

**CITY OF BRODHEAD**

Brodhead, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

# 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, 2017, 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.

## **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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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.

### *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 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 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 July 25, 2018 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  
July 25, 2018

# CITY OF BRODHEAD

## STATEMENT OF NET POSITION As of December 31, 2017

	Governmental Activities	Business-type Activities	Totals	Business Improvement District
<b>ASSETS</b>				
Cash and investments	\$ 1,883,063	\$ 3,575,974	\$ 5,459,037	\$ 9,252
Receivables (net)				
Taxes	1,977,702	-	1,977,702	8,544
Accounts	-	478,336	478,336	-
Loans	3,600	-	3,600	-
Special assessments	116,226	-	116,226	-
Delinquent personal property taxes	1,726	-	1,726	-
Other receivables	349,626	-	349,626	-
Internal balances	204,934	(204,934)	-	-
Due from other governmental units	193,999	-	193,999	-
Inventories	-	110,939	110,939	-
Other assets	-	143	143	-
Restricted Assets				
Equipment replacement	-	228,950	228,950	-
Redemption account	-	31,794	31,794	-
Capital Assets				
Land	926,813	107,226	1,034,039	-
Construction in progress	100,694	72,303	172,997	-
Capital assets, net of depreciation	<u>13,544,889</u>	<u>8,668,028</u>	<u>22,212,917</u>	<u>12,397</u>
Total Assets	<u>19,303,272</u>	<u>13,068,759</u>	<u>32,372,031</u>	<u>30,193</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related amounts	<u>444,909</u>	<u>323,572</u>	<u>768,481</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	82,379	306,125	388,504	-
Other accrued liabilities	74,977	40,282	115,259	-
Due to other governmental units	251,702	-	251,702	-
Deposits	185	33,835	34,020	-
Commitment to community	-	3,942	3,942	-
Noncurrent Liabilities				
Due within one year	341,873	47,391	389,264	-
Due in more than one year	<u>3,411,805</u>	<u>583,744</u>	<u>3,995,549</u>	<u>-</u>
Total Liabilities	<u>4,162,921</u>	<u>1,015,319</u>	<u>5,178,240</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenues	2,025,579	5,589	2,031,168	8,544
Pension related amounts	<u>170,342</u>	<u>135,937</u>	<u>306,279</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>2,195,921</u>	<u>141,526</u>	<u>2,337,447</u>	<u>8,544</u>
<b>NET POSITION</b>				
Net investment in capital assets	11,500,111	8,424,850	19,924,961	-
Restricted for				
Debt service	193,999	30,278	224,277	-
Library	229,523	-	229,523	-
Revolving loans	100,000	-	100,000	-
Park donations	44,799	-	44,799	-
Equipment replacement	-	228,950	228,950	-
Unrestricted	<u>1,320,907</u>	<u>3,551,408</u>	<u>4,872,315</u>	<u>21,649</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 13,389,339</u></u>	<u><u>\$ 12,235,486</u></u>	<u><u>\$ 25,624,825</u></u>	<u><u>\$ 21,649</u></u>

See accompanying notes to financial statements.

# CITY OF BRODHEAD

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government				
Governmental Activities				
General government	\$ 406,496	\$ 10,748	\$ 15,848	\$ -
Public safety	1,773,517	81,418	13,594	-
Public works	1,122,545	3,769	181,551	-
Health and human services	9,107	-	-	-
Culture, education and recreation	705,700	83,600	137,220	17,500
Conservation and development	136,866	10,868	-	-
Interest and fiscal charges	94,719	-	-	-
Total Governmental Activities	4,248,950	190,403	348,213	17,500
Business-type Activities				
Water & Light Commission	4,183,312	4,469,767	-	1,925
Wastewater Treatment	807,484	863,599	-	161,152
Storm Water Utility	36,337	79,513	-	-
Total Business-type Activities	5,027,133	5,412,879	-	163,077
Total Primary Government	\$ 9,276,083	\$ 5,603,282	\$ 348,213	\$ 180,577
Component Unit				
Business Improvement District	\$ 19,904	\$ 9,050	\$ 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				
Gain on sale of capital assets				
Miscellaneous				
Total General Revenues				
Transfers				
<b>Change in net position</b>				
NET POSITION - Beginning of Year				
<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
\$ (379,900)	\$ -	\$ (379,900)	\$ -
(1,678,505)	-	(1,678,505)	-
(937,225)	-	(937,225)	-
(9,107)	-	(9,107)	-
(467,380)	-	(467,380)	-
(125,998)	-	(125,998)	-
(94,719)	-	(94,719)	-
<u>(3,692,834)</u>	<u>-</u>	<u>(3,692,834)</u>	<u>-</u>
-	288,380	288,380	-
-	217,267	217,267	-
-	43,176	43,176	-
<u>-</u>	<u>548,823</u>	<u>548,823</u>	<u>-</u>
<u>(3,692,834)</u>	<u>548,823</u>	<u>(3,144,011)</u>	<u>-</u>
-	-	-	(2,141)
1,343,149	-	1,343,149	-
312,982	-	312,982	-
67,983	-	67,983	-
159,023	-	159,023	-
286,755	-	286,755	-
844,628	-	844,628	-
13,727	29,852	43,579	19
111,186	4,433	115,619	-
9,163	28,169	37,332	5,458
<u>3,148,596</u>	<u>62,454</u>	<u>3,211,050</u>	<u>5,477</u>
<u>591,615</u>	<u>(591,615)</u>	<u>-</u>	<u>-</u>
47,377	19,662	67,039	3,336
<u>13,341,962</u>	<u>12,215,824</u>	<u>25,557,786</u>	<u>18,313</u>
<u>\$ 13,389,339</u>	<u>\$ 12,235,486</u>	<u>\$ 25,624,825</u>	<u>\$ 21,649</u>

See accompanying notes to financial statements.

**CITY OF BRODHEAD**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,083,255	\$ -	\$ 166,627
Receivables			
Taxes	1,424,843	312,982	-
Other receivables	4,226	-	-
Special assessments	103,576	-	-
Delinquent personal property taxes	1,726	-	-
Loans	-	-	-
Due from other governments	-	193,999	-
Due from other funds	243,851	-	-
Advances to other funds	<u>426,919</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,288,396</u></b>	<b><u>\$ 506,981</u></b>	<b><u>\$ 166,627</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 71,808	\$ -	\$ -
Accrued liabilities	45,444	-	-
Deposits	185	-	-
Due to other governments	2,467	-	-
Due to other funds	51,281	-	-
Advances from other funds	-	<u>99,597</u>	<u>-</u>
Total Liabilities	<u>171,185</u>	<u>99,597</u>	<u>-</u>
Deferred Inflows of Resources			
Unearned revenues	1,472,720	312,982	-
Unavailable revenues	<u>2,567</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,475,287</u>	<u>312,982</u>	<u>-</u>
Fund Balances (Deficit)			
Nonspendable	428,645	-	-
Restricted	-	193,999	166,627
Assigned	262,166	-	-
Unassigned (deficit)	<u>951,113</u>	<u>(99,597)</u>	<u>-</u>
Total Fund Balances (Deficit)	<u>1,641,924</u>	<u>94,402</u>	<u>166,627</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 3,288,396</u></b>	<b><u>\$ 506,981</u></b>	<b><u>\$ 166,627</u></b>

See accompanying notes to financial statements.

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<u>TIF Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 257,788	\$ 375,393	\$ 1,883,063
80,854	159,023	1,977,702
345,400	-	349,626
12,650	-	116,226
-	-	1,726
-	3,600	3,600
-	-	193,999
-	-	243,851
-	-	426,919
<u>\$ 696,692</u>	<u>\$ 538,016</u>	<u>\$ 5,196,712</u>
\$ 8,553	\$ 2,018	\$ 82,379
-	2,653	48,097
-	-	185
249,235	-	251,702
-	-	51,281
<u>314,958</u>	<u>-</u>	<u>414,555</u>
<u>572,746</u>	<u>4,671</u>	<u>848,199</u>
80,854	159,023	2,025,579
<u>358,050</u>	<u>-</u>	<u>360,617</u>
<u>438,904</u>	<u>159,023</u>	<u>2,386,196</u>
-	-	428,645
-	374,322	734,948
-	-	262,166
<u>(314,958)</u>	<u>-</u>	<u>536,558</u>
<u>(314,958)</u>	<u>374,322</u>	<u>1,962,317</u>
<u>\$ 696,692</u>	<u>\$ 538,016</u>	<u>\$ 5,196,712</u>

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, 2017

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Total Fund Balances - Governmental Funds	\$ 1,962,317
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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	926,813
Construction in progress	100,694
Other capital assets	34,848,729
Less: Accumulated depreciation	(21,303,840)

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.	360,617
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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.	444,909
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Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(170,342)
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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	(3,467,507)
Compensated absences	(204,851)
Accrued interest	(26,880)
Capital leases	(13,179)
Net pension liability	<u>(68,141)</u>

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 13,389,339</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, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>
<b>REVENUES</b>			
Taxes	\$ 1,346,493	\$ 312,982	\$ -
Special assessments	2,138	-	-
Intergovernmental	1,037,461	-	-
Licenses and permits	75,554	-	-
Fines, forfeitures and penalties	45,702	-	-
Public charges for services	104,606	-	-
Investment income	3,722	5,991	-
Miscellaneous	44,011	-	-
Total Revenues	<u>2,659,687</u>	<u>318,973</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current			
General government	413,547	-	-
Public safety	1,538,742	-	-
Public works	471,506	-	-
Health and human services	9,107	-	-
Culture, recreation and education	349,884	-	-
Conservation and development	122,177	-	-
Capital Outlay	49,994	-	376,058
Debt Service			
Principal	-	335,253	-
Interest and fiscal charges	-	82,416	20,315
Total Expenditures	<u>2,954,957</u>	<u>417,669</u>	<u>396,373</u>
Excess (deficiency) of revenues over expenditures	<u>(295,270)</u>	<u>(98,696)</u>	<u>(396,373)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt issued	-	-	563,000
Property sales	182,267	-	-
Transfers in	227,271	31,000	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>409,538</u>	<u>31,000</u>	<u>563,000</u>
<b>Net Change in Fund Balances</b>	114,268	(67,696)	166,627
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,527,656</u>	<u>162,098</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 1,641,924</u>	<u>\$ 94,402</u>	<u>\$ 166,627</u>

See accompanying notes to financial statements.

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TIF Capital Projects Fund	Nonmajor Governmental Funds	Totals
\$ 67,983	\$ 159,023	\$ 1,886,481
-	-	2,138
2,312	77,236	1,117,009
-	-	75,554
-	-	45,702
-	16,364	120,970
1,148	2,866	13,727
<u>30,994</u>	<u>4,903</u>	<u>79,908</u>
<u>102,437</u>	<u>260,392</u>	<u>3,341,489</u>
7,956	-	421,503
-	-	1,538,742
-	-	471,506
-	-	9,107
-	285,187	635,071
16,967	-	139,144
-	-	426,052
-	-	335,253
-	-	<u>102,731</u>
<u>24,923</u>	<u>285,187</u>	<u>4,079,109</u>
<u>77,514</u>	<u>(24,795)</u>	<u>(737,620)</u>
-	-	563,000
-	-	182,267
-	-	258,271
<u>(31,000)</u>	<u>-</u>	<u>(31,000)</u>
<u>(31,000)</u>	<u>-</u>	<u>972,538</u>
46,514	(24,795)	234,918
<u>(361,472)</u>	<u>399,117</u>	<u>1,727,399</u>
<u>\$ (314,958)</u>	<u>\$ 374,322</u>	<u>\$ 1,962,317</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, 2017

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Net change in fund balances - total governmental funds	\$	234,918
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of 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.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		400,652
Some items reported as capital outlay were not capitalized		(88,970)
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements		232,317
Depreciation is reported in the government-wide financial statements		(933,834)
Net book value of assets retired		(109,096)

Contributed capital assets from the stormwater utility are reported as transfers in the government-wide financial statements.		364,344
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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.		
Special assessments		(380)
Developer receivable		252,417

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.		
Debt issued		(563,000)
Principal repaid - debt		335,253
Principal repaid - capital lease		5,858

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		23,364
Accrued interest on debt		8,012
Net pension liability		45,840
Deferred outflows of resources related to pensions		(229,847)
Deferred inflows of resources related to pensions		69,529

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>47,377</u></b>
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## CITY OF BROADHEAD

### STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2017

	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	\$ 2,911,745	\$ 373,888	\$ -	\$ 3,285,633
Receivables				
Accounts	370,724	97,285	10,327	478,336
Due from other funds	-	48,151	3,130	51,281
Inventories	110,939	-	-	110,939
Restricted Assets				
Redemption account	-	31,794	-	31,794
Total Current Assets	<u>3,393,408</u>	<u>551,118</u>	<u>13,457</u>	<u>3,957,983</u>
Noncurrent Assets				
Restricted Assets				
Equipment replacement	-	228,950	-	228,950
Voluntary equipment replacement	-	290,341	-	290,341
Capital Assets				
Land	43,126	64,100	-	107,226
Construction in progress	72,303	-	-	72,303
Utility plant	11,814,731	9,429,233	-	21,243,964
Less: Accumulated depreciation	(6,953,315)	(5,622,621)	-	(12,575,936)
Other Assets				
Nonutility property	143	-	-	143
Total Noncurrent Assets	<u>4,976,988</u>	<u>4,390,003</u>	<u>-</u>	<u>9,366,991</u>
Total Assets	<u>8,370,396</u>	<u>4,941,121</u>	<u>13,457</u>	<u>13,324,974</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related amounts	<u>263,935</u>	<u>54,825</u>	<u>4,812</u>	<u>323,572</u>
Total Deferred Outflows of Resources	<u>263,935</u>	<u>54,825</u>	<u>4,812</u>	<u>323,572</u>

See accompanying notes to financial statements.



	Business-type Activities - Enterprise Funds			
	Water and Light Commission	Wastewater Treatment	Nonmajor Enterprise Fund - Storm Water Utility	Totals
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 230,219	\$ 37,813	\$ 38,093	\$ 306,125
Due to other funds	210,237	33,614	-	243,851
Deposits	33,835	-	-	33,835
Accrued wages	27,628	5,379	-	33,007
Accrued interest	576	-	-	576
Sales tax payable	5,183	-	-	5,183
Commitment to community	3,942	-	-	3,942
Current portion of compensated absences	-	2,524	-	2,524
Liabilities Payable from Restricted Assets				
Accrued interest	-	1,516	-	1,516
Current portion of revenue bonds	-	44,867	-	44,867
Total Current Liabilities	<u>511,620</u>	<u>125,713</u>	<u>38,093</u>	<u>675,426</u>
Noncurrent Liabilities				
Long-Term Debt				
Revenue bonds payable	-	377,840	-	377,840
Other Liabilities				
Advances from other funds	-	-	12,364	12,364
Compensated absences	125,244	51,412	-	176,656
Net pension liability	23,366	5,650	232	29,248
Total Noncurrent Liabilities	<u>148,610</u>	<u>434,902</u>	<u>12,596</u>	<u>596,108</u>
Total Liabilities	<u>660,230</u>	<u>560,615</u>	<u>50,689</u>	<u>1,271,534</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenues	5,589	-	-	5,589
Pension related amounts	111,342	22,352	2,243	135,937
Total Deferred Inflows of Resources	<u>116,931</u>	<u>22,352</u>	<u>2,243</u>	<u>141,526</u>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	4,976,845	3,448,005	-	8,424,850
Restricted for				
Equipment replacement	-	228,950	-	228,950
Debt service	-	30,278	-	30,278
Unrestricted (deficit)	<u>2,880,325</u>	<u>705,746</u>	<u>(34,663)</u>	<u>3,551,408</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>\$ 7,857,170</u>	<u>\$ 4,412,979</u>	<u>\$ (34,663)</u>	<u>\$ 12,235,486</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, 2017

	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	\$ 4,350,728	\$ 863,599	\$ 79,513	\$ 5,293,840
Miscellaneous operating revenues	119,039	-	-	119,039
Total Operating Revenues	<u>4,469,767</u>	<u>863,599</u>	<u>79,513</u>	<u>5,412,879</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	3,725,689	474,323	36,337	4,236,349
Depreciation	457,384	323,215	-	780,599
Total Operating Expenses	<u>4,183,073</u>	<u>797,538</u>	<u>36,337</u>	<u>5,016,948</u>
Operating Income	<u>286,694</u>	<u>66,061</u>	<u>43,176</u>	<u>395,931</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	25,708	3,409	735	29,852
Interest expense	(239)	(9,946)	-	(10,185)
Miscellaneous	2,078	21,277	4,814	28,169
Gain on sale of capital assets	4,433	-	-	4,433
Total Nonoperating Revenues (Expenses)	<u>31,980</u>	<u>14,740</u>	<u>5,549</u>	<u>52,269</u>
Income Before Contributions and Transfers	<u>318,674</u>	<u>80,801</u>	<u>48,725</u>	<u>448,200</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions	1,925	161,152	-	163,077
Transfers - Tax equivalent	(227,271)	-	-	(227,271)
Transfers out	-	-	(364,344)	(364,344)
Total Contributions and Transfers	<u>(225,346)</u>	<u>161,152</u>	<u>(364,344)</u>	<u>(428,538)</u>
<b>Change in Net Position</b>	<u>93,328</u>	<u>241,953</u>	<u>(315,619)</u>	<u>19,662</u>
NET POSITION - Beginning of Year	<u>7,763,842</u>	<u>4,171,026</u>	<u>280,956</u>	<u>12,215,824</u>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u>\$ 7,857,170</u>	<u>\$ 4,412,979</u>	<u>\$ (34,663)</u>	<u>\$ 12,235,486</u>

See accompanying notes to financial statements.

**CITY OF BRODHEAD**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2017

	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	\$ 4,234,115	\$ 912,632	\$ 84,362	\$ 5,231,109
Received from municipality for services	263,872	-	-	263,872
Paid to suppliers for goods and services	(3,352,845)	(357,964)	(30,591)	(3,741,400)
Paid to employees for services	(374,171)	(136,478)	(5,388)	(516,037)
Net Cash Flows From Operating Activities	<u>770,971</u>	<u>418,190</u>	<u>48,383</u>	<u>1,237,544</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	25,708	3,409	735	29,852
Investments purchased	(900,000)	-	-	(900,000)
Net Cash Flows From Investing Activities	<u>(874,292)</u>	<u>3,409</u>	<u>735</u>	<u>(870,148)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Paid to municipality for tax equivalent Assets paid for by stormwater and contributed to the City	(229,997)	-	-	(229,997)
Cash deficit implicitly financed	-	-	(327,343)	(327,343)
County payment for stormwater project	-	-	12,364	12,364
Net Cash Flows From Noncapital Financing Activities	<u>(229,997)</u>	<u>-</u>	<u>91,904</u>	<u>91,904</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Debt issued	-	307,011	-	307,011
Debt retired	-	(422,642)	-	(422,642)
Interest paid	(126)	(11,006)	-	(11,132)
Acquisition and construction of capital assets	(312,211)	(487,584)	-	(799,795)
Capital contributions received	1,925	-	-	1,925
Capital grant received	-	161,152	-	161,152
Salvage on retirement of plant	57,533	-	-	57,533
Net Cash Flows From Capital and Related Financing Activities	<u>(252,879)</u>	<u>(453,069)</u>	<u>-</u>	<u>(705,948)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(586,197)</b>	<b>(31,470)</b>	<b>(173,957)</b>	<b>(791,624)</b>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,597,942</u>	<u>956,443</u>	<u>173,957</u>	<u>3,728,342</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 2,011,745</u></b>	<b><u>\$ 924,973</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,936,718</u></b>

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	\$ 286,694	\$ 66,061	\$ 43,176	\$ 395,931
Nonoperating revenue	2,078	21,277	4,814	28,169
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities				
Depreciation	457,384	323,215	-	780,599
Depreciation charged to other funds	8,030	-	-	8,030
Changes in assets, deferred outflows, liabilities, and deferred inflows				
Customer accounts receivable	15,637	18,397	(409)	33,625
Due from other funds	-	9,359	444	9,803
Inventories	(4,687)	-	-	(4,687)
Accounts payable	(32,229)	(10,860)	807	(42,282)
Commitment to community	(960)	-	-	(960)
Customer deposits	3,435	-	-	3,435
Compensated absences	10,080	-	-	10,080
Other current liabilities	11,276	4,284	(7)	15,553
Pension related deferrals and liabilities	14,233	4,441	(442)	18,232
Due to other funds	-	(17,984)	-	(17,984)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 770,971</u>	<u>\$ 418,190</u>	<u>\$ 48,383</u>	<u>\$ 1,237,544</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>				
Cash and investments	\$ 2,911,745	\$ 373,888	\$ -	\$ 3,285,633
Restricted cash and investments	-	-	-	-
Redemption account	-	31,794	-	31,794
Equipment replacement	-	228,950	-	228,950
Voluntary equipment replacement	-	290,341	-	290,341
Less: Noncash equivalents	(900,000)	-	-	(900,000)
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 2,011,745</u>	<u>\$ 924,973</u>	<u>\$ -</u>	<u>\$ 2,936,718</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
None				

See accompanying notes to financial statements.

**CITY OF BRODHEAD**

STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUND  
As of December 31, 2017

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,789,461
Receivables	
Taxes	<u>780,437</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,569,898</u></b>
<b>LIABILITIES</b>	
Other current liabilities	\$ 199
Due to other governments	<u>2,569,699</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 2,569,898</u></b>

See accompanying notes to financial statements.

# CITY OF BRODHEAD

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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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 unit. 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, 2017

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

---

#### **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.I. 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, 2017. The BID does not issue separate financial statements.

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

##### ***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.

##### ***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.



# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

---

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

---

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

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

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.
- 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..
- TIF Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TID project plan.

The City reports the following major enterprise funds:

- Water and Light Commission - accounts for operations of the water and electric system
- Wastewater Treatment Utility - accounts for operations of the wastewater system

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

---

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

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

The City reports the following nonmajor governmental and enterprise funds:

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 Fund - 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 type:

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, 2017

---

### 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 Light Commission, Wastewater Treatment 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, 2017, there were \$6,606 of unrecorded anticipated future assessments which are not recorded as receivables in the Water and Light Commission 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, 2017

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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 Light Commission, Wastewater Treatment 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.
- 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.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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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.)***

- 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.

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 methods and inputs as outlined in Note III.A. 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, 2017, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

The South Central Library System ("the Foundation") is a library endowment fund. The Foundation is not registered with the Securities and Exchange Commission. It constitutes a contractual agreement between the City and the Foundation with respect to investment of City library assets. The Foundation reports the fair value of its underlying assets annually. At December 31, 2017, the fair value of the Foundation's assets was substantially equal to the City's share as reported in Note III. A.

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 assets and liabilities - agency fund.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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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.)**

Property tax calendar - 2017 tax roll:

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

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 Light Commission, Wastewater Treatment or Stormwater 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:

2018	\$	30,994
2019		<u>30,995</u>
Total	\$	<u><u>61,989</u></u>

The developer owes amounts for years 2013 to present in the amount of \$283,411, for a total remaining balance of \$345,400.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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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.)***

#### **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 District for the purchase of a new fire truck. The City of Brodhead Fire District is scheduled to make the following payments:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 63,742	\$ 4,433
2019	65,339	2,836
2020	<u>64,918</u>	<u>1,203</u>
Total	<u>\$ 193,999</u>	<u>\$ 8,472</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. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 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 acquisition value at the date of donation.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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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.)***

##### **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 of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. 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, 2017

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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.)***

##### ***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, 2017, 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.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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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.)*

#### **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.
- 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.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

---

## 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.)***

- 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.

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.

The City has a formal minimum fund balance policy. That policy is to maintain a minimum allocated General Fund fund balance of thirty percent of the following year's revenue budget amount to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, or to meet unexpected increases in service delivery costs. To the extent that unusual contingencies exists as a result of state or federal aid uncertainties, or other highly variable factors, a balance larger than this minimum amount may be maintained. These funds will be used to avoid cash flow interruptions, generate interest income, and avoid the need for short-term borrowing. The unassigned balance at year end was \$951,113 or 33% of the 2018 general fund revenue budget.

See Note III. H. for further information.

#### ***11. Pension***

For purposes of measuring the net pension (asset) liability, 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.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

---

## 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.)*

#### **12. 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**

A budget has been adopted for the General Fund, Debt Service Fund, TIF Capital Projects Fund, and Library Fund. A budget has not been formally adopted for Revolving Loan Fund, Citizens Park and Recreation Fund, and the Capital Projects Fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General Fund	\$ 2,869,063	\$ 2,980,357	\$ 111,294
Debt Service	412,157	417,669	5,512
Library Fund	279,300	285,187	5,887

The City controls expenditures at the functional level. Some individual functions 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, 2017, the following individual funds held a deficit balance:

Fund	Amount	Reason
Storm Water Utility	<u>\$ 34,663</u>	Deficits of this fund are expected to be covered by future user charges
Tax Incremental District #4 *	\$ 2,991	Deficits of this fund are expected to be covered by future tax increments
Tax Incremental District #5 *	19,210	Deficits of this fund are expected to be covered by future tax increments
Tax Incremental District #6 *	164,462	Deficits of this fund are expected to be covered by future tax increments
Tax Incremental District #7 *	<u>128,295</u>	Deficits of this fund are expected to be covered by future tax increments
Total Tax Incremental Districts	<u>\$ 314,958</u>	

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

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. Storm Water Fund deficit is anticipated to be funded with future user charges.

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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### ***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.

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

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### ***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.

## CITY OF BRODHEAD

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 6,770,171	\$ 6,641,735	Custodial credit risk
South Central Library System Foundation	102,232	102,232	Credit
U.S. agencies - implicitly guaranteed	205,736	205,736	Custodial credit, interest rate, concentration of credit, credit
LGIP	402,638	402,638	Credit risk
Petty cash/cash on hand	37,717	-	N/A
Total Deposits and Investments	\$ 7,518,494	\$ 7,352,341	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 5,459,037		
Restricted cash and investments	260,744		
Business Improvement District	9,252		
Per statement of assets and liabilities -			
agency fund			
Agency Fund	1,789,461		
Total Deposits and Investments	\$ 7,518,494		

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 City and Water and Light Commission maintain collateral or depository insurance agreements with its banks in the amount of \$3,658,827 at December 31, 2017.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

> Matrix pricing

Investment Type	December 31, 2017			
	Level 1	Level 2	Level 3	Total
U.S. agencies - implicitly guaranteed	\$ -	\$ 205,736	\$ -	\$ 205,736
Total	\$ -	\$ 205,736	\$ -	\$ 205,736

#### ***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, 2017, \$2,525,293 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,349,856
Uninsured and collateral held by the pledging financial institution's trust department or agent not in the City's name	175,437
Total	\$ 2,525,293

The Water and Light Commission's policy addresses this risk. It requires that all investments be insured or registered, or collateralized by or evidenced by securities held by the utility or its agent in the utility's name.

##### **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.

Investment Type	
Federal Home Loan Bank and Federal Farm Credit Bank	\$ 205,736



# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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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** (cont.)

The Water and Light Commission'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 institutions, 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, 2017, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investors Services</u>
U.S. agencies - implicitly guaranteed	AAA

The City also held investments in the LGIP and the South Central Library System Foundation, both external investment pools, that are not rated.

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

##### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2017, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Percentage of Net Position</u>
U.S. agencies - implicitly guaranteed	100.00%

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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

The Water and Light Commission'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 institutions, 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, 2017, the City's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1 Year	1-5 Years	Greater than 5 Years
U.S. agencies - implicitly guaranteed	\$ 205,736	\$ -	\$ 205,736	\$ -
Totals	<u>\$ 205,736</u>	<u>\$ -</u>	<u>\$ 205,736</u>	<u>\$ -</u>

The Water and Light Commission's investment policy addresses this risk. The utility will purchase Water and Light Commission's investments and repurchase agreements with fixed 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 interest rates.

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

**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	\$ 116,226
Delinquent personal property taxes	1,726
Other receivables	314,406
Due from other governments	130,257
Loans receivable	<u>3,600</u>
Total Receivables Not Due Within One Year	<u>\$ 566,215</u>

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

**B. RECEIVABLES (cont.)**

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:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 1,920,030	\$ -
Special assessments not yet due	105,549	15,217
Developer receivable not yet due	-	345,400
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 2,025,579	 \$ 360,617

**C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

***Long-Term Debt Accounts***

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.

***Equipment Replacement Account***

As a condition of the 2016 Sewerage System Revenue Bonds issued under the State of WI 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 apparatuses 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 \$15,263 until a maximum of \$228,950 is reached. The balance at December 31, 2017 is \$228,950. The Wastewater Treatment utility has also voluntarily restricted other monies in a Wastewater Treatment equipment replacement account in the amount of \$290,341 to help fund future wastewater treatment plant equipment and construction costs.

## CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

#### C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2017:

	Restricted Assets
Bond redemption account	\$ 31,794
Equipment replacement account - CWFL	228,950
Total	\$ 260,744

#### D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 957,049	\$ -	\$ 30,236	\$ 926,813
Construction in progress	42,778	100,694	42,778	100,694
Total Capital Assets Not Being Depreciated	999,827	100,694	73,014	1,027,507
Capital assets being depreciated				
Land improvements	2,823,578	-	-	2,823,578
Building	3,616,548	98,532	104,156	3,610,924
Infrastructure	26,526,709	421,339	-	26,948,048
Equipment	1,202,750	330,556	67,127	1,466,179
Total Capital Assets Being Depreciated	34,169,585	850,427	171,283	34,848,729
Total Capital Assets	35,169,412	951,121	244,297	35,876,236
Less: Accumulated depreciation for governmental activities	(20,462,429)	(933,834)	92,423	(21,303,840)
Total Accumulated Depreciation	(20,462,429)	(933,834)	92,423	(21,303,840)
Net Capital Assets Being Depreciated	13,707,156	(83,407)	78,860	13,544,889
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 14,706,983	\$ 17,287	\$ 151,874	\$ 14,572,396

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

Depreciation expense was charged to functions as follows:

#### Governmental Activities

General government	\$ 25,019
Public safety	39,016
Public works	739,751
Culture and recreation	129,842
Conservation and development	<u>206</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 933,834</u></u>

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type Activities</b>				
Capital assets not being depreciation				
Land	\$ 140,474	\$ -	\$ 33,248	\$ 107,226
Construction in progress	<u>85,209</u>	<u>72,303</u>	<u>85,209</u>	<u>72,303</u>
Total Capital Assets Not Being Depreciation	<u>225,683</u>	<u>72,303</u>	<u>118,457</u>	<u>179,529</u>
Capital assets being depreciated				
Buildings and equipment	16,524,176	774,314	101,074	17,197,416
Water Distribution System	<u>4,017,207</u>	<u>38,387</u>	<u>9,046</u>	<u>4,046,548</u>
Total Capital Assets Being Depreciated	<u>20,541,383</u>	<u>812,701</u>	<u>110,120</u>	<u>21,243,964</u>
Total Capital Assets	<u>20,767,066</u>	<u>885,004</u>	<u>228,577</u>	<u>21,423,493</u>
Less: Accumulated depreciation for business-type activities	<u>(11,877,575)</u>	<u>(808,481)</u>	<u>110,120</u>	<u>(12,575,936)</u>
Total Accumulated Depreciation	<u>(11,877,575)</u>	<u>(808,481)</u>	<u>110,120</u>	<u>(12,575,936)</u>
Net Capital Assets Being Depreciated	<u>8,663,808</u>	<u>4,220</u>	<u>-</u>	<u>8,668,028</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 8,889,491</u></u>	<u><u>\$ 76,523</u></u>	<u><u>\$ 118,457</u></u>	<u><u>\$ 8,847,557</u></u>

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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

Depreciation expense was charged to functions as follows:

**Business-type Activities**

Water	\$ 152,542
Electric	304,842
Wastewater	<u>323,215</u>
 Total Business-type Activities Depreciation Expense	 <u><u>\$ 780,599</u></u>

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.

**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	\$ 210,237
General Fund	Wastewater Fund	33,614
Wastewater Treatment	General Fund	48,151
Stormwater Utility	General Fund	<u>3,130</u>
Total - Fund Financial Statements		295,132
Less: Government-wide eliminations		<u>(102,562)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ 192,570</u></u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 243,851
Business-type Activities	Governmental Activities	<u>(51,281)</u>
Total Government-Wide Financial Statements		<u><u>\$ 192,570</u></u>

All amounts are due within one year.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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

***Interfund Receivables/Payables (cont.)***

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 is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The general fund is also advancing funds to the Stormwater Utility. No repayment schedule has been established for these advances.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	Debt Service Fund	\$ 99,597	\$ 99,597
General Fund	TIF Capital Projects Fund - TIF No. 4	2,991	2,991
General Fund	TIF Capital Projects Fund - TIF No. 5'	19,210	19,210
General Fund	TIF Capital Projects Fund - TIF No. 6	164,462	164,462
General Fund	TIF Capital Projects Fund - TIF No. 7	128,295	128,295
General Fund	Stormwater Utility	12,364	12,364
Total - Fund Financial Statements		426,919	
Less: Fund eliminations		(414,555)	
Total - Interfund Advances - Government-Wide Statement of Net Position		\$ 12,364	

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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

**Transfers**

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Water and Light Commission	\$ 227,271	Payment in lieu of taxes
Debt Service Fund	TIF Capital Projects Fund - TIF No. 6	<u>31,000</u>	Debt payments
Total - Fund Financial Statements		258,271	
Less: Fund eliminations		(31,000)	
Add: Transfer from Stormwater Utility to the Governmental Activities - capital contribution		<u>364,344</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 591,615</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts 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, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 3,239,760	\$ 563,000	\$ 335,253	\$ 3,467,507	\$ 328,003
Sub-totals	<u>3,239,760</u>	<u>563,000</u>	<u>335,253</u>	<u>3,467,507</u>	<u>328,003</u>
Other Liabilities					
Vested compensated absences	228,215	-	23,364	204,851	8,012
Capital leases	19,037	-	5,858	13,179	5,858
Net pension liability	113,981	-	45,840	68,141	-
Total Other Liabilities	<u>361,233</u>	<u>-</u>	<u>75,062</u>	<u>286,171</u>	<u>13,870</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,600,993</u>	<u>\$ 563,000</u>	<u>\$ 410,315</u>	<u>\$ 3,753,678</u>	<u>\$ 341,873</u>



# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-type Activities</b>					
Bonds and Notes Payable					
Revenue bonds	\$ 538,338	\$ 307,011	\$ 422,642	\$ 422,707	\$ 44,867
Sub-totals	538,338	307,011	422,642	422,707	44,867
Other Liabilities					
Vested compensated absences	165,488	15,803	2,111	179,180	2,524
Net pension liability	78,775	-	49,527	29,248	-
Total Other Liabilities	244,263	15,803	51,638	208,428	2,524
Total Business-type Activities Long-Term Liabilities	\$ 782,601	\$ 322,814	\$ 474,280	\$ 631,135	\$ 47,391

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, 2017, was \$8,679,345. Total general obligation debt outstanding at year end was \$3,467,507.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

**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, 2017</u>
General Obligation Promissory Notes 2014	09/12/14	03/15/34	4.25%	\$ 350,000	\$ 331,490
General Obligation Promissory Notes 2015	11/03/15	09/01/20	2.49%	318,309	194,000
General Obligation State Trust Fund Loan 2015	01/02/15	03/15/27	4.25%	216,503	189,017
General Obligation Refunding Bonds 2016	08/25/16	06/01/30	0.80 - 2.25%	2,285,000	2,190,000
General Obligation Bonds 2017A	03/29/17	03/01/17	1.53 - 3.06%	563,000	<u>563,000</u>
Total Governmental Activities - General Obligation Debt					<u><u>\$ 3,467,507</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 328,003	\$ 78,146
2019	303,843	67,251
2020	309,666	61,748
2021	247,150	56,210
2022	252,559	51,566
2023-2027	1,326,074	175,405
2028-2032	647,996	43,477
2033-2034	<u>52,216</u>	<u>3,352</u>
Totals	<u><u>\$ 3,467,507</u></u>	<u><u>\$ 537,155</u></u>

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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

**Revenue Debt**

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

The City has pledged future Wastewater Treatment Facility revenues to repay revenue bonds issued in 2000 and 2016. Proceeds from the bonds provided financing for the Wastewater Treatment Center. The bonds are payable solely from Wastewater Treatment Utility revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require 3.00% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$491,969. Principal and interest paid for the current year and total customer gross revenues were \$433,648 and \$888,285, respectively.

Revenue debt payable at December 31, 2017, consists of the following:

**Business-type Activities Revenue Debt**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>	
<u>Wastewater Utility</u>						
2000 Revenue Bonds	09/27/00	05/01/20	2.97%	\$ 494,586	\$ 93,998	(1)
2016 Revenue Bonds	10/28/16	05/01/36	1.960%	328,709	<u>328,709</u>	(2)
Total Business-type Activities - Revenue Debt					<u>\$ 422,707</u>	

(1) - Maximum loan amount \$527,461. Amount disbursed \$494,586.

(2) - Maximum loan amount \$433,945. Amount disbursed \$328,709.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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

**Revenue Debt (cont.)**

**Business-type Activities Revenue Debt (cont.)**

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-type Activities Revenue Debt	
	Principal	Interest
2018	\$ 44,867	\$ 8,713
2019	46,053	7,438
2020	47,271	6,202
2021	15,312	5,426
2022	15,612	5,123
2023-2027	82,771	20,859
2028-2032	91,207	12,340
2033-2036	79,614	3,161
Totals	\$ 422,707	\$ 69,262

**Capital Leases**

Refer to Note III. G.

**Other Debt Information**

Estimated payments of the compensated absences liability and net pension liability are not included in the debt service requirement schedules. The compensated absences liability and net pension liability attributable to governmental activities will be liquidated primarily by the General fund.

**CITY OF BRODHEAD**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

**G. LEASE DISCLOSURES**

***Lessee - Capital Leases***

In 2004 the 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, 2017, are as follows:

<u>Years</u>	<u>Governmental Activities Principal</u>
2018	\$ 5,858
2019	5,857
2020	<u>1,464</u>
Totals	<u>\$ 13,179</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, 2017, includes the following:

***Governmental Activities***

Net Investment in Capital Assets	
Land	\$ 926,813
Construction in progress	100,694
Other capital assets, net of accumulated depreciation	13,544,889
Less: Long-term capital debt outstanding	(3,225,733)
Less: Capital lease	(13,179)
Plus: Unspent bond proceeds	<u>166,627</u>
Total Net Investment in Capital Assets	<u>11,500,111</u>
Restricted	
Debt service	193,999
Library	229,523
Revolving loans	100,000
Parks	<u>44,799</u>
Total Restricted	<u>568,321</u>
Unrestricted	
	<u>1,320,907</u>
Total Governmental Activities Net Position	<u>\$ 13,389,339</u>

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

##### Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2017, include the following:

	General Fund	Debt Service Fund	Capital Projects Fund	TIF Capital Projects Fund	Nonmajor Funds	Totals
<b>Fund Balances</b>						
<b>Nonspendable:</b>						
Advances to other funds	\$ 426,919	\$ -	\$ -	\$ -	\$ -	\$ 426,919
Delinquent personal property taxes	<u>1,726</u>	-	-	-	-	<u>1,726</u>
Sub-total	<u>428,645</u>	-	-	-	-	<u>428,645</u>
<b>Restricted for:</b>						
Debt service - fire district	-	193,999	-	-	-	193,999
Revolving loan fund	-	-	-	-	100,000	100,000
Library operations	-	-	-	-	229,523	229,523
Park donations - park bathroom repairs	-	-	-	-	44,799	44,799
Unspent bond proceeds	-	-	<u>166,627</u>	-	-	<u>166,627</u>
Sub-total	<u>-</u>	<u>193,999</u>	<u>166,627</u>	<u>-</u>	<u>374,322</u>	<u>734,948</u>
<b>Assigned to:</b>						
Economic development - TIF refunds	253,353	-	-	-	-	253,353
Carryforwards - 2018	<u>8,813</u>	-	-	-	-	<u>8,813</u>
Sub-total	<u>262,166</u>	-	-	-	-	<u>262,166</u>
<b>Unassigned (deficit):</b>	<u>951,113</u>	<u>(99,597)</u>	<u>-</u>	<u>(314,958)</u>	<u>-</u>	<u>536,558</u>
<b>Total Fund Balances (Deficit)</b>	<u>\$ 1,641,924</u>	<u>\$ 94,402</u>	<u>\$ 166,627</u>	<u>\$ (314,958)</u>	<u>\$ 374,322</u>	<u>\$ 1,962,317</u>

##### Business-type Activities

Net Investment in Capital Assets	
Land	\$ 107,226
Construction in progress	72,303
Other capital assets, net of accumulated depreciation	8,668,028
Less: Long-term debt outstanding	<u>(422,707)</u>
Total Net Investment in Capital Assets	<u>8,424,850</u>
Restricted	
Equipment replacement	228,950
Debt service	<u>30,278</u>
Total Restricted	<u>259,228</u>
Unrestricted	
	<u>3,551,408</u>
Total Business-type Activities Net Position	<u>\$ 12,235,486</u>

# CITY OF BRODHEAD

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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### *I. COMPONENT UNIT*

#### ***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 \$9,252 and is part of the City's commingled cash. See Note III. A.

c. Capital Assets

At year end, the capital asset in the BID consisted of a gazebo, net of depreciation, with an ending balance of \$12,397. The BID considers a capital asset to have an initial cost of \$2,000 and an estimated useful life in excess of one year.

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## NOTE IV - OTHER INFORMATION

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### ***A. EMPLOYEES' RETIREMENT SYSTEM***

***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.

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

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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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, 2017

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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
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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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. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$114,474 in contributions from the City.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2017, the City reported a liability of \$97,389 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City's proportion was 0.01181559%, which was a decrease of 0.00004648% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$268,546.

## CITY OF BRODHEAD

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,134	\$ 306,279
Changes in assumptions	101,824	-
Net differences between projected and actual earnings on pension plan investments	484,769	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,918	-
Employer contributions subsequent to the measurement date	135,836	-
Totals	\$ 768,481	\$ 306,279

\$135,836 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 230,299	\$ 97,784
2019	230,299	97,784
2020	187,892	97,784
2021	(16,016)	12,927
2022	171	-

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### 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:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

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

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

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

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

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$1,281,210	\$97,389	\$(814,208)

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

At December 31, 2017, 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.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### **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.

#### ***TIF Reimbursable Expenditures***

In 2016, the City issued \$2,285,000 General Obligation Refunding Bonds, Series 2016. \$1,325,000 of this issue was to refinance the 2010 refunding bonds in TIF No. 6.

TIF No. 6 is presently collecting approximately \$31,000 per year in increment. When the 2016 refunding bonds were issued, it was anticipated that TIF No. 6 would contribute \$31,000 towards the annual debt service payments going forward. The remainder will be paid for by the City's tax levy. If TIF No. 6 is able to pay its share in the future, it will reimburse the City.

	Year Ended 2017
Principal	\$ 95,000
Interest	26,467
TIF No. 6 contribution	(31,000)
2017 Amount Paid by the City	\$ 90,467
Prior year balance	\$ -
2017 payment	90,467
Cumulative Amount Payable from TIF No. 6 to the City	\$ 90,467

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

The electric utility is one of 51 WPPI Energy member municipalities located throughout the State of Wisconsin. 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.

# CITY OF BRODHEAD

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

##### ***Long-Term Contracts - WPPI Energy (cont.)***

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.

All but two of the WPPI Energy members ratified an extension to their existing contracts. The new contract expires at midnight on December 31, 2055. The remaining two members have long-term contracts through December 31, 2037.

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 is \$388 million as of December 31, 2017.

#### **D. ECONOMIC DEPENDENCY**

The electric utility has two significant customers who were responsible for 31% of operating revenues in 2017.

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

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

- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*
- > Statement No. 87, *Leases*

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



**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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,346,508	\$ 1,346,508	\$ 1,346,493	\$ (15)
Special assessments	5,857	5,857	2,138	(3,719)
Intergovernmental	1,054,953	1,054,953	1,037,461	(17,492)
Licenses and permits	79,550	79,550	75,554	(3,996)
Fines, forfeitures and penalties	25,000	25,000	45,702	20,702
Public charges for services	75,220	75,220	104,606	29,386
Investment income	2,000	2,000	3,722	1,722
Miscellaneous	<u>37,062</u>	<u>37,062</u>	<u>44,011</u>	<u>6,949</u>
<b>Total Revenues</b>	<u>2,626,150</u>	<u>2,626,150</u>	<u>2,659,687</u>	<u>33,537</u>
<b>EXPENDITURES</b>				
General government	422,334	425,334	413,547	11,787
Public safety	1,546,665	1,546,665	1,538,742	7,923
Public works	513,328	513,328	471,506	41,822
Health and human services	9,820	9,820	9,107	713
Culture, recreation and education	247,591	247,591	349,884	(102,293)
Conservation and development	118,024	126,325	122,177	4,148
Capital Outlay	<u>-</u>	<u>-</u>	<u>49,994</u>	<u>(49,994)</u>
<b>Total Expenditures</b>	<u>2,857,762</u>	<u>2,869,063</u>	<u>2,954,957</u>	<u>(85,894)</u>
Deficiency of revenues under expenditures	<u>(231,612)</u>	<u>(242,913)</u>	<u>(295,270)</u>	<u>(52,357)</u>
<b>OTHER FINANCING SOURCES</b>				
Property sales	-	-	182,267	182,267
Transfers in - utility taxes	<u>231,612</u>	<u>231,612</u>	<u>227,271</u>	<u>(4,341)</u>
<b>Total Other Financing Sources</b>	<u>231,612</u>	<u>231,612</u>	<u>409,538</u>	<u>177,926</u>
<b>Net Change in Fund Balance</b>	-	(11,301)	114,268	125,569
FUND BALANCE - Beginning of Year	<u>1,527,656</u>	<u>1,527,656</u>	<u>1,527,656</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,527,656</u>	<u>\$ 1,516,355</u>	<u>\$ 1,641,924</u>	<u>\$ 125,569</u>

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

## CITY OF BRODHEAD

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

Fiscal Year Ending	Proportion of the Net Pension (Asset) Liability	Proportionate Share of the Net Pension (Asset) Liability	Covered Payroll	Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/15	0.012021780%	\$ (295,287)	\$ 1,475,391	20.01%	102.74%
12/31/16	0.011862070%	192,756	1,507,368	12.79%	98.20%
12/31/17	0.011815590%	97,389	1,484,317	6.56%	99.12%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 117,044	\$ 117,044	\$ -	\$ 1,507,368	7.93%
12/31/16	127,111	127,111	-	1,484,317	8.56%
12/31/17	135,836	135,836	-	1,516,088	8.96%

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, 2017

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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 presented include any amendments made. 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 \$8,813. Budgets are adopted at the function level of expenditure 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 and occurred within the fiscal year.

The City is required to present the last ten 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>TAXES</b>				
General property taxes	\$ 1,343,148	\$ 1,343,148	\$ 1,343,149	\$ 1
Mobile home lottery credit and parking fees	<u>3,360</u>	<u>3,360</u>	<u>3,344</u>	<u>(16)</u>
Total Taxes	<u>1,346,508</u>	<u>1,346,508</u>	<u>1,346,493</u>	<u>(15)</u>
<b>SPECIAL ASSESSMENTS</b>				
Special assessments	<u>5,857</u>	<u>5,857</u>	<u>2,138</u>	<u>(3,719)</u>
<b>INTERGOVERNMENTAL</b>				
Federal aid - law enforcement	-	-	2,015	2,015
Federal aid - general program operations	-	-	36,214	36,214
State shared revenues	802,619	802,619	801,218	(1,401)
State aid - fire insurance dues	13,300	13,300	-	(13,300)
State aid - other law enforcement	5,000	5,000	11,579	6,579
State aid - general transportation aids	188,741	188,741	146,920	(41,821)
State aid - other highway aid	26,766	26,766	21,509	(5,257)
State aid - recycling	12,517	12,517	13,122	605
Other state payments	6,000	6,000	4,874	(1,126)
In lieu of taxes on state conservation lands	<u>10</u>	<u>10</u>	<u>10</u>	<u>-</u>
Total Intergovernmental	<u>1,054,953</u>	<u>1,054,953</u>	<u>1,037,461</u>	<u>(17,492)</u>
<b>LICENSES AND PERMITS</b>				
Licenses and permits	<u>79,550</u>	<u>79,550</u>	<u>75,554</u>	<u>(3,996)</u>
<b>FINES, FORFEITURES, AND PENALTIES</b>				
Fines, forfeitures and penalties	<u>25,000</u>	<u>25,000</u>	<u>45,702</u>	<u>20,702</u>
<b>PUBLIC CHARGES FOR SERVICES</b>				
Publication fees	150	150	130	(20)
Photocopies	20	20	46	26
Law enforcement fees	6,650	6,650	6,815	165
Street related facilities	2,500	2,500	1,671	(829)
Solid waste disposal	300	300	340	40
Parks	9,500	9,500	10,845	1,345
Recreation programs	25,000	25,000	43,125	18,125
Swimming areas	30,000	30,000	30,766	766
Other public charges for services	<u>1,100</u>	<u>1,100</u>	<u>10,868</u>	<u>9,768</u>
Total Public Charges for Services	<u>75,220</u>	<u>75,220</u>	<u>104,606</u>	<u>29,386</u>
<b>INVESTMENT INCOME</b>				
Investment income	<u>2,000</u>	<u>2,000</u>	<u>3,722</u>	<u>1,722</u>

## CITY OF BRODHEAD

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

For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>MISCELLANEOUS REVENUES</b>				
Rent	\$ 17,800	\$ 17,800	\$ 15,848	\$ (1,952)
Insurance recoveries	500	500	-	(500)
Donations	-	-	19,000	19,000
Other miscellaneous	<u>18,762</u>	<u>18,762</u>	<u>9,163</u>	<u>(9,599)</u>
Total Miscellaneous Revenues	<u>37,062</u>	<u>37,062</u>	<u>44,011</u>	<u>6,949</u>
<b>OTHER FINANCING SOURCES</b>				
Property sales	-	-	182,267	182,267
Transfers in - utility taxes	<u>231,612</u>	<u>231,612</u>	<u>227,271</u>	<u>(4,341)</u>
Total Other Financing Sources	<u>231,612</u>	<u>231,612</u>	<u>409,538</u>	<u>177,926</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>				
	<u>\$ 2,857,762</u>	<u>\$ 2,857,762</u>	<u>\$ 3,069,225</u>	<u>\$ 211,463</u>

## CITY OF BRODHEAD

### DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>GENERAL GOVERNMENT</b>				
Council/Board	\$ 46,598	\$ 49,598	\$ 58,099	\$ (8,501)
Municipal court	31,765	31,765	28,338	3,427
Legal	65,400	65,400	91,570	(26,170)
Mayor	4,230	4,230	3,230	1,000
Treasurer	159,801	159,801	130,061	29,740
Assessment of property	11,200	11,200	9,712	1,488
General buildings/plant/hall	35,340	35,340	27,416	7,924
Other insurance	67,600	67,600	61,679	5,921
Other general government	400	400	3,442	(3,042)
Total General Government	<u>422,334</u>	<u>425,334</u>	<u>413,547</u>	<u>11,787</u>
<b>PUBLIC SAFETY</b>				
Police	1,147,961	1,147,961	1,176,137	(28,176)
Fire protection	360,954	360,954	334,950	26,004
Building inspection	26,050	26,050	23,351	2,699
Emergency communication (911)	11,700	11,700	4,304	7,396
Total Public Safety	<u>1,546,665</u>	<u>1,546,665</u>	<u>1,538,742</u>	<u>7,923</u>
<b>PUBLIC WORKS</b>				
Public works/highway administration	72,129	72,129	64,207	7,922
Highway and street maintenance and construction	92,131	92,131	96,568	(4,437)
Tree and brush removal	12,446	12,446	15,857	(3,411)
Traffic control	14,225	14,225	9,713	4,512
Street cleaning	7,866	7,866	6,291	1,575
Snow and ice control	26,372	26,372	8,075	18,297
Street lighting	63,700	63,700	60,899	2,801
Sidewalks	14,340	14,340	1,127	13,213
Refuse and garbage collection	118,490	118,490	110,389	8,101
Recycling	91,629	91,629	98,380	(6,751)
Total Public Works	<u>513,328</u>	<u>513,328</u>	<u>471,506</u>	<u>41,822</u>
<b>HEALTH AND HUMAN SERVICES</b>				
Community Center	<u>9,820</u>	<u>9,820</u>	<u>9,107</u>	<u>713</u>



## CITY OF BRODHEAD

### DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>CULTURE, RECREATION, AND EDUCATION</b>				
Museum	\$ 2,344	\$ 2,344	\$ 1,523	\$ 821
Parks	108,728	108,728	220,358	(111,630)
Recreation programs and events	46,519	46,519	45,471	1,048
Swimming areas	86,900	86,900	79,422	7,478
Other summer recreation	3,100	3,100	3,100	-
Library	-	-	10	(10)
Total Culture, Recreation, and Education	<u>247,591</u>	<u>247,591</u>	<u>349,884</u>	<u>(102,293)</u>
<b>CONSERVATION AND DEVELOPMENT</b>				
Forestry	49,905	49,905	30,320	19,585
Weed control	6,842	6,842	4,872	1,970
Planning	8,000	8,000	37,122	(29,122)
Economic development	1,000	1,000	413	587
Other conservation and development	52,277	60,578	49,450	11,128
Total Conservation and Development	<u>118,024</u>	<u>126,325</u>	<u>122,177</u>	<u>4,148</u>
<b>CAPITAL OUTLAY</b>				
Parks	-	-	49,994	(49,994)
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,857,762</u>	<u>\$ 2,869,063</u>	<u>\$ 2,954,957</u>	<u>\$ (85,894)</u>

**CITY OF BRODHEAD**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Library	Citizens Park and Recreation	Revolving Loan Fund	
<b>ASSETS</b>				
Cash and investments	\$ 234,194	\$ 44,799	\$ 96,400	\$ 375,393
Receivables				
Taxes	159,023	-	-	159,023
Loans	-	-	3,600	3,600
<b>TOTAL ASSETS</b>	<b><u>\$ 393,217</u></b>	<b><u>\$ 44,799</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 538,016</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 2,018	\$ -	\$ -	\$ 2,018
Accrued liabilities	<u>2,653</u>	<u>-</u>	<u>-</u>	<u>2,653</u>
Total Liabilities	<u>4,671</u>	<u>-</u>	<u>-</u>	<u>4,671</u>
Deferred Inflows of Resources				
Unearned revenues	<u>159,023</u>	<u>-</u>	<u>-</u>	<u>159,023</u>
Total Deferred Inflows of Resources	<u>159,023</u>	<u>-</u>	<u>-</u>	<u>159,023</u>
Fund Balances				
Restricted	<u>229,523</u>	<u>44,799</u>	<u>100,000</u>	<u>374,322</u>
Total Fund Balances	<u>229,523</u>	<u>44,799</u>	<u>100,000</u>	<u>374,322</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 393,217</u></b>	<b><u>\$ 44,799</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 538,016</u></b>

## CITY OF BRODHEAD

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Library	Citizens Park and Recreation	Revolving Loan Fund	
<b>REVENUES</b>				
Taxes	\$ 159,023	\$ -	\$ -	\$ 159,023
Intergovernmental	77,236	-	-	77,236
Public charges for services	16,364	-	-	16,364
Investment income	2,857	9	-	2,866
Miscellaneous	<u>2,653</u>	<u>2,250</u>	-	<u>4,903</u>
Total Revenues	<u>258,133</u>	<u>2,259</u>	-	<u>260,392</u>
<b>EXPENDITURES</b>				
Current				
Culture, recreation and education	<u>285,187</u>	-	-	<u>285,187</u>
Total Expenditures	<u>285,187</u>	-	-	<u>285,187</u>
<b>Net Change in Fund Balances</b>	(27,054)	2,259	-	(24,795)
FUND BALANCES - Beginning of Year	<u>256,577</u>	<u>42,540</u>	<u>100,000</u>	<u>399,117</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 229,523</u></u>	<u><u>\$ 44,799</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 374,322</u></u>

# CITY OF BRODHEAD

## STATEMENT OF CASH FLOWS COMPONENT UNIT For the Year Ended December 31, 2017

	Business Improvement District
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from others	\$ 14,171
Paid to suppliers for goods and services	<u>(10,201)</u>
Net Cash Flows From Operating Activities	<u>3,970</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	<u>19</u>
Net Cash Flows From Investing Activities	<u>19</u>
<b>Net Change in Cash and Cash Equivalents</b>	3,989
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>5,263</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 9,252</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (10,854)
Nonoperating revenue	14,171
Adjustment to Reconcile Operating Income to Net Cash Flows From Operating Activities	
Depreciation	<u>653</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ 3,970</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>	
Cash and investments - statement of net position	<u>\$ 9,252</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 9,252</u></u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
None	

**CITY OF BRODHEAD**

SCHEDULE OF BALANCE SHEET - TIF CAPITAL PROJECTS  
As of December 31, 2017

	Capital Projects		
	TIF #2	TIF #3	TIF#4
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 257,788	\$ -
Receivables			
Taxes	-	-	710
Special assessments	12,650	-	-
Other	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 12,650</u>	<u>\$ 257,788</u>	<u>\$ 710</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 8,553	\$ -
Due to other governments	-	249,235	-
Advances from other funds	-	-	2,991
Total Liabilities	<u>-</u>	<u>257,788</u>	<u>2,991</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenues	-	-	710
Unavailable revenues	12,650	-	-
Total Deferred Inflows of Resources	<u>12,650</u>	<u>-</u>	<u>710</u>
<b>FUND BALANCES</b>			
Unassigned (Deficit)	-	-	(2,991)
Total Fund Balances (Deficit)	<u>-</u>	<u>-</u>	<u>(2,991)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 12,650</u>	<u>\$ 257,788</u>	<u>\$ 710</u>

Capital Projects

<u>TIF #5</u>	<u>TIF #6</u>	<u>TIF #7</u>	<u>Total TIF Capital Project Fund</u>
\$ -	\$ -	\$ -	\$ 257,788
5,872	41,593	32,679	80,854
-	-	-	12,650
<u>-</u>	<u>345,400</u>	<u>-</u>	<u>345,400</u>
<u>\$ 5,872</u>	<u>\$ 386,993</u>	<u>\$ 32,679</u>	<u>\$ 696,692</u>
\$ -	\$ -	\$ -	\$ 8,553
-	-	-	249,235
<u>19,210</u>	<u>164,462</u>	<u>128,295</u>	<u>314,958</u>
<u>19,210</u>	<u>164,462</u>	<u>128,295</u>	<u>572,746</u>
5,872	41,593	32,679	80,854
-	345,400	-	358,050
<u>5,872</u>	<u>386,993</u>	<u>32,679</u>	<u>438,904</u>
<u>(19,210)</u>	<u>(164,462)</u>	<u>(128,295)</u>	<u>(314,958)</u>
<u>(19,210)</u>	<u>(164,462)</u>	<u>(128,295)</u>	<u>(314,958)</u>
<u>\$ 5,872</u>	<u>\$ 386,993</u>	<u>\$ 32,679</u>	<u>\$ 696,692</u>

**CITY OF BRODHEAD**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
TIF CAPITAL PROJECTS

For the Year Ended December 31, 2017

	Capital Projects	
	TIF#4	TIF #5
<b>REVENUES</b>		
Taxes	\$ 610	\$ 4,419
Intergovernmental	-	357
Investment income	21	530
Miscellaneous	-	-
Total Revenues	<u>631</u>	<u>5,306</u>
<b>EXPENDITURES</b>		
Current		
General government	2,056	2,800
Conservation and development	-	-
Total Expenditures	<u>2,056</u>	<u>2,800</u>
Excess (deficiency) of revenues over expenditures	<u>(1,425)</u>	<u>2,506</u>
<b>OTHER FINANCING USES</b>		
Transfers out	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,425)	2,506
FUND BALANCE - Beginning of Year (Deficit)	<u>(1,566)</u>	<u>(21,716)</u>
FUND BALANCE - END OF YEAR (DEFICIT)	<u>\$ (2,991)</u>	<u>\$ (19,210)</u>

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<u>Capital Projects</u>			
<u>TIF #6</u>	<u>TIF #7</u>		<u>Total TIF Capital Project Fund</u>
\$ 31,823	31,131	\$	67,983
-	1,955		2,312
249	348		1,148
<u>30,994</u>	<u>-</u>		<u>30,994</u>
<u>63,066</u>	<u>33,434</u>		<u>102,437</u>
1,800	1,300		7,956
-	16,967		16,967
<u>1,800</u>	<u>18,267</u>		<u>24,923</u>
<u>61,266</u>	<u>15,167</u>		<u>77,514</u>
<u>(31,000)</u>	<u>-</u>		<u>(31,000)</u>
<u>(31,000)</u>	<u>-</u>		<u>(31,000)</u>
30,266	15,167		46,514
<u>(194,728)</u>	<u>(143,462)</u>		<u>(361,472)</u>
<u>\$ (164,462)</u>	<u>\$ (128,295)</u>	<u>\$</u>	<u>(314,958)</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, 2017, 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 July 25, 2018.

**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 2017-001 and 2017-002.

## **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.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
July 25, 2018

# CITY OF BRODHEAD

## SCHEDULE OF FINDINGS AND RESPONSES December 31, 2017

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### FINANCIAL STATEMENT FINDINGS

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#### ***Finding 2017-001 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.

#### ***Finding 2017-002 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.