

City of Medford, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2018

City of Medford, Wisconsin

DECEMBER 31, 2018

Table of Contents

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	13
Statement of Net Position - Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds	17
Notes to Basic Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System	50
Schedule of Contributions - Wisconsin Retirement System	50
Schedule of Proportionate Share of the Net OPEB Liability (Asset) - Local Retiree Life Insurance Fund	51
Schedule of Contributions - Local Retiree Life Insurance Fund	51
Notes to Required Supplementary Information	52
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	55
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Schedule of Findings and Responses	59



Independent auditors' report

To the City Council
City of Medford, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medford, Wisconsin ("the City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 3.H to the financial statements, the City adopted new accounting guidance, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

OTHER MATTERS**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions and other postemployment benefits on pages 50 through 51 be presented to supplement the basic financial statements. Such information, although not 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.

Other Information

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

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

Prior Year Summarized Financial information

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated April 27, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2019, on our consideration of the City'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 solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Green Bay, Wisconsin
April 26, 2019

BASIC FINANCIAL STATEMENTS

City of Medford, Wisconsin

STATEMENT OF NET POSITION
 DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS				
Cash and investments	\$ 7,913,584	\$ 6,374,715	\$ 14,288,299	\$ 13,738,311
Receivables				
Taxes	5,190,044	-	5,190,044	5,530,039
Accounts	36,086	1,383,044	1,419,130	1,319,265
Special assessments	804,562	-	804,562	823,460
Delinquent specials held by County	3,658	-	3,658	7,229
Loans	341,982	-	341,982	331,585
Interest	3,217	2,352	5,569	8,366
Internal balances	111,189	(111,189)	-	-
Inventories and prepaid items	379	314,804	315,183	290,933
Restricted assets				
Cash and investments	226,718	3,183,545	3,410,263	1,912,667
Net pension asset	359,086	126,405	485,491	-
Capital assets, nondepreciable	1,285,966	1,111,392	2,397,358	2,537,884
Capital assets, depreciable	20,330,934	21,930,277	42,261,211	42,038,413
Total assets	36,607,405	34,315,345	70,922,750	68,538,152
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	658,242	226,812	885,054	1,033,821
Other postemployment related amounts	10,121	3,563	13,684	-
Total deferred outflows of resources	668,363	230,375	898,738	1,033,821
LIABILITIES				
Accounts payable	121,988	1,057,756	1,179,744	1,274,274
Accrued and other current liabilities	45,807	43,126	88,933	100,033
Due to other governments	4,324,244	-	4,324,244	4,368,706
Accrued interest payable	7,794	13,556	21,350	20,997
Special deposits	25,593	6,290	31,883	580,756
Unearned revenues	11,116	5,307	16,423	11,050
Public benefits	-	33,891	33,891	113,514
Long-term obligations				
Due within one year	640,000	150,000	790,000	790,000
Customer advances for construction	-	13,674	13,674	27,989
Due in more than one year	2,594,685	2,465,394	5,060,079	4,358,325
Net pension liability	-	-	-	134,918
Other postemployment benefits	93,583	32,943	126,526	-
Total liabilities	7,864,810	3,821,937	11,686,747	11,780,562
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	3,060,591	-	3,060,591	3,204,374
Pension related amounts	710,837	250,229	961,066	432,665
Other postemployment related amounts	4,545	1,600	6,145	-
Total deferred inflows of resources	3,775,973	251,829	4,027,802	3,637,039
NET POSITION				
Net investment in capital assets	18,913,171	21,767,141	40,680,312	40,041,297
Restricted	2,099,625	2,062,809	4,162,434	3,465,717
Unrestricted	4,622,189	6,642,004	11,264,193	10,647,358
Total net position	\$ 25,634,985	\$ 30,471,954	\$ 56,106,939	\$ 54,154,372

The notes to the basic financial statements are an integral part of this statement.

City of Medford, Wisconsin

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 783,070	\$ 161,510	\$ -	\$ -
Public safety	1,260,510	255,625	46,238	-
Public works	2,571,561	31,814	493,854	220,903
Health and human services	12,780	-	-	-
Culture and recreation	728,348	54,567	415,187	-
Conservation and development	55,704	-	-	-
Interest and fiscal charges	208,842	-	-	-
Total governmental activities	<u>5,620,815</u>	<u>503,516</u>	<u>955,279</u>	<u>220,903</u>
BUSINESS-TYPE ACTIVITIES				
Electric utility	9,984,392	10,220,850	-	82,814
Water utility	672,823	1,024,030	-	-
Sewer utility	1,724,398	1,499,215	-	-
Recycling utility	351,278	384,556	25,925	-
Total business-type activities	<u>12,732,891</u>	<u>13,128,651</u>	<u>25,925</u>	<u>82,814</u>
Total	<u>\$ 18,353,706</u>	<u>\$ 13,632,167</u>	<u>\$ 981,204</u>	<u>\$ 303,717</u>

General revenues
 Taxes
 Property taxes
 Tax increments
 Other taxes
 Federal and state grants and other contributions
 not restricted to specific functions
 Interest and investment earnings
 Miscellaneous
 Gain on sale of asset
 Transfers

Total general revenues and transfers

Change in net position

Net position - January 1, as originally reported

Cumulative effect of change in accounting principle

Net position - January 1, as restated

Net position - December 31

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Totals	
		2018	2017
\$ (621,560)	\$ -	\$ (621,560)	\$ (569,801)
(958,647)	-	(958,647)	(1,045,098)
(1,824,990)	-	(1,824,990)	(1,375,779)
(12,780)	-	(12,780)	(12,741)
(258,594)	-	(258,594)	(374,025)
(55,704)	-	(55,704)	(63,879)
(208,842)	-	(208,842)	(189,141)
<u>(3,941,117)</u>	<u>-</u>	<u>(3,941,117)</u>	<u>(3,630,464)</u>
-	319,272	319,272	236,842
-	351,207	351,207	370,446
-	(225,183)	(225,183)	(433,507)
-	59,203	59,203	68,782
<u>-</u>	<u>504,499</u>	<u>504,499</u>	<u>242,563</u>
<u>(3,941,117)</u>	<u>504,499</u>	<u>(3,436,618)</u>	<u>(3,387,901)</u>
1,728,550	-	1,728,550	1,714,310
1,475,824	-	1,475,824	1,428,149
170,144	-	170,144	169,260
1,206,162	14,021	1,220,183	1,211,075
256,907	81,082	337,989	199,604
525,651	-	525,651	26,047
-	37,978	37,978	63,700
81,908	(81,908)	-	-
<u>5,445,146</u>	<u>51,173</u>	<u>5,496,319</u>	<u>4,812,145</u>
1,504,029	555,672	2,059,701	1,424,244
<u>24,210,196</u>	<u>29,944,176</u>	<u>54,154,372</u>	<u>52,730,128</u>
<u>(79,240)</u>	<u>(27,894)</u>	<u>(107,134)</u>	<u>-</u>
<u>24,130,956</u>	<u>29,916,282</u>	<u>54,047,238</u>	<u>52,730,128</u>
<u>\$ 25,634,985</u>	<u>\$ 30,471,954</u>	<u>\$ 56,106,939</u>	<u>\$ 54,154,372</u>

City of Medford, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Construction</u>	<u>TID No. 12</u>
ASSETS				
Cash and investments	\$ 5,484,384	\$ 523,274	\$ 243,937	\$ -
Restricted cash and investments	-	-	-	-
Receivables				
Taxes	2,855,681	282,344	696,202	748,878
Accounts	6,574	-	-	-
Special assessments	804,562	-	-	-
Delinquent specials held by County	3,658	-	-	-
Loans	-	-	-	-
Interest	2,884	-	-	-
Advance to other funds	3,205,410	254,246	-	-
Inventories and prepaid items	379	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 12,363,532</u>	<u>\$ 1,059,864</u>	<u>\$ 940,139</u>	<u>\$ 748,878</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 84,644	\$ -	\$ 10,158	\$ 158
Accrued and other current liabilities	30,940	-	-	16
Advance from other funds	-	-	-	776,125
Due to other governments	4,324,244	-	-	-
Special deposits	-	-	15,588	10,005
Unearned revenues	313	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,440,141</u>	<u>-</u>	<u>25,746</u>	<u>786,304</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	726,228	282,344	696,202	748,878
Loans receivable	-	-	-	-
Special assessments	692,960	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>1,419,188</u>	<u>282,344</u>	<u>696,202</u>	<u>748,878</u>
Fund balances				
Nonspendable	3,248,300	-	-	-
Restricted	-	777,520	-	-
Committed	-	-	-	-
Assigned	1,032,605	-	218,191	-
Unassigned	2,223,298	-	-	(786,304)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>6,504,203</u>	<u>777,520</u>	<u>218,191</u>	<u>(786,304)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,363,532</u>	<u>\$ 1,059,864</u>	<u>\$ 940,139</u>	<u>\$ 748,878</u>

The notes to the basic financial statements are an integral part of this statement.

TID No. 13	Other Governmental Funds	Totals	
		2018	2017
\$ 34,344	\$ 1,627,645	\$ 7,913,584	\$ 7,328,262
-	226,718	226,718	226,250
333,439	273,500	5,190,044	5,530,039
-	29,512	36,086	27,054
-	-	804,562	823,460
-	-	3,658	7,229
-	341,982	341,982	331,585
-	333	3,217	6,807
-	-	3,459,656	3,398,079
-	-	379	23,059
<u>\$ 367,783</u>	<u>\$ 2,499,690</u>	<u>\$ 17,979,886</u>	<u>\$ 17,701,824</u>
\$ 44	\$ 26,984	\$ 121,988	\$ 435,001
16	14,835	45,807	45,723
273,029	2,299,313	3,348,467	3,258,821
-	-	4,324,244	4,368,706
-	-	25,593	574,266
-	10,803	11,116	8,747
<u>273,089</u>	<u>2,351,935</u>	<u>7,877,215</u>	<u>8,691,264</u>
333,439	273,500	3,060,591	3,204,374
-	341,982	341,982	331,584
-	-	692,960	706,522
<u>333,439</u>	<u>615,482</u>	<u>4,095,533</u>	<u>4,242,480</u>
-	-	3,248,300	3,212,974
-	848,831	1,626,351	1,678,382
-	575,273	575,273	387,112
-	-	1,250,796	1,401,811
<u>(238,745)</u>	<u>(1,891,831)</u>	<u>(693,582)</u>	<u>(1,912,199)</u>
<u>(238,745)</u>	<u>(467,727)</u>	<u>6,007,138</u>	<u>4,768,080</u>
<u>\$ 367,783</u>	<u>\$ 2,499,690</u>	<u>\$ 17,979,886</u>	<u>\$ 17,701,824</u>

City of Medford, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 6,007,138	\$ 4,768,080
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	21,616,900	22,017,649
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	1,034,942	1,038,106
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	658,242	765,344
Deferred inflows related to pensions	(710,837)	(320,371)
Deferred outflows related to other postemployment benefits	10,121	-
Deferred inflows related to other postemployment benefits	(4,545)	-
Long-term assets are not considered available; therefore, are not reported in the funds:		
Net pension asset	359,086	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(1,740,000)	(2,295,000)
Lease revenue bonds	(1,150,000)	(1,370,000)
Premium on debt	(33,729)	-
Compensated absences	(310,956)	(283,045)
Net pension liability	-	(99,901)
Other postemployment benefit	(93,583)	-
Accrued interest on long-term obligations	(7,794)	(10,666)
Net position of governmental activities as reported on the statement of net position (see page 4)	<u>\$ 25,634,985</u>	<u>\$ 24,210,196</u>

The notes to the basic financial statements are an integral part of this statement.

City of Medford, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Construction</u>	<u>TID No. 12</u>
REVENUES				
Taxes	\$ 802,305	\$ 356,043	\$ 696,202	\$ 807,493
Special assessments	234,135	-	-	-
Intergovernmental	1,659,858	-	-	45,185
Licenses and permits	58,456	-	-	-
Fines and forfeits	18,289	-	-	500,000
Public charges for services	71,623	-	-	-
Intergovernmental charges for services	86,342	-	-	-
Miscellaneous	265,509	-	-	-
	<u>3,196,517</u>	<u>356,043</u>	<u>696,202</u>	<u>1,352,678</u>
Total revenues				
EXPENDITURES				
Current				
General government	719,393	-	-	-
Public safety	998,553	-	-	-
Public works	870,820	-	4,500	-
Health and human services	12,780	-	-	-
Culture and recreation	242,064	-	-	-
Conservation and development	42,779	-	-	5,890
Debt service				
Principal	-	515,000	-	-
Interest and fiscal charges	-	56,831	-	22,816
Capital outlay	127,711	-	823,759	447,520
	<u>3,014,100</u>	<u>571,831</u>	<u>828,259</u>	<u>476,226</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>182,417</u>	<u>(215,788)</u>	<u>(132,057)</u>	<u>876,452</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Transfers in	398,091	295,264	-	-
Transfers out	(162,204)	-	-	(252,425)
	<u>235,887</u>	<u>295,264</u>	<u>-</u>	<u>(252,425)</u>
Total other financing sources (uses)				
Net change in fund balances	418,304	79,476	(132,057)	624,027
Fund balances - January 1	<u>6,085,899</u>	<u>698,044</u>	<u>350,248</u>	<u>(1,410,331)</u>
Fund balances - December 31	<u>\$ 6,504,203</u>	<u>\$ 777,520</u>	<u>\$ 218,191</u>	<u>\$ (786,304)</u>

The notes to the basic financial statements are an integral part of this statement.

TID No. 13	Other Governmental Funds	Totals	
		2018	2017
\$ 364,438	\$ 347,935	\$ 3,374,416	\$ 3,311,682
-	-	234,135	286,785
3,308	194,636	1,902,987	1,972,785
-	-	58,456	60,696
-	-	518,289	10,963
-	67,745	139,368	102,033
-	192,119	278,461	255,530
-	344,480	609,989	296,708
<u>367,746</u>	<u>1,146,915</u>	<u>7,116,101</u>	<u>6,297,182</u>
-	-	719,393	670,307
-	198,025	1,196,578	1,129,532
-	6,768	882,088	862,506
-	-	12,780	12,741
-	413,853	655,917	578,936
2,060	119,203	169,932	149,412
955,000	220,000	1,690,000	730,000
43,891	92,994	216,532	196,272
92,693	246,871	1,738,554	2,467,796
<u>1,093,644</u>	<u>1,297,714</u>	<u>7,281,774</u>	<u>6,797,502</u>
<u>(725,898)</u>	<u>(150,799)</u>	<u>(165,673)</u>	<u>(500,320)</u>
915,000	-	915,000	-
38,547	-	38,547	-
40,693	539,529	1,273,577	963,154
<u>(173,054)</u>	<u>(234,710)</u>	<u>(822,393)</u>	<u>(584,069)</u>
<u>821,186</u>	<u>304,819</u>	<u>1,404,731</u>	<u>379,085</u>
95,288	154,020	1,239,058	(121,235)
<u>(334,033)</u>	<u>(621,747)</u>	<u>4,768,080</u>	<u>4,889,315</u>
<u>\$ (238,745)</u>	<u>\$ (467,727)</u>	<u>\$ 6,007,138</u>	<u>\$ 4,768,080</u>

City of Medford, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ 1,239,058	\$ (121,235)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	820,528	1,048,780
Depreciation expense reported in the statement of activities	(1,211,073)	(1,148,071)
Net book value of disposals	(10,204)	(10,624)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(13,562)	(30,854)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	(915,000)	-
Premium on debt issued	(38,547)	-
Principal repaid	1,690,000	730,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	2,872	7,131
Amortization of premiums	4,818	-
Compensated absences	(27,911)	13,764
Net pension liability (asset)	458,987	96,727
Deferred outflows of resources related to pensions	(107,102)	(326,257)
Deferred inflows of resources related to pensions	(390,466)	100,932
Other postemployment benefits	(14,343)	-
Deferred outflows of resources related to other postemployment benefits	10,121	-
Deferred inflows of resources related to other postemployment benefits	(4,545)	-
Repayment of principal on long-term receivable and loans made are reported in the governmental funds as a revenue or expenditure, but are reported as a change in the long-term receivable in the statement of net position and does not affect the statement of activities. Current year activity consists of:		
Loans written	70,000	30,000
Repayments received	<u>(59,602)</u>	<u>(55,780)</u>
Change in net position of governmental activities as reported in the statement of activities (see pages 5 - 6)	<u>\$ 1,504,029</u>	<u>\$ 334,513</u>

The notes to the basic financial statements are an integral part of this statement.

City of Medford, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget		Actual	Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final			
REVENUES					
Taxes	\$ 807,305	\$ 807,305	\$ 802,305	\$ (5,000)	\$ 803,503
Special assessments	166,611	166,611	234,135	67,524	188,920
Intergovernmental	1,674,858	1,674,858	1,659,858	(15,000)	1,626,327
Licenses and permits	56,829	56,829	58,456	1,627	60,696
Fines and forfeits	26,309	26,309	18,289	(8,020)	10,963
Public charges for services	56,600	56,600	71,623	15,023	58,687
Intergovernmental charges for services	85,924	85,924	86,342	418	86,342
Miscellaneous	152,600	152,600	265,509	112,909	165,501
Total revenues	3,027,036	3,027,036	3,196,517	169,481	3,000,939
EXPENDITURES					
Current					
General government	819,730	819,730	719,393	100,337	670,307
Public safety	1,008,570	1,008,570	998,553	10,017	961,051
Public works	1,015,353	1,015,353	870,820	144,533	843,559
Health and human services	12,780	12,780	12,780	-	12,741
Culture and recreation	301,839	301,839	242,064	59,775	224,760
Conservation and development	51,750	51,750	42,779	8,971	46,207
Capital outlay	154,500	154,500	127,711	26,789	132,555
Total expenditures	3,364,522	3,364,522	3,014,100	350,422	2,891,180
Excess of revenues over (under) expenditures	(337,486)	(337,486)	182,417	519,903	109,759
OTHER FINANCING SOURCES (USES)					
Transfers in	364,296	364,296	398,091	33,795	379,085
Transfers out	(162,204)	(162,204)	(162,204)	-	(163,204)
Total other financing sources (uses)	202,092	202,092	235,887	33,795	215,881
Net change in fund balance	(135,394)	(135,394)	418,304	553,698	325,640
Fund balance - January 1	6,085,899	6,085,899	6,085,899	-	5,760,259
Fund balance - December 31	\$ 5,950,505	\$ 5,950,505	\$ 6,504,203	\$ 553,698	\$ 6,085,899

The notes to the basic financial statements are an integral part of this statement.

City of Medford, Wisconsin

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017**

	Electric Utility	Water Utility	Sewer Utility	Nonmajor Recycling - Solid Waste	Totals	
					2018	2017
ASSETS						
Current assets						
Cash and investments	\$ 3,194,347	\$ 1,138,754	\$ 1,425,078	\$ 616,536	\$ 6,374,715	\$ 6,410,049
Receivables						
Accounts	1,059,532	121,146	143,287	59,079	1,383,044	1,292,211
Interest	6	142	2,204	-	2,352	1,559
Inventories and prepaid items	234,460	80,344	-	-	314,804	267,874
Total current assets	4,488,345	1,340,386	1,570,569	675,615	8,074,915	7,971,693
Noncurrent assets						
Restricted assets						
Cash and investments	-	325,000	2,858,545	-	3,183,545	1,686,417
Other assets						
Net pension asset	79,307	13,115	33,983	-	126,405	-
Capital assets						
Nondepreciable	159,496	48,968	902,928	-	1,111,392	1,463,044
Depreciable	6,991,362	10,339,559	4,581,356	18,000	21,930,277	21,095,604
Total capital assets	7,150,858	10,388,527	5,484,284	18,000	23,041,669	22,558,648
Total assets	11,718,510	12,067,028	9,947,381	693,615	34,426,534	32,216,758
DEFERRED OUTFLOWS OF RESOURCES						
Pension related amounts	144,014	23,749	59,049	-	226,812	268,477
Other postemployment related amounts	2,235	370	958	-	3,563	-
Total deferred outflows of resources	146,249	24,119	60,007	-	230,375	268,477
LIABILITIES						
Current liabilities						
Accounts payable	770,617	14,650	248,799	23,690	1,057,756	839,273
Other accrued liabilities	35,271	2,184	5,641	30	43,126	54,310
Accrued interest	73	9,883	3,600	-	13,556	10,331
Deposits	6,290	-	-	-	6,290	6,490
Unearned revenue	5,307	-	-	-	5,307	2,303
Public benefits	33,891	-	-	-	33,891	113,514
Current portion of advance from other funds	-	28,630	-	-	28,630	28,068
Current portion of long-term debt	-	65,000	85,000	-	150,000	60,000
Total current liabilities	851,449	120,347	343,040	23,720	1,338,556	1,114,289
Long-term obligations, less current portion						
Advance from other funds	-	82,559	-	-	82,559	111,190
General obligation debt	-	965,000	1,406,669	-	2,371,669	1,030,000
Compensated absences	62,793	8,533	22,399	-	93,725	110,280
Customer advances for construction	13,674	-	-	-	13,674	27,989
Net pension liability	-	-	-	-	-	35,017
Other postemployment benefits	20,668	3,418	8,857	-	32,943	-
Total long-term liabilities	97,135	1,059,510	1,437,925	-	2,594,570	1,314,476
Total liabilities	948,584	1,179,857	1,780,965	23,720	3,933,126	2,428,765
DEFERRED INFLOWS OF RESOURCES						
Pension related amounts	156,994	25,962	67,273	-	250,229	112,294
Other postemployment related amounts	1,004	166	430	-	1,600	-
Total deferred inflows of resources	157,998	26,128	67,703	-	251,829	112,294
NET POSITION						
Net investment in capital assets	7,150,858	9,358,527	5,239,756	18,000	21,767,141	21,468,648
Restricted	79,307	338,115	1,645,387	-	2,062,809	1,686,417
Unrestricted	3,528,012	1,188,520	1,273,577	651,895	6,642,004	6,789,111
Total net position	\$ 10,758,177	\$ 10,885,162	\$ 8,158,720	\$ 669,895	\$ 30,471,954	\$ 29,944,176

The notes to the basic financial statements are an integral part of this statement.

City of Medford, Wisconsin

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Nonmajor Recycling - Solid Waste</u>
OPERATING REVENUES				
Charges for services	\$ 10,167,547	\$ 995,263	\$ 1,477,422	\$ 378,479
Other	53,303	28,767	21,793	6,077
Total operating revenues	<u>10,220,850</u>	<u>1,024,030</u>	<u>1,499,215</u>	<u>384,556</u>
OPERATING EXPENSES				
Operation and maintenance	9,434,179	376,400	784,298	348,192
Depreciation	473,437	245,605	830,130	3,000
Taxes	73,680	7,378	28,020	86
Total operating expenses	<u>9,981,296</u>	<u>629,383</u>	<u>1,642,448</u>	<u>351,278</u>
Operating income (loss)	<u>239,554</u>	<u>394,647</u>	<u>(143,233)</u>	<u>33,278</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	42,928	1,141	37,013	-
Nonoperating grants	-	-	14,021	25,925
Gain on disposal of capital assets	-	23,374	14,604	-
Interest and fiscal charges	-	(43,440)	(85,641)	-
Amortization of debt discount/premium	-	-	3,691	-
Other nonoperating revenues (expenses)	(3,096)	-	-	-
Total nonoperating revenues (expenses)	<u>39,832</u>	<u>(18,925)</u>	<u>(16,312)</u>	<u>25,925</u>
Income (loss) before contributions and transfers	279,386	375,722	(159,545)	59,203
Capital contributions	82,814	151,227	218,049	-
Transfers out	(221,860)	(176,231)	(40,693)	(12,400)
Change in net position	140,340	350,718	17,811	46,803
Net position - January 1, as originally reported	<u>10,635,338</u>	<u>10,537,338</u>	<u>8,148,408</u>	<u>623,092</u>
Cumulative effect of change in accounting principle	<u>(17,501)</u>	<u>(2,894)</u>	<u>(7,499)</u>	<u>-</u>
Net position - January 1, as restated	<u>10,617,837</u>	<u>10,534,444</u>	<u>8,140,909</u>	<u>623,092</u>
Net position - December 31	<u>\$ 10,758,177</u>	<u>\$ 10,885,162</u>	<u>\$ 8,158,720</u>	<u>\$ 669,895</u>

The notes to the basic financial statements are an integral part of this statement.

Totals	
2018	2017
\$ 13,018,711	\$ 12,599,179
109,940	105,769
<u>13,128,651</u>	<u>12,704,948</u>
10,943,069	10,853,070
1,552,172	1,505,368
109,164	103,602
<u>12,604,405</u>	<u>12,462,040</u>
<u>524,246</u>	<u>242,908</u>
81,082	43,092
39,946	25,905
37,978	3,130
(129,081)	(45,379)
3,691	-
<u>(3,096)</u>	<u>(3,288)</u>
<u>30,520</u>	<u>23,460</u>
554,766	266,368
452,090	1,202,448
<u>(451,184)</u>	<u>(379,085)</u>
555,672	1,089,731
<u>29,944,176</u>	<u>28,854,445</u>
<u>(27,894)</u>	<u>-</u>
<u>29,916,282</u>	<u>28,854,445</u>
<u>\$ 30,471,954</u>	<u>\$ 29,944,176</u>

City of Medford, Wisconsin

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Electric Utility	Water Utility	Sewer Utility	Nonmajor Recycling - Solid Waste
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 10,132,411	\$ 1,012,973	\$ 1,501,567	\$ 382,547
Cash paid for employee wages and benefits	(628,717)	(210,328)	(357,182)	(2,471)
Cash paid to suppliers	(8,870,616)	(160,625)	(280,850)	(345,099)
Net cash provided by operating activities	<u>633,078</u>	<u>642,020</u>	<u>863,535</u>	<u>34,977</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Merchandising/jobbing (net)	(3,096)	-	-	-
Intergovernmental	-	-	14,021	25,925
Advances from (to) other funds	-	(28,069)	(40,693)	(12,400)
Interest paid on interfund advance	-	(2,785)	-	-
Transfer to other funds	(221,860)	(176,231)	-	-
Net cash provided (used) by noncapital financing activities	<u>(224,956)</u>	<u>(207,085)</u>	<u>(26,672)</u>	<u>13,525</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(479,119)	(343,195)	(874,870)	-
Cost of disposal	-	-	-	-
Sale of capital assets	-	23,374	14,604	-
Proceeds from long-term debt issued	-	-	1,530,000	-
Premium on long-term debt issued	-	-	55,360	-
Principal paid on long-term debt	-	(60,000)	(90,000)	-
Interest paid on long-term debt	-	(41,030)	(82,041)	-
Net cash flows used by capital and related financing activities	<u>(479,119)</u>	<u>(420,851)</u>	<u>553,053</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	42,928	1,141	36,220	-
Change in cash and cash equivalents	<u>(28,069)</u>	<u>15,225</u>	<u>1,426,136</u>	<u>48,502</u>
Cash and cash equivalents - January 1	<u>3,222,416</u>	<u>1,448,529</u>	<u>2,857,487</u>	<u>568,034</u>
Cash and cash equivalents - December 31	<u>\$ 3,194,347</u>	<u>\$ 1,463,754</u>	<u>\$ 4,283,623</u>	<u>\$ 616,536</u>

The notes to the basic financial statements are an integral part of this statement.

Totals	
2018	2017
\$ 13,029,498	\$ 12,721,358
(1,198,698)	(1,175,164)
(9,657,190)	(9,698,789)
<u>2,173,610</u>	<u>1,847,405</u>
(3,096)	(3,288)
39,946	25,905
(81,162)	(27,518)
(2,785)	(3,336)
<u>(398,091)</u>	<u>(379,085)</u>
<u>(445,188)</u>	<u>(387,322)</u>
(1,697,184)	(1,199,625)
-	(8,539)
37,978	3,130
1,530,000	-
55,360	-
(150,000)	(60,000)
<u>(123,071)</u>	<u>(42,380)</u>
<u>(346,917)</u>	<u>(1,307,414)</u>
<u>80,289</u>	<u>44,375</u>
1,461,794	197,044
<u>8,096,466</u>	<u>7,899,422</u>
<u>\$ 9,558,260</u>	<u>\$ 8,096,466</u>

City of Medford, Wisconsin

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Electric Utility	Water Utility	Sewer Utility	Nonmajor Recycling - Solid Waste
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 239,554	\$ 394,647	\$ (143,233)	\$ 33,278
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	473,437	245,605	830,130	3,000
Depreciation charged to other accounts	31,267	15,342	(15,342)	-
Change in liability (asset) and deferred outflows and inflows of resources				
Pension	10,729	663	6,786	-
Other postemployment benefits	1,936	320	830	-
Change in operating assets and liabilities				
Accounts receivables	(80,119)	(11,057)	2,352	(2,009)
Inventories and prepaid items	(41,654)	(5,276)	-	-
Accounts payable	17,849	1,385	198,546	703
Other accrued liabilities	(10,468)	(856)	135	5
Customer deposits	(200)	-	-	-
Unearned revenue	3,004	-	-	-
Compensated absences	(1,133)	1,247	(16,669)	-
Public benefits	(11,124)	-	-	-
Customer advances for construction	-	-	-	-
Net cash provided by operating activities	<u>\$ 633,078</u>	<u>\$ 642,020</u>	<u>\$ 863,535</u>	<u>\$ 34,977</u>
Reconciliation of cash and cash equivalents to the statement of net position				
Cash and cash equivalents in current assets	\$ 3,194,347	\$ 1,138,754	\$ 1,425,078	\$ 616,536
Cash and cash equivalents in restricted assets	-	325,000	2,858,545	-
Total cash and cash equivalents	<u>\$ 3,194,347</u>	<u>\$ 1,463,754</u>	<u>\$ 4,283,623</u>	<u>\$ 616,536</u>
Noncash capital and related financing activities				
Capital assets contributed by developer	\$ -	\$ -	\$ -	\$ -
Capital assets contributed by City	-	151,227	218,049	-

The notes to the basic financial statements are an integral part of this statement.

Totals	
2018	2017
\$ 524,246	\$ 242,908
1,552,172	1,505,368
31,267	51,163
18,178	10,330
3,086	-
(90,833)	74,428
(46,930)	84,412
218,483	(69,274)
(11,184)	260
(200)	(56,096)
3,004	(999)
(16,555)	5,828
(11,124)	8,871
-	(9,794)
<u>\$ 2,173,610</u>	<u>\$ 1,847,405</u>

\$ 6,374,715	\$ 6,410,049
<u>3,183,545</u>	<u>1,686,417</u>
<u>\$ 9,558,260</u>	<u>\$ 8,096,466</u>

\$ -	\$ 22,417
369,276	1,180,031

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Medford, Wisconsin (the "City"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

A. REPORTING ENTITY

The City is a municipal corporation governed by an elected eight member council. In accordance with GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has identified the following component unit that is required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

City of Medford Community Development Authority

The City of Medford Community Development Authority (CDA) of the City of Medford, Wisconsin, was created on September 5, 2000 by resolution of the Common Council of the City of Medford pursuant to the authority granted in Section 66.1335 of the Wisconsin Statutes. The Authority is governed by a seven-member Commission appointed by the Mayor and approved by the Common Council. Commission members must be residents of the City (two must also be members of the Common Council or Mayor of the City) and serve staggered terms. The Authority is expressly granted exclusive power to carry on economic development and blight elimination projects in the City. The CDA is granted various powers under Wisconsin Statutes to enable it to carry out its duties, including the specific authority to take title to real and personal property and to issue bonds for redevelopment purposes. Wisconsin statutes provide for circumstances whereby the City can impose their will on the Authority, and also create a potential financial benefit to or burden on the City. The Authority has no taxing power. The CDA's financial statements have been blended in the City's basic financial statements.

B. JOINT VENTURES

The Medford Fire and Rescue Joint Ownership District ("the District") was established in 1990 for the purpose of providing fire and rescue service protection to the territory included within the District. The municipalities participating in the District and their percentage shares are as follows:

City of Medford	48%
Town of Browning	7%
Town of Chelsea	6%
Town of Goodrich	4%
Town of Glover	3%
Town of Hammel	7%
Town of Medford	21%
Town of Molitor	4%
	<u>100%</u>

The City operates as the fiscal agent for the District's operations. The activity of the District and its related financial information is accounted for in the City's financial system as a special revenue fund.

The percentage share of each municipality is based on their share of equalized value within the District. The governing body consists of fourteen voting members, seven from the City of Medford and one from each of the seven townships. Each municipality may select their "commissioner" in such manner as they see fit. Budgets and equipment purchases over \$5,000 require an affirmative vote of nine or more commissioners. All other action requires a majority vote of the commissioners present. District dues are based on the above percentages. Other fire calls are billed on an as used basis. Shortfalls are allocated to each member based on the equalized valuation as of January 1 of the year in question.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

The City accounts for its share of the operation as a transfer from the general fund to the special revenue fund. The City has a residual equity interest in the District only upon liquidation equal to its percentage share of participation. The equity interest relative to capital assets is reported in the statement of net position.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The City has no internal service funds. 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

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Debt Service Fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

Construction Capital Projects Fund

This fund accounts for financial resources of public works construction projects other than those financed by proprietary fund types.

Tax Incremental District No. 12 Capital Projects Fund

This fund is used to account for the project plan costs of the City's Tax Incremental District No. 12.

Tax Incremental District No. 13 Capital Projects Fund

This fund is used to account for the project plan costs of the City's Tax Incremental District No. 13.

The City reports the following major enterprise funds:

Electric Utility Fund

This fund accounts for the purchase and resale of electricity to utility customers.

Water Utility Fund

This fund accounts for the operations of the City's water utility.

Sewer Utility Fund

This fund accounts for the operations of the City's sewer utility.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 City's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

2. **Property Taxes**

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

In addition to its levy, the City also levies and collects taxes for the Medford School District, Taylor County, and North Central VTAE Technical College. Collections and remittances of taxes for other entities are accounted for in the general fund.

3. **Accounts Receivable**

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

4. **Special Assessments**

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls.

5. **Loans Receivable**

The City has received federal and state grant funds for economic development programs and has passed the funds to various businesses and individuals in the form of loans. The City records a loan receivable and expenditure when the loan has been made and the funds disbursed. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements. In the governmental funds, the City records a deferred inflow of resources for the net amount of the receivable. As the loans are repaid, revenue is recognized. Any unspent loan proceeds are presented as restricted fund balance in the fund financial statements.

6. **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are reported as "advances to other funds" and are offset by nonspendable fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental and business-type activities.

7. **Inventories**

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

8. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental	Business-type
	Activities	Activities
	Years	
Buildings and improvements	20 - 50	25 - 50
Machinery and equipment	5 - 20	3 - 10
Infrastructure	25 - 100	66 - 100

10. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

11. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Governmental funds may report deferred inflows of resources for unavailable revenues. The City reports unavailable revenues for special assessments and loan receivables. These inflows are recognized as revenues in the government-wide financial statements.

12. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Pensions

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

14. Other Postemployment Benefits Other Than Pensions (OPEB)

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

15. Fund Equity

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Committed fund balance.** Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.
- ▶ **Assigned fund balance.** Amounts that are constrained for specific purposes by action of City management. The City Council has not authorized a specific employee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The City has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Government-Wide and Proprietary Fund Statements

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

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

F. SALES TAX

The City collects sales tax from certain customers and remits the entire amount to the appropriate governmental entities. The City's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

H. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

I. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements, including reporting the Community Development Authority as a blended component unit with no change in previously reported net position and changes in net position. Blending the Community Development Authority in the prior year fund financial statements increased restricted assets and fund balance of governmental funds by \$220,342.

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. During November, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except for the police department and fire department membership funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the governmental funds adopting a budget. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions. The expenditures of the tax increment districts are controlled and authorized by project plans and borrowing resolutions.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2018.

B. DEFICIT FUND EQUITY

The following funds had deficit fund balance or net position as of December 31, 2018:

Funds	Deficit Fund Balance
Capital projects	
TID No. 5	\$ 140,305
TID No. 6	514,239
TID No. 7	232,663
TID No. 8	549,497
TID No. 10	455,127
TID No. 12	786,304
TID No. 13	238,745

The City anticipates funding the above deficits from future revenues and tax increments of the funds. In 2011, tax incremental districts 6 and 8 were recognized as distressed TIFs and 5, 7, 10, 11, 12, and 13 are now donor TIFs. This allows the donor TIFs to contribute funds to the distressed TIFs until future revenues are being generated.

C. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2018 and 2019 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2018 budget was 0.87%. The actual limit for the City for the 2019 budget was 0.42%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as "Cash and investments".

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the City's cash and investments totaled \$17,698,562 on December 31, 2018 as summarized below:

Petty cash and cash on hand	\$	1,182
Deposits with financial institutions		11,979,729
Investments		5,717,651
		<u>\$ 17,698,562</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position		
Cash and investments	\$	14,288,299
Restricted cash and investments		3,410,263
		<u>\$ 17,698,562</u>

Fair Value Measurements

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 observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2018:

	Fair Value Measurements Using:		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments			
US Treasuries	\$ -	\$ 554,299	\$ -
Money market mutual funds	220,750	-	-
Negotiable certificates of deposit	3,973,208	-	-
Federal Home Loan Banks	-	519,335	-
Federal Home Loan Mortgage Corporation	-	250,043	-
Federal Farm Credit Banks	-	200,016	-
	<u>\$ 4,193,958</u>	<u>\$ 1,523,693</u>	<u>\$ -</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Deposits and investments of the City are subject to various risks. Presented below is a discussion of the City's deposits and investments and the related risks.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The City has an additional credit risk policy to minimize custodial credit risk.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2018, \$3,737,149 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. \$3,737,149 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The City has an additional credit risk policy requiring diversification and approval of investments by the City Council. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
US Treasuries	\$ 554,299	\$ 554,299	\$ -	\$ -	\$ -
Money market mutual funds	220,750	-	-	-	220,750
Negotiable certificates of deposit	3,973,208	-	-	-	3,973,208
Federal Home Loan Banks	519,335	-	-	519,335	-
Federal Home Loan Mortgage Corporation	250,043	-	-	250,043	-
Federal Farm Credit Banks	200,016	-	-	200,016	-
Totals	<u>\$ 5,717,651</u>	<u>\$ 554,299</u>	<u>\$ -</u>	<u>\$ 969,394</u>	<u>\$ 4,193,958</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has a formal investment policy that limits investment maturities and structuring investment portfolios based on cash requirements of ongoing operations as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
US Treasuries	\$ 554,299	\$ 534,299	\$ -	\$ 20,000	\$ -
Mutual Bond Funds	220,750	220,750	-	-	-
Negotiable certificates of deposit	3,973,208	2,936,464	1,036,744	-	-
Federal Home Loan Banks	519,335	-	249,225	270,110	-
Federal Home Loan Mortgage Corporation	250,043	-	250,043	-	-
Federal Farm Credit Banks	200,016	-	-	200,016	-
Totals	<u>\$ 5,717,651</u>	<u>\$ 3,691,513</u>	<u>\$ 1,536,012</u>	<u>\$ 490,126</u>	<u>\$ -</u>

B. RESTRICTED ASSETS

Restricted assets on December 31, 2018 totaled \$3,410,263 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Landfill Special Revenue Fund		
Closure	\$ 5,968	Escrow account to finance landfill post-closure costs
Community Development Authority		
Bond reserve	<u>220,750</u>	To be used as a bond reserve for lease revenue bonds
Total Governmental Funds	<u>226,718</u>	
Enterprise Funds		
Water Utility		
Equipment replacement	<u>325,000</u>	To be used for the replacement of certain equipment of the water utility
Sewer Utility		
Equipment replacement	1,611,404	To be used for the replacement of certain equipment of the sewer utility in accordance with Wisconsin Department of Natural Resources requirements
Unspent Proceeds	<u>1,247,141</u>	Unspent proceeds to be spent on capital improvements
Total Sewer Utility	<u>2,858,545</u>	
Total Enterprise Funds	<u>3,183,545</u>	
Total	<u>\$ 3,410,263</u>	

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 1,022,327	\$ -	\$ -	\$ 1,022,327
Construction in progress	52,513	250,501	39,375	263,639
Total capital assets, nondepreciable	<u>1,074,840</u>	<u>250,501</u>	<u>39,375</u>	<u>1,285,966</u>
Capital assets, depreciable:				
Buildings and improvements	5,176,138	-	15,053	5,161,085
Machinery and equipment	4,398,140	234,482	135,245	4,497,377
Infrastructure	29,211,667	374,920	-	29,586,587
Subtotals	<u>38,785,945</u>	<u>609,402</u>	<u>150,298</u>	<u>39,245,049</u>
Less accumulated depreciation for:				
Buildings and improvements	2,400,478	145,049	-	2,545,527
Machinery and equipment	2,920,566	304,849	140,094	3,085,321
Infrastructure	12,522,092	761,175	-	13,283,267
Subtotals	<u>17,843,136</u>	<u>1,211,073</u>	<u>140,094</u>	<u>18,914,115</u>
Total capital assets, depreciable, net	<u>20,942,809</u>	<u>(601,671)</u>	<u>10,204</u>	<u>20,330,934</u>
Governmental activities capital assets, net	<u>\$ 22,017,649</u>	<u>\$ (351,170)</u>	<u>\$ 49,579</u>	21,616,900
Less: Capital related debt				2,670,000 [▼]
Less: Debt premium				<u>33,729</u>
Net investment in capital assets				<u>\$ 18,913,171</u>
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 129,057	\$ 20,482	\$ -	\$ 149,539
Construction in progress	1,275,591	796,727	1,168,861	903,457
Non-utility property	58,396	-	-	58,396
Total capital assets, nondepreciable	<u>1,463,044</u>	<u>817,209</u>	<u>1,168,861</u>	<u>1,111,392</u>
Capital assets, depreciable:				
Buildings and improvements	11,017,442	-	-	11,017,442
Machinery and equipment	9,701,930	222,022	77,854	9,846,098
Infrastructure	26,305,328	2,193,109	140,479	28,357,958
Subtotals	<u>47,024,700</u>	<u>2,415,131</u>	<u>218,333</u>	<u>49,221,498</u>
Less accumulated depreciation for	<u>25,929,096</u>	<u>1,583,439</u>	<u>221,314</u>	<u>27,291,221</u>
Total capital assets, depreciable, net	<u>21,095,604</u>	<u>831,692</u>	<u>(2,981)</u>	<u>21,930,277</u>
Business-type activities capital assets, net	<u>\$ 22,558,648</u>	<u>\$ 1,648,901</u>	<u>\$ 1,165,880</u>	23,041,669
Less: Capital related debt				1,222,859 [▼]
Less: Debt premium				<u>51,669</u>
Net investment in capital assets				<u>\$ 21,767,141</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Depreciation expense was charged to functions of the City as follows:

Governmental activities	
General government	\$ 43,623
Public safety	108,640
Public works	1,012,375
Conservation and development	6,736
Culture and recreation	39,699
Total depreciation expense - governmental activities	<u>\$ 1,211,073</u>
Business-type activities	
Electric utility	\$ 473,437
Electric utility charged to clearing accounts	31,267
Water utility	245,605
Sewer utility	830,130
Recycling utility	3,000
Total depreciation expense - business-type activities	<u>\$ 1,583,439</u>

The City records cost of removal as an adjustment to accumulated depreciation, resulting in decreases in depreciation exceeding cost removed by \$2,981 in 2018.

D. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2018 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Long-term cash advances		
General Fund	\$ 3,205,410	\$ -
Debt Service Fund	254,246	-
Capital Projects Funds		
TID No. 5	-	211,637
TID No. 6	-	712,083
TID No. 7	-	288,469
TID No. 8	-	631,997
TIF District No. 10	-	455,127
TIF District No. 12	-	776,125
TIF District No. 13	-	273,029
Enterprise Fund		
Water utility	-	111,189
Totals	<u>\$ 3,459,656</u>	<u>\$ 3,459,656</u>

Advance from the General Fund

General and debt service advances to tax incremental districts have been made to fund implementation of the District's project plan. No established repayment schedules exist. Interest on the advance is recorded annually.

General fund advance debt service requirements are financed from operations of the water utility enterprise fund. General fund advance outstanding on December 31, 2018 totaled \$111,189 and was composed of the following issues:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2018</u>
General Fund Advance	12/10/2012	12/31/2022	2.00%	\$ 219,972	\$ 92,834
General Fund Advance	3/6/2016	12/31/2021	2.00%	30,000	18,355
Total indebtedness					<u>\$ 111,189</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Annual payments due on the long-term advances as of December 31, 2018, are detailed below:

Year Ended December 31,	Principal	Interest	Total
2019	\$ 28,630	\$ 2,224	\$ 30,854
2020	29,202	1,651	30,853
2021	29,786	1,067	30,853
2022	23,571	471	24,042
	<u>\$ 111,189</u>	<u>\$ 5,413</u>	<u>\$ 116,602</u>

Interfund transfers for the year ended December 31, 2018 were as follows:

Funds	Transfer In	Transfer Out
General	\$ 398,091	\$ 162,204
Special Revenue		
Landfill	12,400	-
Library	160,204	-
Parks	2,000	-
Community Development Authority	252,425	-
Debt Service	295,264	-
Capital Projects		
TID No. 5	-	37,500
TID No. 6	30,000	-
TID No. 8	82,500	111,595
TID No. 10	-	10,615
TID No. 11	-	75,000
TID No. 12	-	252,425
TID No. 13	40,693	173,054
Enterprise		
Electric utility	-	221,860
Water utility	-	176,231
Sewer utility	-	40,693
Recycling	-	12,400
	<u>1,273,577</u>	<u>\$ 1,273,577</u>
Elimination of governmental funds	(822,393)	
Capital assets of enterprise funds finance by City	(369,276)	
Transfers - governmental activities	<u>\$ 81,908</u>	

Interfund transfers were made for the following purposes:

Tax equivalent payment made by electric utility to general fund	\$ 221,860
Tax equivalent payment made by water utility to general fund	176,231
Tax incremental district transfers for debt retirement related to the District	547,689
Shared TID increment	112,500
Transfer of repmum on debt issued to offset refinancing costs	40,693
Moving revenues from the fund required to collect them to the fund required or allowed to expend them	<u>174,604</u>
	<u>\$ 1,273,577</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

E. CLOSURE AND POSTCLOSURE CARE COSTS

The City is required by state and federal laws and regulations to establish an escrow account to finance postclosure cost. The City believes it is in compliance with these requirements, and, at December 31, 2018 investments of \$5,968 are held for these purposes. The City expects that future inflation costs will be paid from interest earnings on these escrow account investments. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by charges to future users, solid waste and recycling revenues and/or from future tax revenue.

F. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Debt					
Bonds	\$ 1,255,000	\$ 915,000	\$ 1,095,000	\$ 1,075,000	\$ 140,000
Notes	<u>1,040,000</u>	-	<u>375,000</u>	<u>665,000</u>	<u>275,000</u>
Total General Obligation Debt	2,295,000	915,000	1,470,000	1,740,000	415,000
Debt premium	-	38,547	4,818	33,729	-
Lease revenue bonds	1,370,000	-	220,000	1,150,000	225,000
Compensated absences	<u>283,045</u>	<u>27,911</u>	-	<u>310,956</u>	-
Governmental activities Long-term obligations	<u>\$ 3,948,045</u>	<u>\$ 981,458</u>	<u>\$ 1,694,818</u>	<u>\$ 3,234,685</u>	<u>\$ 640,000</u>
Business-type activities:					
General Obligation Debt					
Bonds	\$ 1,090,000	\$ 1,530,000	\$ 150,000	\$ 2,470,000	\$ 150,000
Debt premium	-	55,360	3,691	51,669	-
Compensated absences	<u>110,280</u>	-	<u>16,555</u>	<u>93,725</u>	-
Business-type activities Long-term obligations	<u>\$ 1,200,280</u>	<u>\$ 1,585,360</u>	<u>\$ 170,246</u>	<u>\$ 2,615,394</u>	<u>\$ 150,000</u>

Total interest paid during the year on long-term debt totaled \$171,997.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/18</u>
General Obligation Bond	05/03/11	04/01/31	2.00 - 4.125%	\$1,865,000	\$ 1,300,000
General Obligation Note	10/08/13	10/01/23	0.35 - 2.70%	2,555,000	665,000
General Obligation Bond	02/06/18	12/01/32	3.00%	2,445,000	2,245,000
Total Outstanding General Obligation Debt					<u>\$ 4,210,000</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Annual principal and interest maturities of the outstanding general obligation debt of \$4,210,000 on December 31, 2018 are detailed below:

Year Ended December 31,	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 415,000	\$ 47,275	\$ 150,000	\$ 82,730	\$ 565,000	\$ 130,005
2020	405,000	38,490	150,000	78,425	555,000	116,915
2021	180,000	29,040	155,000	73,925	335,000	102,965
2022	190,000	23,760	160,000	69,275	350,000	93,035
2023	190,000	17,830	165,000	63,775	355,000	81,605
2024-2028	360,000	20,400	925,000	229,375	1,285,000	249,775
2029-2032	-	-	765,000	58,528	765,000	58,528
	<u>\$ 1,740,000</u>	<u>\$ 176,795</u>	<u>\$ 2,470,000</u>	<u>\$ 656,033</u>	<u>\$ 4,210,000</u>	<u>\$ 832,828</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2018 was \$11,356,814 as follows:

Equalized valuation of the City		\$ 300,870,800
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>15,043,540</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 4,210,000	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>523,274</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>3,686,726</u>
Legal margin for new debt		<u>\$ 11,356,814</u>

Lease Revenue Bonds

The City of Medford entered into a lease agreement with the CDA during 2001 to issue lease revenue bonds totaling \$3,120,000 to provide financing for certain property and improvements within the Tax Incremental District No. 12 of the City ("TID No. 12"). In 2004, the CDA refinanced outstanding maturities of the \$3,120,000 Community Development Lease Revenue Bonds, Series 2001, by issuing \$3,205,000 Community Development Lease Revenue Refunding Bonds, Series 2004A. These bonds were subsequently refinanced in 2013 by issuing \$2,200,000 Community Development Lease Revenue Refunding Bonds, Series 2013A. Lease revenue bonds outstanding on December 31, 2018 follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
Lease Revenue Bonds	10/10/13	12/1/23	1.00 - 3.30%	\$ 2,200,000	\$ 1,150,000

The Bonds are limited obligations of the CDA payable solely from the revenues and income derived by the CDA pursuant to the terms of an Amended and Restated Lease Agreement ("the Agreement") by and between the CDA and the City. By terms of the Agreement, the City will make rental payments to the CDA in an amount sufficient to pay debt service on the Bonds by the next debt service payment date. The City intends to use tax increments generated within TID No. 12 to make the rental payments due under the Agreement. In a Resolution adopted September 17, 2013, the City covenants for the benefit of the owners of the Bonds that, subject to annual appropriation of the lease payments, all funds of TID No. 12 will be used first to make the lease payments due under the Agreement and only after the lease payments have been paid in full for any particular year shall funds be used to pay any other project costs of TID No. 12. The City expects that TID No. 12 revenues will be sufficient to make lease payments to the CDA.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

The CDA also covenants to establish and maintain a Reserve Account in an amount equal to \$220,000. The Reserve Account will be used to retire a portion of the final principal and interest payment due on December 1, 2023.

Debt service requirements to maturity are as follows:

Year Ended December 31,	Community Development Authority		
	Principal	Interest	Total
2019	\$ 225,000	\$ 31,880	\$ 256,880
2020	225,000	27,155	252,155
2021	240,000	21,530	261,530
2022	245,000	14,690	259,690
2023	215,000	7,095	222,095
	<u>\$ 1,150,000</u>	<u>\$ 102,350</u>	<u>\$ 1,252,350</u>

G. PENSION PLAN

1. Plan Description

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

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

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.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

2. Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3%	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)
2017	2	4

3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Starting on January 1, 2016, the executives and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the year ended December 31, 2018, the WRS recognized \$170,064 in contributions from the City.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

At December 31, 2018, the City reported an asset of \$485,491 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.01635136%, which was a decrease of 0.00001733% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$208,055.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 616,828	\$ 288,532
Net differences between projected and actual earnings on pension plan investments	-	667,263
Changes in assumptions	95,923	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,239	5,271
Employer contributions subsequent to the measurement date	170,064	-
Total	<u>\$ 885,054</u>	<u>\$ 961,066</u>

\$170,064 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2019	\$ 49,991
2020	(5,522)
2021	(166,293)
2022	(125,420)
2023	1,168
Total	<u>\$ (246,076)</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

5. Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability (asset):	December 31, 2017
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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
<u>Core Fund Asset Class</u>			
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	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 Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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 3.31%. 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 members 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 7.2 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)	\$ 1,256,131	\$ (485,491)	\$ (1,809,178)

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>.

6. Payables to the Pension Plan

At December 31, 2018, the City reported a payable of \$3,454 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2018.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

H. OTHER POSTEMPLOYMENT BENEFITS

The City has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended December 31, 2017 have not been restated.

The cumulative effect of this change was to decrease the December 31, 2017 net position by \$107,134 as follows:

Local Retiree Life Insurance Fund (LRLIF)		
OPEB liability balance previously reported	\$	-
Actuarially determined balance		107,134
Change in Local Retiree Life Insurance Fund liability		<u>\$ (107,134)</u>

Local Retiree Life Insurance Fund

Plan Description

The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2018 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are listed below:

Life Insurance Employee Contribution Rates For the Year Ended December 31, 2017	
Attained Age	Basic
Under 30	\$0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the reporting period, the LRLIF recognized \$798 in contributions from the employer.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At December 31, 2018, the City reported a liability (asset) of \$126,526 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.04205500%, which was a decrease of 0.00207200% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized OPEB expense of \$12,720.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,782
Net differences between projected and actual earnings on OPEB plan investments	1,457	-
Changes in assumptions	12,227	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,363
Total	<u>\$ 13,684</u>	<u>\$ 6,145</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Expense
2019	\$ 1,295
2020	1,295
2021	1,295
2022	1,296
2023	931
Thereafter	1,427
Total	<u>\$ 7,539</u>

Actuarial assumptions. The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2017
Measurement date of net OPEB liability (asset):	December 31, 2017
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	3.44%
Long-term expected rate of return:	5.00%
Discount rate:	3.63%
Salary increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

Long-term expected return on plan assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset Class	Index	Target Allocation	Long-term Expected Geometric Real Rate of Return %
U.S. Government Bonds	Barclays Government	1%	1.13%
U.S. Credit Bonds	Barclays Credit	65%	2.61%
U.S. Long Credit Bonds	Barclays Long Credit	3%	3.08%
U.S. Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-term expected rate of return			5.00%

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Single discount rate. A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

Sensitivity of the City's proportionate share of net OPEB liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63%) or 1-percentage-point higher (4.63%) than the current rate:

	<u>1% Decrease to Discount Rate (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase to Discount Rate (4.63%)</u>
City's proportionate share of the net OPEB liability (asset)	\$ 178,829	\$ 126,526	\$ 86,389

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

Payable to the OPEB Plan

At December 31, 2018, the City reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2018.

I. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2018, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Inventory and prepaid items	\$ 379
Delinquent specials held by County	3,658
Utility special assessments	38,853
Advances to other funds	3,205,410
Total Nonspendable Fund Balance	<u>\$ 3,248,300</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2018, restricted fund balance was as follows:

Special Revenue Funds

Restricted for	
Room Tax	\$ 10,459
Landfill	5,968
Community development	165,029
Community Development Authority - Retirement of long-term debt	220,750
Medford fire and rescue	324,301
Police department	61,376
Fire department membership	42,819
	<u>830,702</u>
Debt Service Fund	
Restricted for	
Retirement of long-term debt	<u>777,520</u>
Capital Projects Fund	
Restricted for	
TID project plan	<u>18,129</u>
Total Restricted Fund Balance	<u>\$ 1,626,351</u>

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2018, General Fund balance was committed as follows:

Special Revenue Funds

Committed for	
Landfill	\$ 182,079
Library	377,946
Parks	15,248
Total Committed Fund Balance	<u>\$ 575,273</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2018, fund balance was assigned as follows:

General Fund	
Accounting software	\$ 27,895
Capital construction	155,429
Chamber building maintenance	25,000
City office equipment	27,403
Citywide assessment revaluation	87,135
Election equipment	17,205
Fire department - vehicles	24,662
Geographical Information System (GIS)	5,468
Land acquisition	31,459
Park development	48,453
Police vehicles	25,378
Public works equipment	314,484
Public works sand, salt and rental	199,093
Recreation	10,417
Swimming pool	31,774
Website development	1,350
Subtotal	<u>1,032,605</u>
Construction Capital Projects Funds	
Assigned for subsequent year's expenditures	
Capital Improvements	<u>218,191</u>
Total	<u>\$ 1,250,796</u>

J. NET POSITION

The City reports restricted net position at December 31, 2018 as follows:

Governmental Activities	
Restricted for	
Debt service	\$ 770,476
Pension assets	359,086
Landfill	5,968
Room tax	10,459
Medford fire and rescue	428,496
Community development	507,011
TID project plan	18,129
Total Governmental Activities Restricted Net Position	<u>2,099,625</u>
Business-type Activities	
Restricted for	
Equipment replacement	1,936,404
Pension assets	126,405
Total Business-type Activities Restricted Net Position	<u>2,062,809</u>
Total Restricted Net Position	<u>\$ 4,162,434</u>

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 4: OTHER INFORMATION

A. TAX INCREMENTAL FINANCING DISTRICTS

The City has established separate capital projects funds for Tax Incremental District (TID) No. 5, No. 6, No. 7, No. 8, No. 10, No. 11, No. 12 and No. 13 which were created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the District was created, the property tax base within the District was “frozen” and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The Statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The City’s District is still eligible to incur project costs.

Since creation of the above Districts, the City has provided various financing sources to the TID. The foregoing amounts are not recorded as liabilities in the TID capital project fund but can be recovered by the City from any future excess tax increment revenues. As of December 31, 2018, the City can recover \$4,928,751 from future excess tax increment revenues of the following:

	Advance / Due from Other Funds	Advances from Component Unit	Portion of General Obligation Debt	Deficit or (Available Resources)	Total
TID No. 5	\$ 211,637	\$ -	\$ -	\$ (71,332)	\$ 140,305
TID No. 6	712,083	-	-	(197,844)	514,239
TID No. 7	288,469	-	-	(55,806)	232,663
TID No. 8	631,997	-	-	(82,500)	549,497
TID No. 10	455,127	-	25,000	-	480,127
TID No. 11	-	-	-	(18,129)	(18,129)
TID No. 12	776,125	930,000	-	10,179	1,716,304
TID No. 13	273,029	-	1,075,000	(34,284)	1,313,745
	<u>\$ 3,348,467</u>	<u>\$ 930,000</u>	<u>\$ 1,100,000</u>	<u>\$ (449,716)</u>	<u>\$ 4,928,751</u>

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective Districts. Unless terminated by the City prior thereto, each TID has a statutory termination year as follows:

	Base Year	Maximum Life
TID No. 5 ⁽¹⁾	1989	9/19/2026
TID No. 6 ⁽¹⁾	1996	9/17/2029
TID No. 7 ⁽¹⁾	1997	9/16/2030
TID No. 8 ⁽¹⁾	1997	9/16/2030
TID No. 10 ⁽¹⁾	1999	9/16/2030
TID No. 11 ⁽¹⁾	1999	9/16/2030
TID No. 12 ⁽¹⁾	2000	9/16/2030
TID No. 13 ⁽¹⁾	2005	9/16/2030

⁽¹⁾ The District has been designated as a donor or donee district; therefore, the District’s maximum life has been extended.

C. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City completes an annual review of its insurance coverage to ensure adequate coverage. Settled claims have not exceeded the commercial coverage in any of the past three years.

City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

D. CONTINGENCIES

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. An audit under the Uniform Guidance has been conducted but final acceptance is still pending. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

E. ENTERPRISE FUNDS - SIGNIFICANT CUSTOMERS

During 2018, the Electric Utility had one significant customer who was responsible for 15% of operating revenues in 2018. No other utility customer accounted for more than 10% of operating revenue.

F. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

City of Medford, Wisconsin

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (plan year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.01632356%	\$ (400,951)	\$ 2,098,523	19.11%	102.74%
12/31/15	0.01633878%	265,502	2,056,590	12.91%	98.50%
12/31/16	0.01636869%	265,502	2,122,925	12.51%	99.12%
12/31/17	0.01635136%	134,917	2,164,968	6.23%	102.93%

**SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (fiscal year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 154,908	\$ 154,908	\$ -	\$ 2,056,590	7.53%
12/31/16	155,771	155,771	-	2,122,925	7.34%
12/31/17	169,741	169,741	-	2,164,968	7.84%
12/31/18	170,064	170,064	-	2,199,505	7.73%

See notes to required supplementary information.

City of Medford, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
 LOCAL RETIREE LIFE INSURANCE FUND
 LAST 10 FISCAL YEARS

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net OPEB Liability (Asset)</u>	<u>Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Covered-Employee Payroll</u>	<u>Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)</u>
12/31/17	0.04205500%	\$ 126,526	\$ 2,164,968	5.84%	44.81%

SCHEDULE OF CONTRIBUTIONS
 LOCAL RETIREE LIFE INSURANCE FUND
 LAST 10 FISCAL YEARS

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-employee Payroll</u>	<u>Contributions as a Percentage of Covered-employee Payroll</u>
12/31/18	\$ 826	\$ 826	\$ -	\$ 2,199,505	0.04%

See notes to required supplementary information.

City of Medford, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2018

A. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 75

The City Implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for the fiscal year ended December 31, 2018. Information for prior years is not available.

B. WISCONSIN RETIREMENT SYSTEMS

There were no changes of benefits terms or assumptions for any participating employers in the WRS.

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

SUPPLEMENTARY INFORMATION

City of Medford, Wisconsin

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Special Revenue								
	Room Tax	Landfill	Library	CDBG	Community Development Authority	Parks	Medford Area Fire Department	Police Department	Fire Department Membership Fund
ASSETS									
Cash and investments	\$ -	\$ 181,837	\$ 407,173	\$ 165,029	\$ -	\$ 15,248	\$ 330,000	\$ 58,781	\$ 43,966
Restricted cash and investments	-	5,968	-	-	220,750	-	-	-	-
Receivables									
Taxes	-	-	-	-	-	-	-	-	-
Accounts	10,459	-	-	-	-	-	16,458	2,595	-
Loans	-	-	-	341,982	-	-	-	-	-
Interest	-	278	-	-	-	-	55	-	-
Total assets	<u>\$ 10,459</u>	<u>\$ 188,083</u>	<u>\$ 407,173</u>	<u>\$ 507,011</u>	<u>\$ 220,750</u>	<u>\$ 15,248</u>	<u>\$ 346,513</u>	<u>\$ 61,376</u>	<u>\$ 43,966</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ 36	\$ 25,785	\$ -	\$ -	\$ -	\$ 16	\$ -	\$ 1,147
Accrued and other current liabilities	-	-	3,442	-	-	-	11,393	-	-
Advances from other funds	-	-	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	10,803	-	-
Total liabilities	<u>-</u>	<u>36</u>	<u>29,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,212</u>	<u>-</u>	<u>1,147</u>
Deferred inflows of resources									
Property taxes levied for subsequent year	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	341,982	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances									
Restricted	10,459	5,968	-	165,029	220,750	-	324,301	61,376	42,819
Committed	-	182,079	377,946	-	-	15,248	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>10,459</u>	<u>188,047</u>	<u>377,946</u>	<u>165,029</u>	<u>220,750</u>	<u>15,248</u>	<u>324,301</u>	<u>61,376</u>	<u>42,819</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,459</u>	<u>\$ 188,083</u>	<u>\$ 407,173</u>	<u>\$ 507,011</u>	<u>\$ 220,750</u>	<u>\$ 15,248</u>	<u>\$ 346,513</u>	<u>\$ 61,376</u>	<u>\$ 43,966</u>

City of Medford, Wisconsin

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<u>Capital Projects</u>						<u>Total</u>
	<u>TID No. 5</u>	<u>TID No. 6</u>	<u>TID No. 7</u>	<u>TID No. 8</u>	<u>TID No. 10</u>	<u>TID No. 11</u>	
ASSETS							
Cash and investments	\$ 71,332	\$ 197,844	\$ 55,806	\$ 82,500	\$ -	\$ 18,129	\$ 1,627,645
Restricted cash and investments	-	-	-	-	-	-	226,718
Receivables							
Taxes	41,287	63,554	11,553	27,193	53,726	76,187	273,500
Accounts	-	-	-	-	-	-	29,512
Loans	-	-	-	-	-	-	341,982
Interest	-	-	-	-	-	-	333
Total assets	<u>\$ 112,619</u>	<u>\$ 261,398</u>	<u>\$ 67,359</u>	<u>\$ 109,693</u>	<u>\$ 53,726</u>	<u>\$ 94,316</u>	<u>\$ 2,499,690</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,984
Accrued and other current liabilities	-	-	-	-	-	-	14,835
Advances from other funds	211,637	712,083	288,469	631,997	455,127	-	2,299,313
Unearned revenues	-	-	-	-	-	-	10,803
Total liabilities	<u>211,637</u>	<u>712,083</u>	<u>288,469</u>	<u>631,997</u>	<u>455,127</u>	<u>-</u>	<u>2,351,935</u>
Deferred inflows of resources							
Property taxes levied for subsequent year	41,287	63,554	11,553	27,193	53,726	76,187	273,500
Loans receivable	-	-	-	-	-	-	341,982
Total deferred inflows of resources	<u>41,287</u>	<u>63,554</u>	<u>11,553</u>	<u>27,193</u>	<u>53,726</u>	<u>76,187</u>	<u>615,482</u>
Fund balances							
Restricted	-	-	-	-	-	18,129	848,831
Committed	-	-	-	-	-	-	575,273
Unassigned	<u>(140,305)</u>	<u>(514,239)</u>	<u>(232,663)</u>	<u>(549,497)</u>	<u>(455,127)</u>	<u>-</u>	<u>(1,891,831)</u>
Total fund balances	<u>(140,305)</u>	<u>(514,239)</u>	<u>(232,663)</u>	<u>(549,497)</u>	<u>(455,127)</u>	<u>18,129</u>	<u>(467,727)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 112,619</u>	<u>\$ 261,398</u>	<u>\$ 67,359</u>	<u>\$ 109,693</u>	<u>\$ 53,726</u>	<u>\$ 94,316</u>	<u>\$ 2,499,690</u>

City of Medford, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue								
	Room Tax	Landfill	Library	CDBG	Community Development Authority	Parks	Medford Area Fire Department	Police Department	Fire Department Membership Fund
REVENUES									
Taxes	\$ 44,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	186,451	-	-	-	1,856	1,440	-
Public charges for services	-	-	4,342	-	-	-	46,679	16,724	-
Intergovernmental charges for services	-	-	7,330	-	-	-	181,409	-	3,380
Miscellaneous	-	1,178	234,937	71,615	408	-	8,984	3,428	23,930
Total revenues	44,042	1,178	433,060	71,615	408	-	238,928	21,592	27,310
EXPENDITURES									
Current									
Public safety	-	-	-	-	-	-	135,542	15,826	46,657
Public works	-	6,768	-	-	-	-	-	-	-
Culture and recreation	-	-	413,853	-	-	-	-	-	-
Conservation and development	33,583	-	-	78,497	-	-	-	-	-
Debt service									
Principal	-	-	-	-	220,000	-	-	-	-
Interest and fiscal charges	-	-	-	-	32,425	-	-	-	-
Capital outlay	-	-	-	-	-	-	226,340	-	-
Total expenditures	33,583	6,768	413,853	78,497	252,425	-	361,882	15,826	46,657
Excess of revenues over (under) expenditures	10,459	(5,590)	19,207	(6,882)	(252,017)	-	(122,954)	5,766	(19,347)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	12,400	160,204	-	252,425	2,000	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	12,400	160,204	-	252,425	2,000	-	-	-
Net change in fund balances	10,459	6,810	179,411	(6,882)	408	2,000	(122,954)	5,766	(19,347)
Fund balances - January 1	-	181,237	198,535	171,911	220,342	13,248	447,255	55,610	62,166
Fund balances - December 31	\$ 10,459	\$ 188,047	\$ 377,946	\$ 165,029	\$ 220,750	\$ 15,248	\$ 324,301	\$ 61,376	\$ 42,819

City of Medford, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	Capital Projects						Total
	TID No. 5	TID No. 6	TID No. 7	TID No. 8	TID No. 10	TID No. 11	
REVENUES							
Taxes	\$ 46,366	\$ 80,411	\$ -	\$ 37,497	\$ 55,662	\$ 83,957	\$ 347,935
Intergovernmental	436	1,058	80	426	795	2,094	194,636
Public charges for services	-	-	-	-	-	-	67,745
Intergovernmental charges for services	-	-	-	-	-	-	192,119
Miscellaneous	-	-	-	-	-	-	344,480
Total revenues	46,802	81,469	80	37,923	56,457	86,051	1,146,915
EXPENDITURES							
Current							
Public safety	-	-	-	-	-	-	198,025
Public works	-	-	-	-	-	-	6,768
Culture and recreation	-	-	-	-	-	-	413,853
Conservation and development	1,779	405	1,126	405	1,629	1,779	119,203
Debt service							
Principal	-	-	-	-	-	-	220,000
Interest and fiscal charges	6,349	21,362	8,654	10,995	13,209	-	92,994
Capital outlay	-	-	-	-	20,531	-	246,871
Total expenditures	8,128	21,767	9,780	11,400	35,369	1,779	1,297,714
Excess of revenues over (under) expenditures	38,674	59,702	(9,700)	26,523	21,088	84,272	(150,799)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	30,000	-	82,500	-	-	539,529
Transfers out	(37,500)	-	-	(111,595)	(10,615)	(75,000)	(234,710)
Total other financing sources (uses)	(37,500)	30,000	-	(29,095)	(10,615)	(75,000)	304,819
Net change in fund balances	1,174	89,702	(9,700)	(2,572)	10,473	9,272	154,020
Fund balances - January 1	(141,479)	(603,941)	(222,963)	(546,925)	(465,600)	8,857	(621,747)
Fund balances - December 31	\$ (140,305)	\$ (514,239)	\$ (232,663)	\$ (549,497)	\$ (455,127)	\$ 18,129	\$ (467,727)

ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS



Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

To the City Council
City of Medford, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Medford, Wisconsin (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 26, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City'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 MEDFORD, WISCONSIN'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City'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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
April 26, 2019

City of Medford, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2018-001	Preparation of Annual Financial Report Repeat of Finding 2017-001
Condition:	Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the City contracts with us to compile the Wisconsin Municipal Report Form C and the Public Service Commission Report.
Criteria:	The preparation and review of the annual financial report, Municipal Financial Report, and Public Service Commission Report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.
Cause:	City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the City continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report, Municipal Financial Report and Public Service Commission Report.
Management Response:	Management believes the cost for additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management has reviewed and approved the annual financial report prior to issuance.

City of Medford, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

FINDING NO.	CONTROL DEFICIENCIES
2018-002	Adjustments to the City's Financial Records Repeat of Finding 2017-002
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the City's financial statements.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	While City staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year-end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Effect:	Year-end financial records prepared by the City may contain material misstatements.
Recommendation:	We recommend the City designate an individual to obtain additional training in order to prepare the adjusting and closing entries. We are available to assist the individual in obtaining the understanding to prepare these entries.
Management Response:	The City's treasurer reviews and approves all journal entries prepared by the auditors.

SECTION II. COMPLIANCE AND OTHER MATTERS

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2018.