	<u>270,237</u>	<u>26,435</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,841,306</u>	<u>\$ 670,470</u>	<u>\$ 701,727</u>	<u>\$ 3,810,049</u>	<u>\$ 376,484</u>
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 200,097	\$ -	\$ 47,864	\$ 152,233	\$ 28,691
Revenue bonds	<u>1,145,304</u>	<u>-</u>	<u>370,548</u>	<u>774,756</u>	<u>381,657</u>
Sub-totals	<u>1,345,401</u>	<u>-</u>	<u>418,412</u>	<u>926,989</u>	<u>410,348</u>
Other Liabilities					
Vested compensated absences	175,364	38,476	55,942	157,898	4,831
Other long-term debt	<u>8,706</u>	<u>-</u>	<u>1,361</u>	<u>7,345</u>	<u>1,361</u>
Total Other Liabilities	<u>184,070</u>	<u>38,476</u>	<u>57,303</u>	<u>165,243</u>	<u>6,192</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 1,529,471</u>	<u>\$ 38,476</u>	<u>\$ 475,715</u>	<u>\$ 1,092,232</u>	<u>\$ 416,540</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2015, was \$8,219,490. Total general obligation debt outstanding at year end was \$3,692,045.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt**

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

**Governmental Activities**

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2015</u>
General Obligation Refunding Bonds 2002	09/01/02	03/01/17	4.20 - 4.70%	\$ 805,000	\$ 295,000
General Obligation Refunding Promissory Notes 2010	07/07/10	09/01/17	2.75 - 3.50%	1,495,000	1,360,000
General Obligation Promissory Notes 2008	09/02/08	09/02/18	4.00%	1,000,000	1,000,000
General Obligation Promissory Notes 2014	09/12/14	03/15/34	4.25%	350,000	350,000
General Obligation Promissory Notes 2015	11/03/15	09/01/20	2.49%	318,309	318,309
General Obligation State Trust Fund Loan 2015	01/02/15	03/15/27	4.25%	216,503	<u>216,503</u>
Total Governmental Activities - General Obligation Debt					<u><u>\$ 3,539,812</u></u>

**Business-type Activities**

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2015</u>
General Obligation Revenue Bonds, Series 2000	09/27/00	05/01/20	2.97%	\$ 527,461	<u>\$ 152,233</u>
Total Business-type Activities - General Obligation Debt					<u><u>\$ 152,233</u></u>



**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2016	\$ 350,049	\$ 135,147	\$ 28,691	\$ 4,095
2017	1,605,253	114,430	29,543	3,230
2018	963,003	59,855	30,421	2,340
2019	95,844	23,714	31,324	1,423
2020	96,668	20,838	32,254	479
2021-2025	180,413	76,500	-	-
2026-2030	148,325	37,796	-	-
2031-2034	100,257	10,883	-	-
Totals	<u>\$ 3,539,812</u>	<u>\$ 479,163</u>	<u>\$ 152,233</u>	<u>\$ 11,567</u>

**Revenue Debt**

Business-type activities revenue bonds are payable only from revenues derived from the operation of the Wastewater Treatment Fund.

The City has pledged future Wastewater Treatment Facility revenues, net of specified operating expenses, to repay revenue bonds issued in 1997. Proceeds from the bonds provided financing for the Wastewater Treatment Center. The bonds are payable solely from utility revenues and are payable through 2017. Annual principal and interest payments on the bonds are expected to require 45.00% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$798,156. Principal and interest paid for the current year and total customer gross revenues were \$399,330 and \$884,675, respectively.

Revenue debt payable at December 31, 2015, consists of the following:

**Business-type Activities Revenue Debt**

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2015
<u>Wastewater Utility</u>					
1997 Revenue Bonds	7/23/97	5/1/17	2.998%	\$ 6,021,484	<u>\$ 774,756</u>
Total Wastewater Utility					<u>\$ 774,756</u>

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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### *F. LONG-TERM OBLIGATIONS* (cont.)

#### *Revenue Debt* (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 381,657	\$ 17,506
2017	<u>393,099</u>	<u>5,892</u>
Totals	<u>\$ 774,756</u>	<u>\$ 23,398</u>

#### *Capital Leases*

Refer to Note III. G.

#### *Current Refunding*

On January 2, 2015, the City issued \$216,503 in general obligation bonds with an average coupon rate of 4.25% to refund \$216,503 of outstanding bonds with an average coupon rate of 5.50%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$301,823 from 2015 through 2027. The cash flow requirements on the refunding bonds are \$283,175 from 2016 through 2027. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) which is not material to the financial statements.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

**G. LEASE DISCLOSURES**

***Lessee - Capital Leases***

In 2015, the City acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$29,288, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2015, are as follows:

<u>Years</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Totals</u>
2016	\$ 5,858	\$ 5,858
2017	5,858	5,858
2018	5,858	5,858
2019	5,857	5,857
2020	<u>1,464</u>	<u>1,464</u>
Totals	<u>\$ 24,895</u>	<u>\$ 24,895</u>

The interest portion is immaterial to the financial statements.

**H. NET POSITION/FUND BALANCES**

Net position reported on the government wide statement of net position at December 31, 2015, includes the following:

***Governmental Activities***

Net Investment in Capital Assets	
Land	\$ 957,049
Construction in progress	85,355
Other capital assets, net of accumulated depreciation	14,597,652
Less: Long-term debt outstanding	(3,005,000)
Less: Capital lease	<u>(24,895)</u>
Total Net Investment in Capital Assets	<u>12,610,161</u>

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)**

**H. NET POSITION/FUND BALANCES (cont.)**

**Governmental Activities (cont.)**

Restricted	
Debt Service	\$ 318,309
Pension	194,382
Library	251,925
Revolving Loans	100,000
TIF activity	<u>283,198</u>
Total Restricted	<u>1,147,814</u>
 Unrestricted	 <u>413,143</u>
 Total Governmental Activities Net Position	 <u><u>\$ 14,171,118</u></u>

**Governmental Funds**

Governmental fund balances reported on the fund financial statements at December 31, 2015, include the following:

	General Fund	Debt Service Fund	TIF Capital Projects Fund	Nonmajor Funds	Totals
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Advances to other funds	\$ 352,395	\$ -	\$ -	\$ -	\$ 352,395
Delinquent personal property taxes	3,060	-	-	-	3,060
<b>Restricted for:</b>					
Debt service - fire district	-	318,309	-	-	318,309
TIF related projects	-	-	283,198	-	283,198
Library	-	-	-	251,925	251,925
Revolving loan fund	-	-	-	100,000	100,000
<b>Unassigned (deficit):</b>	<u>925,938</u>	<u>(114,717)</u>	<u>(237,678)</u>	<u>(169)</u>	<u>573,374</u>
 <b>Total Fund Balances (Deficit)</b>	 <u><u>\$ 1,281,393</u></u>	 <u><u>\$ 203,592</u></u>	 <u><u>\$ 45,520</u></u>	 <u><u>\$ 351,756</u></u>	 <u><u>\$ 1,882,261</u></u>

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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#### *H. NET POSITION/FUND BALANCES (cont.)*

##### *Business-type Activities*

Net Investment in Capital Assets	
Land	\$ 140,474
Construction in progress	115,988
Other capital assets, net of accumulated depreciation	9,005,193
Less: Long-term debt outstanding	<u>(934,334)</u>
Total Net Investment in Capital Assets	<u>8,327,321</u>
Restricted	
Pension	100,905
Equipment replacement	<u>709,963</u>
Total Restricted	<u>810,868</u>
Unrestricted	<u>3,175,952</u>
Total Business-type Activities Net Position	<u>\$ 12,314,141</u>

#### *I. RESTATEMENT OF FUND BALANCES/NET POSITION*

Net position has been restated as a result of the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the net pension asset and related deferred outflows and deferred inflows, if any, to be reported in the financial statements.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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#### I. RESTATEMENT OF FUND BALANCES/NET POSITION (cont.)

Net position and fund balance have also been restated to correct errors as described below.

The impact on the prior year is noted below when known.

#### Governmental Activities

Net position - December 31, 2014 (as reported)	\$ 13,915,026
Add: Net pension asset	320,173
Add: Deferred outflows related to pensions	80,328
Add: Corrections to the general fund - see below	445,047
Less: Corrections to the general fund - see below	(145,161)
Add: Correct TIF No. 2 increment allocation from 2008	19,833
Add: TIF No. 6 developer guaranteed from 2013	123,977
Add: TIF No. 2 / general fund special assessment revenue that should have been recognized as revenue previously	16,914
Less: Reclassify the Business Improvement activity to a discretely presented component unit	(26,639)
Less: Corrections to capital assets previously reported	<u>(74,459)</u>
Net Position - December 31, 2014 (as restated)	<u>\$ 14,675,039</u>

#### Business-type Activities

Net position - December 31, 2014 (as reported)	\$ 11,755,333
Add: Net pension asset	166,205
Add: Deferred outflows related to pensions	41,699
Less: Accounts payable adjustment related to prior years	<u>(4,982)</u>
Net Position - December 31, 2014 (as restated)	<u>\$ 11,958,255</u>

#### Discretely Presented Component Unit

Net position - December 31, 2014 (as reported)	\$ -
Add: Reclassification from the nonmajor fund	<u>26,639</u>
Net Position - December 31, 2014 (as restated)	<u>\$ 26,639</u>

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

#### I. RESTATEMENT OF FUND BALANCES/NET POSITION (cont.)

##### General Fund

General Fund balance - December 31, 2014 (as reported)	<u>\$ 1,314,330</u>
Add: Invalid accounts payable related to prior years	120,078
Establish unrecorded cash account	15,989
Correct prior year for amounts running through cash clearing accounts receivable	89,237
Correct prior year FEMA revenue that was previously earned	47,724
Clear checks written off prior to 2014	22,201
Correct payroll withholding items not cleared out in prior years	49,594
Correct amount paid to contractor twice	95,000
Amounts due to utility paid in prior years	<u>5,224</u>
Subtotal	<u>445,047</u>
Less: Correct utility cash clearing account	(53,404)
Correct client entry not recorded in the 2014 financial statements	(27,731)
Correct TIF increment allocation that should have been paid over to TIF 2 in 2008	(19,833)
Correct accrued payroll not reversed in 2013	<u>(44,193)</u>
Subtotal	<u>(145,161)</u>
 Fund Balance - December 31, 2014 (as restated)	 <u><u>\$ 1,614,216</u></u>

##### TIF Capital Projects Fund

	TIF 2	TIF 3	TIF 4	TIF 5	TIF 6	TIF 7	Total TIF Capital Projects Fund
Fund balance (deficit) - December 31, 2014	\$ 378,451	\$ 366,613	\$ (256,846)	\$ 41,368	\$ 56,234	\$ (165,672)	\$ 420,148
Add: Correct TIF increment allocation from 2008	19,833	-	-	-	-	-	19,833
Add/Less: Per the TIF 2 project plan amendment in 2010 - transfer funds from TIF 2 (Donor district) to TIF 4 (Donee district)	(258,426)	-	258,426	-	-	-	-
Add/Less: TIF increment allocation corrections from 2013 and 2014	<u>31,566</u>	<u>83,314</u>	<u>-</u>	<u>(67,635)</u>	<u>(47,245)</u>	<u>-</u>	<u>-</u>
 Fund Balance (Deficit) - December 31, 2014 (as restated)	 <u><u>\$ 171,424</u></u>	<u><u>\$ 449,927</u></u>	<u><u>\$ 1,580</u></u>	<u><u>\$ (26,267)</u></u>	<u><u>\$ 8,989</u></u>	<u><u>\$ (165,672)</u></u>	<u><u>\$ 439,981</u></u>

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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#### *I. RESTATEMENT OF FUND BALANCES/NET POSITION (cont.)*

##### **Water and Light Commission**

Net position - December 31, 2014 (as reported)	\$ 7,847,008
Add: Net pension asset	135,700
Add: Deferred outflows related to pensions	<u>34,046</u>
Net Position - December 31, 2014 (as restated)	<u>\$ 8,016,754</u>

##### **Wastewater Treatment**

Net position - December 31, 2014 (as reported)	\$ 3,736,167
Add: Net pension asset	29,224
Add: Deferred outflows related to pensions	7,332
Less: Accounts payable correction related to prior years	<u>(4,982)</u>
Net Position - December 31, 2014 (as restated)	<u>\$ 3,767,741</u>

##### **Aggregate Remaining Funds**

Nonmajor Governmental Funds Fund Balance - December 31, 2014 (as reported)	\$ 26,317
Less: Reclassification of the business improvement activity to a discretely presented component unit	<u>(26,639)</u>
Fund Balance (Deficit) - December 31, 2014 (as restated)	<u>\$ (322)</u>
Stormwater Utility Net Position - December 31, 2014 (as reported)	\$ 172,159
Add: Net pension asset	1,279
Add: Deferred outflows related to pensions	<u>322</u>
Net Position - December 31, 2014 (as restated)	<u>\$ 173,760</u>



# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

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### *J. COMPONENT UNITS*

#### ***BUSINESS IMPROVEMENT DISTRICT***

This report contains the Business Improvement District (BID), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

At year end, the carrying amount of the BID's deposits was \$11,539 and is part of the City's commingled cash. See Note III. A.

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## NOTE IV - OTHER INFORMATION

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### *A. EMPLOYEES' RETIREMENT SYSTEM*

#### ***Summary of Significant Accounting Policies***

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

#### ***General Information About the Pension Plan***

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

## CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

The WRS also provides death and disability benefits for employees.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

During the reporting period, the WRS recognized \$177,044 in contributions from the City.

Contribution rates as of December 31, 2015 are:

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

#### ***Pension Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2015, the City reported an asset of \$295,287 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the City's proportion was 0.01202178%, which was a decrease of 0.00031501% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$142,085.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE IV - OTHER INFORMATION (cont.)**

**A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 42,808
Net differences between projected and actual earnings on pension plan investments	142,993
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,773
Employer contributions subsequent to the measurement date	97,485
Totals	\$ 293,059

\$97,485 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 47,736	\$ -
2017	47,736	-
2018	47,733	-
2019	47,736	-
2020	4,630	-

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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### NOTE IV - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Actuarial assumptions.** The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## NOTE IV - OTHER INFORMATION (cont.)

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### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equities	5.3%	21%
International Equities	5.7	23
Fixed Income	1.7	36
Inflation Sensitive Assets	2.3	20
Real Estate	4.2	7
Private Equity/Debt	6.9	7
Multi-Asset	3.9	6
Cash	0.9	-20

**Single discount rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

## NOTE IV - OTHER INFORMATION (cont.)

### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension asset	\$833,058	\$(295,287)	\$(1,186,410)

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

At December 31, 2015, the City reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

### B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City purchases commercial insurance to provide coverage for losses from (torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees). However, other risks, such as (torts; theft of, damage to, or destruction of assets; errors and omission; workers compensation; and health care of its employees) are accounted for and financed by the City in the general fund.

### C. COMMITMENTS AND CONTINGENCIES

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 are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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 requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.



## CITY OF BRODHEAD

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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#### **NOTE IV - OTHER INFORMATION (cont.)**

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##### ***C. COMMITMENTS AND CONTINGENCIES (cont.)***

###### ***Long-Term Contracts - WPPI Energy***

The electric utility is one of 51 WPPI Energy member municipalities located throughout the States of Wisconsin, Iowa, and Michigan. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy 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 the 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 2015, a majority of WPPI Energy members ratified an eighteen year extension to their existing contracts. Remaining members are expected to ratify the same extension in 2016. The new contract expires at midnight on December 31, 2055.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$437 million as of December 31, 2015.

##### ***D. SUBSEQUENT EVENTS***

On April 11, 2016, the City approved Resolution 2016-005 closing TIF No. 2.

On May 9, 2016, the City awarded the Lift Station and SCADA Improvement projects to Integrated Procession Solutions for approximately \$461,000.

On August 23, 2016 the City issued general obligation refunding bonds in the amount of \$2,285,000 with an interest rate of .8-2.25%.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## **NOTE IV - OTHER INFORMATION** (cont.)

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### ***E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS***

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 72, *Fair Value Measurement and Application*
- > Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- > Statement No. 77, *Tax Abatement Disclosures*
- > Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- > Statement No. 79, *Certain External Investment Pools and Pool Participants*
- > Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*
- > Statement No. 81, *Irrevocable Split - Interest Agreements*
- > Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*

When they become effective, application of these standards may restate portions of these financial statements.

### ***F. SIGNIFICANT CUSTOMERS***

#### ***Electric Utility***

The utility has two significant customers who were responsible for 29% and 26% of operating revenues in 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF BRODHEAD

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2015

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 1,927,393	\$ 1,928,156	\$ 763
Special assessments	4,120	4,212	92
Intergovernmental	921,394	923,022	1,628
Licenses and permits	55,400	60,547	5,147
Fines, forfeitures and penalties	38,615	58,581	19,966
Public charges for services	87,765	74,327	(13,438)
Investment income (loss)	3,017	(1,730)	(4,747)
Miscellaneous	<u>78,995</u>	<u>69,853</u>	<u>(9,142)</u>
Total Revenues	<u>3,116,699</u>	<u>3,116,968</u>	<u>269</u>
<b>EXPENDITURES</b>			
General government	438,136	425,509	12,627
Public safety	1,454,870	1,401,639	53,231
Public works	495,708	461,858	33,850
Culture, recreation and education	259,968	284,998	(25,030)
Conservation and development	99,090	113,625	(14,535)
Capital Outlay	<u>235,616</u>	<u>201,209</u>	<u>34,407</u>
Total Expenditures	<u>2,983,388</u>	<u>2,888,838</u>	<u>94,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>133,311</u>	<u>228,130</u>	<u>94,819</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Property sales	-	4,655	4,655
Debt issued	216,700	-	(216,700)
Proceeds of capital leases	-	29,288	29,288
Transfers in	200,000	231,601	31,601
Transfers out	<u>(429,126)</u>	<u>(826,497)</u>	<u>(397,371)</u>
Total Other Financing Sources (Uses)	<u>(12,426)</u>	<u>(560,953)</u>	<u>(548,527)</u>
<b>Net Change in Fund Balance</b>	120,885	(332,823)	(453,708)
FUND BALANCE - Beginning of Year (as restated)	<u>1,614,216</u>	<u>1,614,216</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 1,735,101</u></u>	<u><u>\$ 1,281,393</u></u>	<u><u>\$ (453,708)</u></u>

See independent auditors' report and accompanying notes to required supplementary information.

**CITY OF BRODHEAD**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET -  
WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2015

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<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Asset</u>	<u>Proportionate Share of the Net Pension Asset</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Asset</u>
12/31/15	0.012021780%	\$ 295,287	\$ 1,475,391	20.01%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2015

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<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 117,044	\$ 117,044	\$ -	\$ 1,507,368	7.93%

See independent auditors' report and accompanying notes to the required supplementary information.

# CITY OF BRODHEAD

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2015

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### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

The budgeted amounts are as presented in the original budget and no amendments were adopted during the year. The City may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds action.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$0. Budgets are adopted at the function level in the general fund and at the fund level for all other funds.

### ***WISCONSIN RETIREMENT SYSTEM***

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

The City is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

*Changes in benefit terms.* There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

*Changes in Assumptions.* There were no changes in assumptions.

**SUPPLEMENTARY INFORMATION**

## CITY OF BRODHEAD

### DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>TAXES</b>			
General property taxes	\$ 1,924,393	\$ 1,924,393	\$ -
Mobile home lottery credit and parking fees	<u>3,000</u>	<u>3,763</u>	<u>763</u>
Total Taxes	<u>1,927,393</u>	<u>1,928,156</u>	<u>763</u>
<b>SPECIAL ASSESSMENTS</b>			
Special assessments	<u>4,120</u>	<u>4,212</u>	<u>92</u>
<b>INTERGOVERNMENTAL</b>			
State shared revenues	728,777	728,787	10
State aid - fire insurance dues	7,000	6,810	(190)
State aid - other law enforcement	2,700	2,280	(420)
State aid - general transportation aids	143,618	143,341	(277)
State aid - other highway aid	21,289	21,290	1
State aid - recycling	10,000	13,176	3,176
Other state payments	8,000	7,328	(672)
In lieu of taxes on state conservation lands	<u>10</u>	<u>10</u>	<u>-</u>
Total Intergovernmental	<u>921,394</u>	<u>923,022</u>	<u>1,628</u>
<b>LICENSES AND PERMITS</b>			
Licenses and permits	<u>55,400</u>	<u>60,547</u>	<u>5,147</u>
<b>FINES, FORFEITURES, AND PENALTIES</b>			
Fines, forfeitures and penalties	<u>38,615</u>	<u>58,581</u>	<u>19,966</u>
<b>PUBLIC CHARGES FOR SERVICES</b>			
General government	1,000	-	(1,000)
Publication fees	300	270	(30)
Photocopies	-	15	15
Street related facilities	2,500	1,502	(998)
Solid waste disposal	200	20	(180)
Parks	8,000	12,385	4,385
Recreation programs	29,600	24,088	(5,512)
Swimming areas	33,000	30,790	(2,210)
Other public charges for services	<u>13,165</u>	<u>5,257</u>	<u>(7,908)</u>
Total Public Charges for Services	<u>87,765</u>	<u>74,327</u>	<u>(13,438)</u>
<b>INVESTMENT INCOME</b>			
Investment income (loss)	<u>3,017</u>	<u>(1,730)</u>	<u>(4,747)</u>



## CITY OF BRODHEAD

### DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2015

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	Original and Final	Actual	Variance with Final Budget
<b>MISCELLANEOUS REVENUES</b>			
Rent	\$ 11,875	\$ 12,599	\$ 724
Insurance recoveries	-	2,440	2,440
Donations	-	29,391	29,391
Other miscellaneous	67,120	25,423	(41,697)
Total Miscellaneous Revenues	<u>78,995</u>	<u>69,853</u>	<u>(9,142)</u>
<b>OTHER FINANCING SOURCES</b>			
Property sales	-	4,655	4,655
Debt issued	216,700	-	(216,700)
Proceeds of capital leases	-	29,288	29,288
Transfers in	200,000	231,601	31,601
Total Other Financing Sources	<u>416,700</u>	<u>265,544</u>	<u>(151,156)</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 3,533,399</u>	<u>\$ 3,382,512</u>	<u>\$ (150,887)</u>

## CITY OF BRODHEAD

### DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2015

	Original and Final Budget	Actual	Variance with Final Budget
<b>GENERAL GOVERNMENT</b>			
Council/Board	\$ 42,826	\$ 34,668	\$ 8,158
Municipal court	44,104	46,046	(1,942)
Legal	85,248	65,997	19,251
Mayor	4,230	3,988	242
Treasurer	149,116	160,896	(11,780)
Assessment of property	8,550	9,500	(950)
General buildings/plant/hall	31,868	29,111	2,757
Other insurance	71,794	74,912	(3,118)
Other general government	400	391	9
Total General Government	<u>438,136</u>	<u>425,509</u>	<u>12,627</u>
<b>PUBLIC SAFETY</b>			
Police	1,100,579	1,070,411	30,168
Fire protection	320,033	306,043	13,990
Building inspection	19,458	14,607	4,851
Emergency communication (911)	14,800	10,578	4,222
Total Public Safety	<u>1,454,870</u>	<u>1,401,639</u>	<u>53,231</u>
<b>PUBLIC WORKS</b>			
Public works/highway administration	63,301	63,251	50
Highway and street maintenance and construction	99,738	73,289	26,449
Tree and brush removal	11,169	11,775	(606)
Traffic control	11,550	18,041	(6,491)
Street cleaning	7,674	5,552	2,122
Snow and ice control	29,364	20,972	8,392
Street lighting	60,200	62,131	(1,931)
Sidewalks	12,476	2,334	10,142
Storm sewers	-	186	(186)
Refuse and garbage collection	125,738	131,393	(5,655)
Recycling	74,498	72,934	1,564
Total Public Works	<u>495,708</u>	<u>461,858</u>	<u>33,850</u>
<b>CULTURE, RECREATION, AND EDUCATION</b>			
Museum	2,200	1,596	604
Community center	9,408	9,956	(548)
Parks	110,341	136,842	(26,501)
Recreation programs and events	47,019	41,823	5,196
Swimming areas	87,900	91,781	(3,881)
Other summer recreation	3,100	3,000	100
Total Culture, Recreation, and Education	<u>259,968</u>	<u>284,998</u>	<u>(25,030)</u>

## CITY OF BRODHEAD

### DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2015

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	Original And Final Budget	Actual	Variance with Final Budget
<b>CONSERVATION AND DEVELOPMENT</b>			
Forestry	\$ 37,334	\$ 52,677	\$ (15,343)
Weed control	5,316	4,723	593
Planning	10,000	11,646	(1,646)
Economic development	1,000	180	820
Other conservation and development	45,440	44,399	1,041
Total Conservation and Development	<u>99,090</u>	<u>113,625</u>	<u>(14,535)</u>
<b>CAPITAL OUTLAY</b>			
General public buildings	27,496	58,458	(30,962)
Law enforcement	5,000	32,827	(27,827)
Highway and street construction	186,700	34,114	152,586
Parks	16,420	75,810	(59,390)
Total Capital Outlay	<u>235,616</u>	<u>201,209</u>	<u>34,407</u>
<b>OTHER FINANCING USES</b>			
Transfers out	429,126	826,497	(397,371)
Total Other Financing Uses	<u>429,126</u>	<u>826,497</u>	<u>(397,371)</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 3,412,514</u>	<u>\$ 3,715,335</u>	<u>\$ (302,821)</u>

**CITY OF BRODHEAD**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2015

	<u>Library</u>	<u>Citizens Park and Recreation</u>	<u>Revolving Loan Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 254,252	\$ -	\$ 100,000	\$ 354,252
Receivables				
Taxes	<u>184,146</u>	<u>-</u>	<u>-</u>	<u>184,146</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 438,398</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 538,398</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 1,376	\$ -	\$ -	\$ 1,376
Due to other funds	-	169	-	169
Accrued liabilities	<u>951</u>	<u>-</u>	<u>-</u>	<u>951</u>
Total Liabilities	<u><u>2,327</u></u>	<u><u>169</u></u>	<u><u>-</u></u>	<u><u>2,496</u></u>
Deferred Inflows of Resources				
Deferred tax roll revenues	<u>184,146</u>	<u>-</u>	<u>-</u>	<u>184,146</u>
Total Deferred Inflows of Resources	<u><u>184,146</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>184,146</u></u>
Fund Balances				
Restricted	251,925	-	100,000	351,925
Unassigned (deficit)	<u>-</u>	<u>(169)</u>	<u>-</u>	<u>(169)</u>
Total Fund Balances	<u><u>251,925</u></u>	<u><u>(169)</u></u>	<u><u>100,000</u></u>	<u><u>351,756</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 438,398</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 538,398</u></u>

## CITY OF BRODHEAD

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

	Library	Citizens Park and Recreation	Revolving Loan Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 78,197	\$ -	\$ -	\$ 78,197
Public charges for services	11,748	-	-	11,748
Investment income	256	8	-	264
Miscellaneous	<u>1,240</u>	<u>2,158</u>	-	<u>3,398</u>
Total Revenues	<u>91,441</u>	<u>2,166</u>	-	<u>93,607</u>
<b>EXPENDITURES</b>				
Current				
Culture, recreation and education	236,887	-	-	236,887
Conservation and development	-	<u>2,013</u>	-	<u>2,013</u>
Total Expenditures	<u>236,887</u>	<u>2,013</u>	-	<u>238,900</u>
Excess (deficiency) of revenues over expenditures	<u>(145,446)</u>	<u>153</u>	-	<u>(145,293)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>397,371</u>	-	<u>100,000</u>	<u>497,371</u>
Total Other Financing Sources (Uses)	<u>397,371</u>	-	<u>100,000</u>	<u>497,371</u>
<b>Net Change in Fund Balances</b>	251,925	153	100,000	352,078
FUND BALANCES (DEFICIT) - Beginning of Year	-	<u>(322)</u>	-	<u>(322)</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 251,925</u>	<u>\$ (169)</u>	<u>\$ 100,000</u>	<u>\$ 351,756</u>

**CITY OF BRODHEAD**

STATEMENT OF CASH FLOWS  
COMPONENT UNIT  
For the Year Ended December 31, 2015

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	Component Unit
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from customers	\$ 8,433
Received from others	15,124
Paid to suppliers for goods and services	<u>(38,711)</u>
Net Cash Flows From Operating Activities	<u>(15,154)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	<u>54</u>
Net Cash Flows From Investing Activities	<u>54</u>
<b>Net Change in Cash and Cash Equivalents</b>	(15,100)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>26,639</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 11,539</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income (loss)	<u>\$ (15,154)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ (15,154)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>	
Cash and investments - statement of net position	<u>\$ 11,539</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 11,539</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
None	

**CITY OF BRODHEAD**

SCHEDULE OF BALANCE SHEET - TIF CAPITAL PROJECTS  
As of December 31, 2015

	Capital Projects			
	TIF #2	TIF #3	TIF#4	TIF #5
<b>ASSETS</b>				
Cash and investments	\$ 79,547	\$ 448,053	\$ -	\$ -
Receivables				
Taxes	111,243	-	515	4,479
Special assessments	12,650	-	-	-
Other	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 203,440</u>	<u>\$ 448,053</u>	<u>\$ 515</u>	<u>\$ 4,479</u>
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 244,402	\$ -	\$ -
Advances from other funds	-	-	-	24,974
<b>Total Liabilities</b>	<u>-</u>	<u>244,402</u>	<u>-</u>	<u>24,974</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenues	111,243	-	515	4,479
Unavailable revenues	12,650	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>123,893</u>	<u>-</u>	<u>515</u>	<u>4,479</u>
<b>FUND BALANCES</b>				
Restricted	79,547	203,651	-	-
Unassigned (deficit)	-	-	-	(24,974)
<b>Total Fund Balances</b>	<u>79,547</u>	<u>203,651</u>	<u>-</u>	<u>(24,974)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 203,440</u>	<u>\$ 448,053</u>	<u>\$ 515</u>	<u>\$ 4,479</u>

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<u>Capital Projects</u>		
<u>TIF #6</u>	<u>TIF #7</u>	<u>Total TIF Capital Project Fund</u>
\$ -	\$ -	\$ 527,600
31,440	27,448	175,125
123,977	-	12,650
<u>123,977</u>	<u>-</u>	<u>123,977</u>
<u>\$ 155,417</u>	<u>\$ 27,448</u>	<u>\$ 839,352</u>
\$ -	\$ -	\$ 244,402
61,483	151,221	237,678
<u>61,483</u>	<u>151,221</u>	<u>482,080</u>
31,440	27,448	175,125
123,977	-	136,627
<u>155,417</u>	<u>27,448</u>	<u>311,752</u>
-	-	283,198
<u>(61,483)</u>	<u>(151,221)</u>	<u>(237,678)</u>
<u>(61,483)</u>	<u>(151,221)</u>	<u>45,520</u>
<u>\$ 155,417</u>	<u>\$ 27,448</u>	<u>\$ 839,352</u>



**CITY OF BRODHEAD**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - TIF CAPITAL PROJECTS  
For the Year Ended December 31, 2015

	Capital Projects		
	TIF #2	TIF #3	TIF#4
<b>REVENUES</b>			
Taxes	\$ 117,776	\$ -	\$ 508
Special assessments	5,730	-	-
Intergovernmental	305	-	-
Investment income	53	276	21
Miscellaneous	-	-	-
Total Revenues	<u>123,864</u>	<u>276</u>	<u>529</u>
<b>EXPENDITURES</b>			
Current			
General government	4,338	2,150	2,109
Conservation and development	19,472	244,402	-
Capital Outlay	91,931	-	-
Total Expenditures	<u>115,741</u>	<u>246,552</u>	<u>2,109</u>
Excess (deficiency) of revenues over expenditures	<u>8,123</u>	<u>(246,276)</u>	<u>(1,580)</u>
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Total Other Financing (Uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(91,877)	(246,276)	(1,580)
FUND BALANCE - Beginning of Year (as restated)	<u>171,424</u>	<u>449,927</u>	<u>1,580</u>
FUND BALANCE - END OF YEAR	<u>\$ 79,547</u>	<u>\$ 203,651</u>	<u>\$ -</u>

Capital Projects				Total TIF Capital Project Fund
TIF #5	TIF #6	TIF #7		
\$ 2,044	\$ 21,347	24,696	\$ 166,371	
-	-	-	5,730	
148	-	1,824	2,277	
81	337	51	819	
-	30,994	-	30,994	
<u>2,273</u>	<u>52,678</u>	<u>26,571</u>	<u>206,191</u>	
980	1,840	500	11,917	
-	11,910	11,620	287,404	
-	-	-	91,931	
<u>980</u>	<u>13,750</u>	<u>12,120</u>	<u>391,252</u>	
1,293	38,928	14,451	(185,061)	
-	(109,400)	-	(209,400)	
-	(109,400)	-	(209,400)	
1,293	(70,472)	14,451	(394,461)	
<u>(26,267)</u>	<u>8,989</u>	<u>(165,672)</u>	<u>439,981</u>	
<u>\$ (24,974)</u>	<u>\$ (61,483)</u>	<u>\$ (151,221)</u>	<u>\$ 45,520</u>	

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*

Independent Auditors' Report

To the City Council  
City of Brodhead  
Brodhead, Wisconsin

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brodhead, Wisconsin as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Brodhead's basic financial statements and have issued our report thereon dated December 19, 2016.

**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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be material weaknesses. These material weaknesses are items 2015-001, 2015-002, 2015-003 and 2015-004.

To the City Council  
City of Brodhead

### **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*.

### **City of Brodhead's Response to Findings**

The City of Brodhead's response to the findings 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.

A handwritten signature in black ink that reads "Baker Tilly Virchow Krause, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin  
December 19, 2016

# CITY OF BRODHEAD

## SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2015

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### FINANCIAL STATEMENT FINDINGS

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#### ***Finding 2015-001***

*Condition:* There was a lack of balance sheet account reconciliations performed in 2015 prior to the financial audit.

*Criteria:* Account reconciliations should be performed to ensure that all accounts are properly stated.

*Cause:* The City experienced turn-over in key staff functions in 2015 and the City's accounts were not reconciled during the year.

*Effect:* Because of the lack of account reconciliations performed, the accounting records were misstated in addition there is an increased risk of misstatement due to error or fraud.

*Recommendation:* The City's accounts should be reconciled to the underlying supporting documentation on a routine basis (monthly or quarterly).

*Management's Response:* The City has brought in some assistance to bring its accounting records up to date. It is expected that all 2016 accounts will be reconciled prior the 2016 financial audit.

#### ***Finding 2015-002 Internal Control Environment***

*Condition:* There is a lack of segregation of duties and other controls in relation to the accounting functions.

*Criteria:* Internal controls should be in place to provide reasonable assurance that individuals have access to only one phase of the accounting process.

*Cause:* The City does not have the staffing levels necessary to completely segregate accounting functions.

*Effect:* Because of the lack of segregation of duties and other controls, the accounting records have an increased risk of misstatement due to error or fraud.

*Recommendation:* The City Council and management should rely more heavily on their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

*Management's Response:* The City, including the City Council, is aware that the City has a lack of segregation of duties. Because of its size, the City does not feel it is cost effective to hire the number of employees needed for an adequate segregation of duties. The City Council and management rely on their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

# CITY OF BRODHEAD

## SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2015

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### FINANCIAL STATEMENT FINDINGS (cont.)

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#### ***Finding 2015-003 Internal Control Over Financial Reporting***

*Condition:* There is a lack of internal control over the year end financial reporting process.

*Criteria:* Internal controls should be in place to provide reasonable assurance that year end financial statements are complete and accurate.

*Cause:* The City does not currently have the resources necessary to prepare the year-end financial statements.

*Effect:* Because of the lack of internal control over year end financial reporting, the City's financial statements may be misstated.

*Recommendation:* Most small governments operate with only enough staff to process monthly transactions and reports, and will continue to rely on outside consultants to assist with year end adjustments and year end financial reporting. The City Council should continue to make a reasonable effort to be knowledgeable about the City's financial condition and financial reporting requirements.

*Management's Response:* The City is aware that there is a lack of controls over its year end financial reporting process. Because of its size, the City does not feel it is cost effective to hire the number of employees needed to complete these tasks in the near future.

#### ***2015-004 Restatement of Prior Year Financial Statements – Correction of Prior Period Errors***

*Condition:* The City had numerous, material errors in its previously issued financial statements. As a result, restatements were required in 2015.

*Criteria:* Internal controls should be in place to provide reasonable assurance that year-end general ledger and financial statements are complete and accurate.

*Cause:* The City did not have the proper internal controls in place to ensure that all activity and the appropriate accounting information was reflected in the City's general ledger and ultimately its financial statements.

*Effect:* The previously issued financial statements were misstated.

*Recommendation:* The City's accounts should be reconciled to the underlying supporting documentation on a routine basis (monthly or quarterly) and the proper controls be put in place over external financial reporting.

*Management's Response:* The City has brought in some assistance to bring its accounting records up to date. It is expected that all 2016 accounts will be reconciled prior the 2016 financial audit to ensure that all activity is captured in the City's December 31, 2016 financial statements.