

CITY OF MEDFORD, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2013

CITY OF MEDFORD, WISCONSIN

December 31, 2013

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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, 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, 2013, 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 auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

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 opinion 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 financial statements.

The supplementary information is the responsibility of management and was derived from and relate 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.

Report on Summarized Financial Information

We have previously audited the City of Medford's 2012 financial statements, and our report dated April 15, 2013, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2014, 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 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 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.



Certified Public Accountants
Green Bay, Wisconsin
April 14, 2014

BASIC FINANCIAL STATEMENTS

CITY OF MEDFORD, WISCONSIN
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total	Community Development Authority
ASSETS				
Cash and investments	\$ 6,238,956	\$ 6,221,346	\$ 12,460,302	\$ -
Receivables				
Taxes	5,904,470	-	5,904,470	-
Accounts	183,012	1,158,272	1,341,284	-
Special assessments	728,207	-	728,207	-
Delinquent items held by County	7,577	-	7,577	-
Loans	442,937	-	442,937	-
Interest	1,005	4,556	5,561	-
Internal balances	45,590	(45,590)	-	-
Inventories and prepaid items	8,848	294,853	303,701	-
Restricted cash and investments	42,143	1,872,272	1,914,415	220,002
Capital lease receivable from primary government	-	-	-	1,980,000
Capital assets, nondepreciable				
Land	984,715	102,206	1,086,921	-
Construction in progress	494,043	142,148	636,191	-
Non-utility property	-	58,396	58,396	-
Capital assets, depreciable				
Buildings and improvements	4,334,189	10,327,403	14,661,592	-
Machinery and equipment	4,176,447	7,869,346	12,045,793	-
Infrastructure	25,890,771	22,353,433	48,244,204	-
Less: Accumulated depreciation	(13,778,853)	(21,272,006)	(35,050,859)	-
TOTAL ASSETS	35,704,057	29,086,635	64,790,692	2,200,002
LIABILITIES				
Accounts payable	194,010	1,075,354	1,269,364	-
Accrued payroll liabilities	52,537	20,369	72,906	-
Special deposits	-	63,436	63,436	-
Accrued interest payable	21,642	11,518	33,160	-
Other accrued liabilities	-	33,547	33,547	-
Due to other governments	4,227,813	-	4,227,813	-
Public benefits	-	112,422	112,422	-
Unearned revenues	6,341	51,806	58,147	-
Long-term obligations				
Due within one year	690,000	55,000	745,000	200,000
Due in more than one year	5,849,182	1,397,130	7,246,312	2,000,000
TOTAL LIABILITIES	11,041,525	2,820,582	13,862,107	2,200,000
DEFERRED INFLOWS OF RESOURCES				
Property taxes	2,753,068	-	2,753,068	-
NET POSITION				
Net investment in capital assets	15,601,312	18,493,370	34,094,682	-
Restricted for				
Debt service	567,025	232,444	799,469	-
Equipment replacement	-	1,639,828	1,639,828	-
Landfill	42,143	-	42,143	-
Gas tax replacement	8,289	-	8,289	-
Medford fire and rescue	284,432	-	284,432	-
Community development	36,411	-	36,411	-
TID project plan	351,849	-	351,849	-
Unrestricted	5,018,003	5,900,411	10,918,414	2
TOTAL NET POSITION	\$ 21,909,464	\$ 26,266,053	\$ 48,175,517	\$ 2

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 701,427	\$ 160,462	\$ -	\$ -
Public safety	1,249,615	202,748	53,314	-
Public works	2,254,722	22,451	493,980	239,276
Culture and recreation	682,448	42,854	173,869	-
Health and human services	4,969	-	-	-
Conservation and development	1,500	-	-	-
Interest on debt	486,119	-	-	-
Total Governmental Activities	5,380,800	428,515	721,163	239,276
Business-type Activities				
Electric utility	8,743,803	9,195,230	-	4,192
Water utility	586,249	964,798	-	-
Sewer utility	1,449,709	1,217,408	-	3,837
Recycling utility	299,519	349,089	25,916	-
Total Business-type Activities	11,079,280	11,726,525	25,916	8,029
Total Primary Government	\$ 16,460,080	\$ 12,155,040	\$ 747,079	\$ 247,305
Component Unit				
Community development authority	\$ 550,202	\$ -	\$ 550,187	\$ -

General revenues

Taxes

 Property taxes, levied for general purposes

 Property taxes, levied for debt service

 Property tax increment

 Other taxes

Federal and state grants and other contributions

 not restricted to specific functions

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - January 1

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			
Primary Government			Community Development Authority
Governmental Activities	Business-type Activities	Total	

\$ (540,965)	\$ -	\$ (540,965)	\$ -
(993,553)	-	(993,553)	-
(1,499,015)	-	(1,499,015)	-
(465,725)	-	(465,725)	-
(4,969)	-	(4,969)	-
(1,500)	-	(1,500)	-
(486,119)	-	(486,119)	-
<u>(3,991,846)</u>	<u>-</u>	<u>(3,991,846)</u>	<u>-</u>

-	455,619	455,619	-
-	378,549	378,549	-
-	(228,464)	(228,464)	-
-	75,486	75,486	-
<u>-</u>	<u>681,190</u>	<u>681,190</u>	<u>-</u>
<u>(3,991,846)</u>	<u>681,190</u>	<u>(3,310,656)</u>	<u>-</u>

-	-	-	(15)
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634,750	-	634,750	-
246,958	-	246,958	-
1,030,023	-	1,030,023	-
843,760	-	843,760	-
1,180,062	-	1,180,062	-
142,288	50,039	192,327	-
20,011	-	20,011	-
323,180	(323,180)	-	-
<u>4,421,032</u>	<u>(273,141)</u>	<u>4,147,891</u>	<u>-</u>

429,186	408,049	837,235	(15)
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21,480,278	25,858,004	47,338,282	17
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<u>\$ 21,909,464</u>	<u>\$ 26,266,053</u>	<u>\$ 48,175,517</u>	<u>\$ 2</u>
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CITY OF MEDFORD, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2013

	General	Debt Service	Construction
ASSETS			
Cash and investments	\$ 3,856,469	\$ 177,779	\$ 335,008
Receivables			
Taxes	3,835,885	262,644	673,002
Accounts, net	11,164	135,000	-
Special assessments	728,207	-	-
Delinquent tax items held by County	7,577	-	-
Loans	-	-	-
Interest	925	-	-
Inventories and prepaid items	5,965	-	-
Restricted cash and investments	-	-	-
Advances to other funds	2,616,617	254,246	-
TOTAL ASSETS	\$ 11,062,809	\$ 829,669	\$ 1,008,010
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 125,952	\$ -	\$ 38,735
Accrued and other current liabilities	39,404	-	-
Due to other governments	4,227,813	-	-
Advance from other funds	-	-	-
Unearned revenue	695	-	-
Total Liabilities	4,393,864	-	38,735
Deferred Inflows of Resources			
Taxes	684,483	262,644	673,002
Special assessments	600,128	-	-
Loans	-	-	-
Total Deferred Inflows of Resources	1,284,611	262,644	673,002
Fund Balances (Deficits)			
Nonspendable:			
Inventory and prepaid items	5,965	-	-
Delinquent items held by County	7,577	-	-
Utility special assessments	53,064	-	-
Advances to other funds	2,616,617	254,246	-
Restricted for:			
Retirement of long-term debt	-	312,779	-
Landfill	-	-	-
Gas tax replacement	8,289	-	-
Medford fire and rescue	-	-	-
Community development	-	-	-
TID project plan	-	-	-
Committed for:			
Tourism	-	-	-
Landfill	-	-	-
Library	-	-	-
Parks	-	-	-
Assigned	749,010	-	296,273
Unassigned			
General fund	1,943,812	-	-
Capital projects funds	-	-	-
Total Fund Balances (Deficits)	5,384,334	567,025	296,273
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 11,062,809	\$ 829,669	\$ 1,008,010

(Continued)

TIF District No. 12	Other Governmental Funds	Total Governmental Funds
\$ 508,252	\$ 1,361,448	\$ 6,238,956
565,124	567,815	5,904,470
-	36,848	183,012
-	-	728,207
-	-	7,577
-	442,937	442,937
-	80	1,005
-	2,883	8,848
-	42,143	42,143
-	-	2,870,863
<u>\$ 1,073,376</u>	<u>\$ 2,454,154</u>	<u>\$ 16,428,018</u>

\$ 41	\$ 29,282	\$ 194,010
17	13,116	52,537
-	-	4,227,813
633,106	2,192,167	2,825,273
-	5,646	6,341
<u>633,164</u>	<u>2,240,211</u>	<u>7,305,974</u>

565,124	567,815	2,753,068
-	-	600,128
-	442,937	442,937
<u>565,124</u>	<u>1,010,752</u>	<u>3,796,133</u>

-	2,883	8,848
-	-	7,577
-	-	53,064
-	-	2,870,863
-	-	312,779
-	42,143	42,143
-	-	8,289
-	284,432	284,432
-	36,411	36,411
-	351,849	351,849
-	37,502	37,502
-	132,567	132,567
-	70,614	70,614
-	7,124	7,124
-	-	1,045,283
-	-	1,943,812
<u>(124,912)</u>	<u>(1,762,334)</u>	<u>(1,887,246)</u>
<u>(124,912)</u>	<u>(796,809)</u>	<u>5,325,911</u>

<u>\$ 1,073,376</u>	<u>\$ 2,454,154</u>	<u>\$ 16,428,018</u>
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CITY OF MEDFORD, WISCONSIN
 Balance Sheet (Continued)
 Governmental Funds
 December 31, 2013

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page		\$ 5,325,911
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.		22,101,312
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		600,128
Loans receivable		442,937
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds, notes and land contract payable	\$ (4,300,000)	
Capital lease to component unit	(1,980,000)	
Compensated absences	(259,182)	
Accrued interest on long-term obligations	(21,642)	(6,560,824)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 3)		<u>\$ 21,909,464</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, 2013

	General	Debt Service	Construction
Revenues			
Taxes	\$ 800,044	\$ 246,958	\$ 634,750
Special assessments	187,079	-	-
Intergovernmental	1,631,435	-	-
Licenses and permits	59,012	-	-
Fines and forfeits	22,211	-	-
Public charges for services	48,883	-	-
Intergovernmental charges for services	86,358	-	-
Miscellaneous	135,812	-	1,655
Total Revenues	<u>2,970,834</u>	<u>246,958</u>	<u>636,405</u>
Expenditures			
Current			
General government	637,700	-	-
Public safety	955,610	-	-
Public works	859,718	-	1,011,941
Culture and recreation	208,755	-	-
Health and human services	4,969	-	-
Conservation and development	34,485	-	-
Debt service			
Principal	-	1,866,620	-
Interest and fiscal charges	-	191,390	6,206
Capital outlay	103,073	-	99,692
Total Expenditures	<u>2,804,310</u>	<u>2,058,010</u>	<u>1,117,839</u>
Excess of Revenues Over (Under) Expenditures	<u>166,524</u>	<u>(1,811,052)</u>	<u>(481,434)</u>
Other Financing Sources (Uses)			
Long-term debt issued	-	1,505,000	375,000
Sale of capital assets	-	-	-
Transfers in	303,180	323,355	-
Transfers out	(164,204)	-	-
Total Other Financing Sources (Uses)	<u>138,976</u>	<u>1,828,355</u>	<u>375,000</u>
Net Change in Fund Balances	305,500	17,303	(106,434)
Fund Balances - January 1	<u>5,078,834</u>	<u>549,722</u>	<u>402,707</u>
Fund Balances (Deficits) - December 31	<u>\$ 5,384,334</u>	<u>\$ 567,025</u>	<u>\$ 296,273</u>

(Continued)

TIF District No. 12	Other Governmental Funds	Total Governmental Funds
\$ 476,130	\$ 594,408	\$ 2,752,290
-	-	187,079
19,188	176,710	1,827,333
-	-	59,012
-	-	22,211
-	57,753	106,636
-	150,061	236,419
39,325	101,224	278,016
<u>534,643</u>	<u>1,080,156</u>	<u>5,468,996</u>

-	-	637,700
-	197,631	1,153,241
-	10,078	1,881,737
-	360,060	568,815
-	-	4,969
553,351	99,863	687,699
-	678,380	2,545,000
18,993	68,884	285,473
263,617	1,164,455	1,630,837
<u>835,961</u>	<u>2,579,351</u>	<u>9,395,471</u>

<u>(301,318)</u>	<u>(1,499,195)</u>	<u>(3,926,475)</u>
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-	675,000	2,555,000
-	4,200	4,200
-	286,204	912,739
-	(425,355)	(589,559)
-	540,049	2,882,380

<u>(301,318)</u>	<u>(959,146)</u>	<u>(1,044,095)</u>
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<u>176,406</u>	<u>162,337</u>	<u>6,370,006</u>
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<u>\$ (124,912)</u>	<u>\$ (796,809)</u>	<u>\$ 5,325,911</u>
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CITY OF MEDFORD, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2013

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (1,044,095)

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

Governmental funds report capital asset purchases 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	\$ 1,877,698	
Capital assets financed by other governments	239,276	
Depreciation expense reported in the statement of activities	<u>(1,020,635)</u>	
Amount by which capital outlays are less than depreciation in current period		1,096,339

In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.

Book value of capital assets disposed of		(15,380)
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Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits decreased by:

		14,171
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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.

		52,192
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Some capital assets acquired or debt retired during the year were financed with debt. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net position however, debt constitutes a long-term liability. The amount of debt reported in the governmental funds statement is:

		(2,555,000)
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Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is:

General obligation debt	2,545,000	
Capital leases to component unit	<u>360,000</u>	2,905,000

Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues.

		(6,316)
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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	\$ 25,000	
Repayments received	<u>(35,082)</u>	(10,082)

Debt discounts are reported in the governmental funds as an other operating use. In the statement of activities, these costs are capitalized and amortized over the life of the bonds. Amortization of debt discounts in the current year is:

		<u>(7,643)</u>
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Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 4 - 5)

\$ 429,186

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, 2013

	Budgeted	Actual	Variance
	Amounts		Final Budget -
	Original and	Amounts	Positive
	Final		(Negative)
Revenues			
Taxes	\$ 803,139	\$ 800,044	\$ (3,095)
Special assessments	166,611	187,079	20,468
Intergovernmental	1,617,013	1,631,435	14,422
Licenses and permits	49,311	59,012	9,701
Fines and forfeits	26,909	22,211	(4,698)
Public charges for services	37,000	48,883	11,883
Intergovernmental charges for services	85,924	86,358	434
Miscellaneous	118,950	135,812	16,862
Total Revenues	2,904,857	2,970,834	65,977
Expenditures			
Current			
General government	810,948	637,700	173,248
Public safety	937,220	955,610	(18,390)
Public works	945,201	859,718	85,483
Culture and recreation	274,191	208,755	65,436
Health and human services	8,529	4,969	3,560
Conservation and development	30,971	34,485	(3,514)
Capital outlay	151,300	103,073	48,227
Total Expenditures	3,158,360	2,804,310	354,050
Excess of Revenues Over (Under) Expenditures	(253,503)	166,524	420,027
Other Financing Sources (Uses)			
Transfers in	248,000	303,180	55,180
Transfers out	(164,204)	(164,204)	-
Total Other Financing Sources (Uses)	83,796	138,976	55,180
Net Change in Fund Balance	(169,707)	305,500	475,207
Fund Balance - January 1	5,078,834	5,078,834	-
Fund Balance - December 31	\$ 4,909,127	\$ 5,384,334	\$ 475,207

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, 2013

	Major Funds			Nonmajor Fund	Total
	Electric Utility	Water Utility	Sewer Utility	Recycling - Solid Waste	
ASSETS					
Current assets					
Cash and investments	\$ 4,450,494	\$ 569,731	\$ 823,603	\$ 377,518	\$ 6,221,346
Receivables					
Accounts	916,186	89,163	107,480	45,443	1,158,272
Interest	2,937	138	1,481	-	4,556
Inventories	199,160	75,349	9,240	-	283,749
Prepaid items	11,104	-	-	-	11,104
Restricted cash and investments	-	321,971	1,550,301	-	1,872,272
Advance to other funds	-	-	153,920	-	153,920
Total Current Assets	5,579,881	1,056,352	2,646,025	422,961	9,705,219
Capital Assets					
Land	68,066	24,968	9,172	-	102,206
Construction in progress	-	78,429	63,719	-	142,148
Non-utility property	34,396	24,000	-	-	58,396
Buildings and improvements	264,742	320,883	9,741,778	-	10,327,403
Machinery and equipment	3,407,973	642,017	3,819,356	-	7,869,346
Infrastructure	7,699,912	8,295,585	6,357,936	-	22,353,433
Less: Accumulated depreciation	(5,559,616)	(1,431,901)	(14,280,489)	-	(21,272,006)
Total Capital Assets, Net of Accumulated Depreciation	5,915,473	7,953,981	5,711,472	-	19,580,926
TOTAL ASSETS	11,495,354	9,010,333	8,357,497	422,961	29,286,145
LIABILITIES					
Current Liabilities					
Accounts payable	902,257	16,467	134,572	22,058	1,075,354
Payroll liabilities	10,795	3,534	6,035	5	20,369
Special deposits	62,936	500	-	-	63,436
Accrued interest	73	11,445	-	-	11,518
Other accrued liabilities	33,516	-	-	31	33,547
Public benefits	112,422	-	-	-	112,422
Current portion of long-term debt	-	55,000	-	-	55,000
Total Current Liabilities	1,121,999	86,946	140,607	22,094	1,371,646
Noncurrent Liabilities					
General obligation debt	-	1,265,000	-	-	1,265,000
Compensated absences	59,420	40,179	32,531	-	132,130
Advance from other funds	-	199,510	-	-	199,510
Customer advances for construction	51,806	-	-	-	51,806
Total Noncurrent Liabilities	111,226	1,504,689	32,531	-	1,648,446
TOTAL LIABILITIES	1,233,225	1,591,635	173,138	22,094	3,020,092
NET POSITION					
Net investment in capital assets	5,915,473	6,866,425	5,711,472	-	18,493,370
Restricted for					
Debt service	-	232,444	-	-	232,444
Equipment replacement	-	89,527	1,550,301	-	1,639,828
Unrestricted	4,346,656	230,302	922,586	400,867	5,900,411
TOTAL NET POSITION	\$ 10,262,129	\$ 7,418,698	\$ 8,184,359	\$ 400,867	\$ 26,266,053

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 Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Major Funds			Nonmajor Fund	Total
	Electric Utility	Water Utility	Sewer Utility	Recycling - Solid Waste	
Operating Revenues					
Charges for services	\$ 9,178,851	\$ 940,724	\$ 1,162,405	\$ 349,089	\$ 11,631,069
Other	16,379	24,074	55,003	-	95,456
Total Operating Revenues	9,195,230	964,798	1,217,408	349,089	11,726,525
Operating Expenses					
General and administrative	329,994	176,958	245,967	299,519	1,052,438
Operation	7,869,142	62,664	330,215	-	8,262,021
Maintenance	166,343	96,069	114,570	-	376,982
Depreciation	377,493	199,927	744,843	-	1,322,263
Total Operating Expenses	8,742,972	535,618	1,435,595	299,519	11,013,704
Operating Income (Loss)	452,258	429,180	(218,187)	49,570	712,821
Nonoperating Revenues (Expenses)					
Interest income	27,929	1,816	20,294	-	50,039
Merchandising and jobbing (net)	(831)	-	-	-	(831)
Interest expense	-	(50,631)	(11,763)	-	(62,394)
Amortization of debt discount	-	-	(2,351)	-	(2,351)
Intergovernmental	-	-	-	25,916	25,916
Total Nonoperating Revenues (Expenses)	27,098	(48,815)	6,180	25,916	10,379
Income (Loss) Before Contributions and Transfers	479,356	380,365	(212,007)	75,486	723,200
Capital contributions	4,192	-	3,837	-	8,029
Transfers out	(153,894)	(149,286)	-	(20,000)	(323,180)
Change in Net Position	329,654	231,079	(208,170)	55,486	408,049
Net Position - January 1	9,932,475	7,187,619	8,392,529	345,381	25,858,004
Net Position - December 31	\$ 10,262,129	\$ 7,418,698	\$ 8,184,359	\$ 400,867	\$ 26,266,053

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

CITY OF MEDFORD, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Major Funds			Nonmajor Fund	Total
	Electric Utility	Water Utility	Sewer Utility	Recycling - Solid Waste	
Cash Flows from Operating Activities					
Cash received from user charges	\$ 9,087,422	\$ 727,468	\$ 1,213,868	\$ 344,757	\$ 11,373,515
Cash payments to suppliers	(7,843,468)	(156,975)	(369,701)	(295,691)	(8,665,835)
Cash payments to employees	(289,255)	(191,880)	(307,387)	(1,542)	(790,064)
Public fire protection charge from City	-	234,890	-	-	234,890
Net Cash Provided by Operating Activities	954,699	613,503	536,780	47,524	2,152,506
Cash Flows from Noncapital Financing Activities					
Merchandising/jobbing (net)	(831)	-	-	-	(831)
Miscellaneous	-	-	-	25,916	25,916
Advances from (to) other funds	-	37	4,771	-	4,808
Transfer to other funds	(153,894)	(149,286)	-	(20,000)	(323,180)
Net Cash Provided (Used) by Noncapital Financing Activities	(154,725)	(149,249)	4,771	5,916	(293,287)
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(843,224)	(242,742)	(647,998)	-	(1,733,964)
Capital contributions received	4,192	-	3,837	-	8,029
Principal payments on long-term debt	-	(75,499)	(335,000)	-	(410,499)
Interest payments on long-term debt	-	(50,906)	(12,818)	-	(63,724)
Net Cash Used by Capital and Related Financing Activities	(839,032)	(369,147)	(991,979)	-	(2,200,158)
Cash Flows from Investing Activities					
Interest income received	30,268	1,862	21,235	-	53,365
Change in Cash and Cash Equivalents	(8,790)	96,969	(429,193)	53,440	(287,574)
Cash and Cash Equivalents - Beginning of Year	4,459,284	794,733	2,803,097	324,078	8,381,192
Cash and Cash Equivalents - End of Year	\$ 4,450,494	\$ 891,702	\$ 2,373,904	\$ 377,518	\$ 8,093,618
Reconciliation to Statement of Net Position					
Cash and investments	\$ 4,450,494	\$ 569,731	\$ 823,603	\$ 377,518	\$ 6,221,346
Restricted cash and investments	-	321,971	1,550,301	-	1,872,272
Total Cash and Cash Equivalents	\$ 4,450,494	\$ 891,702	\$ 2,373,904	\$ 377,518	\$ 8,093,618
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 452,258	\$ 429,180	\$ (218,187)	\$ 49,570	\$ 712,821
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	377,493	199,927	744,843	-	1,322,263
Depreciation charged other accounts	22,256	8,519	(8,519)	-	22,256
Changes in assets and liabilities					
Accounts receivable	(124,482)	(2,440)	(3,540)	(4,332)	(134,794)
Inventories and prepaid items	24,599	(28,208)	-	-	(3,609)
Accounts payable	219,999	4,658	35,243	2,250	262,150
Payroll liabilities	5,277	464	1,574	5	7,320
Other liabilities	2,796	-	-	31	2,827
Compensated absences	(35,088)	1,403	(14,634)	-	(48,319)
Public benefits	9,591	-	-	-	9,591
Net Cash Provided by Operating Activities	\$ 954,699	\$ 613,503	\$ 536,780	\$ 47,524	\$ 2,152,506
Noncash Investing, Capital and Financing Activities					
Capital assets contributed by customer	\$ 4,192	\$ -	\$ 3,837	\$ -	\$ 8,029

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

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE A - 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:

1. 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 (the primary government) and any separate component units that have a significant operational or financial relationship with the City. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

The basic financial statements include the City of Medford Community Development Authority (CDA) as a component unit. The Authority is organized as a legally separate organization under Section 66.431 of the State of Wisconsin Statutes for the purpose of carrying out blight elimination, slum clearance and urban renewal projects. The board of the Authority is appointed by the mayor of the City. 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. As a component unit, the CDA's financial statements have been presented as a discrete column in the basic financial statements.

2. 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 and its component unit. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

GENERAL FUND

This is the City's main 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 governmental funds.

CONSTRUCTION CAPITAL PROJECTS FUND

This fund accounts for the financial resources of public works construction projects.

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.

The City reports the following major enterprise funds:

ELECTRIC UTILITY

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

WATER UTILITY

This fund accounts for water sales to utility customers.

SEWER UTILITY

This fund accounts for wastewater treatment services.

CITY OF MEDFORD, WISCONSIN

Notes to Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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, other 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 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 enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting 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.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. 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 amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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 are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. An allowance of \$9,500 is reported at year end in the general fund. Delinquent real estate taxes are paid in full by the county, which assumes collection thereof.

c. 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 activities and business-type activities.

d. 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.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

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.

f. Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure, 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Infrastructure constructed prior to January 1, 2003 has not been recorded on the financial statements.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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

g. 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.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The City also has an additional type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

i. 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.

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.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. 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 city position to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned, unless committed by City Council action.
- 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 that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

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, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - 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.

5. 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.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

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

- a. 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.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, certain special revenue (room tax fund, landfill, library, CDBG, parks, fire and rescue), debt service, and capital projects 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.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund, certain special revenue funds and debt service funds. 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.
- d. 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, 2013.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2013:

Funds	Deficit Fund Equity
Capital Projects Funds	
TIF District No. 5	\$ 150,574
TIF District No. 6	768,790
TIF District No. 7	19,344
TIF District No. 8	545,671
TIF District No. 10	246,427
TIF District No. 11	31,528
TIF District No. 12	124,912

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 TID's and 5 and 7 are now donor TID's. This allows the donor TID's to contribute funds to the distressed TID's until future revenues are being generated.

CITY OF MEDFORD, WISCONSIN

Notes to Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS

1. 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 in 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, as shown on the basic financial statements, including the separate accounts noted above, totaled \$14,594,719 on December 31, 2013 as summarized below:

Petty cash funds	\$ 1,100
Deposits with financial institutions	14,353,619
Investments	
U.S. Treasury Bonds	20,000
Held by Associated Trust in money market mutual funds for debt reserve	220,000
	<u>\$ 14,594,719</u>

Reconciliation to the basic financial statements:

Statement of Net Position	
Cash and investments	\$ 12,460,302
Restricted cash and investments	
Primary government	1,914,415
Component unit	220,002
	<u>\$ 14,594,719</u>

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

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 custodial 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. 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.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2013, \$10,671,449 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 investments 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 year-end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Money market mutual funds	\$ 220,000	\$ -	\$ -	\$ -	\$ 220,000
U.S. Treasury bonds	20,000	20,000	-	-	-
Totals	\$ 240,000	\$ 20,000	\$ -	\$ -	\$ 220,000

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
Money market mutual funds	\$ 220,000	\$ 220,000	\$ -	\$ -	\$ -
U.S. Treasury bonds	20,000	-	-	-	20,000
Totals	\$ 240,000	\$ 220,000	\$ -	\$ -	\$ 20,000

CITY OF MEDFORD, WISCONSIN

Notes to Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Restricted Assets

Restricted assets on December 31, 2013 totaled \$2,134,417 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Governmental Activities		
Landfill Special Revenue Fund		
Closure	\$ 42,143	Escrow account to finance landfill post-closure cost.
Business-type Activities		
Sewer Utility		
Equipment replacement fund	1,550,301	To be used for the replacement of certain equipment of the sewer utility in accordance with Wisconsin Department of Natural Resources requirements.
Water Utility		
Equipment replacement fund	89,527	To be used for the replacement of certain equipment of the water utility.
Debt proceeds	232,444	Remaining debt proceeds used to finance future capital improvements.
Total Business-type Activities	<u>1,872,272</u>	
Total Primary Government	<u>1,914,415</u>	
Component Unit		
Community Development Authority	<u>220,002</u>	To be used as a bond reserve account
Total	<u>\$ 2,134,417</u>	

3. 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.

The City bills and collects its own property taxes and also levies and collects taxes for the Medford School District, Taylor County, North Central VTAE District and the State of Wisconsin. Collections and remittances of taxes for other entities are accounted for in the general fund.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 984,715	\$ -	\$ -	\$ 984,715
Work in process	-	494,043	-	494,043
Subtotals	984,715	494,043	-	1,478,758
Capital assets, being depreciated:				
Buildings and improvements	4,349,569	-	15,380	4,334,189
Machinery and equipment	3,316,081	878,412	18,046	4,176,447
Infrastructure	25,146,252	744,519	-	25,890,771
Subtotals	32,811,902	1,622,931	33,426	34,401,407
Less accumulated depreciation for:				
Buildings and improvements	1,688,368	110,490	-	1,798,858
Machinery and equipment	1,982,491	279,922	18,046	2,244,367
Infrastructure	9,105,405	630,223	-	9,735,628
Subtotals	12,776,264	1,020,635	18,046	13,778,853
Total capital assets, being depreciated, net	20,035,638	602,296	15,380	20,622,554
Governmental activities capital assets, net	<u>\$ 21,020,353</u>	<u>\$ 1,096,339</u>	<u>\$ 15,380</u>	22,101,312
Less related long-term debt outstanding				<u>6,500,000</u>
Net investment in capital assets				<u>\$ 15,601,312</u>

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 102,206	\$ -	\$ -	\$ 102,206
Construction in progress	142,148	-	-	142,148
Non-utility property	58,396	-	-	58,396
Total capital assets, not being depreciated	<u>302,750</u>	-	-	<u>302,750</u>
Capital assets, being depreciated:				
Buildings and improvements	10,201,584	442,819	317,000	10,327,403
Machinery and equipment	7,461,673	746,804	339,131	7,869,346
Infrastructure	21,878,415	557,867	82,849	22,353,433
Subtotals	<u>39,541,672</u>	<u>1,747,490</u>	<u>738,980</u>	<u>40,550,182</u>
Less accumulated depreciation	<u>20,652,941</u>	<u>1,358,045</u>	<u>738,980</u>	<u>21,272,006</u>
Total capital assets, being depreciated, net	<u>18,888,731</u>	<u>389,445</u>	-	<u>19,278,176</u>
Business-type activities capital assets, net	<u>\$ 19,191,481</u>	<u>\$ 389,445</u>	<u>\$ -</u>	19,580,926
Less related long-term debt outstanding, less debt proceeds of \$232,444				<u>1,087,556</u>
Net investment in capital assets				<u>\$ 18,493,370</u>
Depreciation expense was charged to functions of the City as follows:				
Governmental activities				
General government				\$ 25,331
Public safety				136,838
Public works				748,695
Culture and recreation				109,771
Total depreciation expense - governmental activities				<u>\$ 1,020,635</u>
Business-type activities				
Electric utility				\$ 377,493
Electric utility charged to clearing accounts				22,256
Water utility				199,927
Sewer utility				744,843
Salvage and other adjustments				13,526
Total depreciation expense - business-type activities				<u>\$ 1,358,045</u>

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. 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, 2013 are detailed below:

	Advances to Other Funds	Advances from Other Funds
Long-term Cash Advances		
General Fund	\$ 2,616,617	\$ -
Debt Service Fund	254,246	-
Capital Projects Funds		
TIF District No. 5	-	211,637
TIF District No. 6	-	866,324
TIF District No. 7	-	120,123
TIF District No. 8	-	545,702
TIF District No. 10	-	311,312
TIF District No. 11	-	31,528
TIF District No. 12	-	633,106
TIF District No. 13	-	105,541
Enterprise Funds		
Water utility	-	199,510
Sewer utility	153,920	-
Totals	<u>\$ 3,024,783</u>	<u>\$ 3,024,783</u>

Advance from the General Fund

General fund advance debt service requirements are financed from operations of the water utility enterprise fund. General fund advance outstanding on December 31, 2013 totaled \$199,509 and was composed of the following issue:

Water Utility

\$219,972 issued 12/10/12; \$20,499 to \$23,571 due annually through 2022;
interest 2.00%

\$ 199,509

Annual principal and interest maturities of the above outstanding enterprise fund advance of \$199,509 on December 31, 2013 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2014	\$ 20,499	\$ 3,990	\$ 24,489
2015	20,909	3,580	24,489
2016	21,327	3,162	24,489
2017	21,753	2,736	24,489
2018	22,188	2,300	24,488
2019-2022	92,833	4,674	97,507
	<u>\$ 199,509</u>	<u>\$ 20,442</u>	<u>\$ 219,951</u>

CITY OF MEDFORD, WISCONSIN

Notes to Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended December 31, 2013 were as follows:

Transfers from:	Transfers	
	Transfer In	Transfer Out
General Fund	\$ 303,180	\$ 164,204
Special Revenue Funds		
Library	160,204	-
Landfill	20,000	-
Parks	4,000	-
Debt Service Fund	323,355	-
Capital Projects Funds		
TIF District No. 5	-	49,000
TIF District No. 7	-	38,000
TIF District No. 8	102,000	125,898
TIF District No. 10	-	28,325
TIF District No. 11	-	1,482
TIF District No. 13	-	182,650
Enterprise Funds		
Electric utility	-	153,894
Water utility	-	149,286
Recycling	-	20,000
Totals	<u>\$ 912,739</u>	<u>\$ 912,739</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due and (4) reclassifying transactions of the City's tax incremental financing districts based on a compliance audit of the City's districts.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2013:

	Outstanding 1/1/13	Issued	Retired	Outstanding 12/31/13	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 4,150,000	\$ -	\$ 2,405,000	\$ 1,745,000	\$ 115,000
Notes	140,000	2,555,000	140,000	2,555,000	375,000
Subtotal	4,290,000	2,555,000	2,545,000	4,300,000	490,000
Debt discount	(7,643)	-	(7,643)	-	-
Total General Obligation Debt	4,282,357	2,555,000	2,537,357	4,300,000	490,000
Capital leases to component unit					
	2,340,000	1,980,000	2,340,000	1,980,000	200,000
Compensated absences	273,353	53,370	67,541	259,182	-
Governmental activities					
Long-term obligations	<u>\$ 6,895,710</u>	<u>\$ 4,588,370</u>	<u>\$ 4,944,898</u>	<u>\$ 6,539,182</u>	<u>\$ 690,000</u>
Business-type activities:					
General Obligation Debt					
Bonds	\$ 1,710,000	\$ -	\$ 390,000	\$ 1,320,000	\$ 55,000
Debt discount	(2,351)	-	(2,351)	-	-
Compensated absences	180,449	25,662	73,981	132,130	-
Business-type activities					
Long-term obligations	<u>\$ 1,888,098</u>	<u>\$ 25,662</u>	<u>\$ 461,630</u>	<u>\$ 1,452,130</u>	<u>\$ 55,000</u>

Total interest paid during the year on long-term debt totaled \$222,554.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds	
\$1,675,000 issued 3/25/09; \$90,000 to \$140,000 due annually through 2025; interest 2.70% to 4.50%	\$ 1,335,000
\$1,865,000 issued 5/3/11; \$80,000 to \$120,000 due annually through 2031; interest 2.0% to 4.125%	1,730,000
Total Bonds	<u>3,065,000</u>
Notes	
\$2,555,000 issued 10/8/13; \$40,000 to \$385,000 due annually through 2023; interest 0.35% to 2.70%	2,555,000
Total Outstanding General Obligation Debt	<u>\$ 5,620,000</u>

CITY OF MEDFORD, WISCONSIN

Notes to Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$5,620,000 on December 31, 2013 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 490,000	\$ 93,185	\$ 55,000	\$ 45,780	\$ 545,000	\$ 138,965
2015	500,000	89,668	55,000	44,680	555,000	134,348
2016	500,000	84,133	60,000	43,580	560,000	127,713
2017	515,000	77,585	60,000	42,380	575,000	119,965
2018	510,000	69,368	60,000	41,030	570,000	110,398
2019-2023	1,405,000	203,219	335,000	178,080	1,740,000	381,299
2024-2028	380,000	27,320	405,000	110,575	785,000	137,895
2029-2031	-	-	290,000	22,379	290,000	22,379
	<u>\$ 4,300,000</u>	<u>\$ 644,478</u>	<u>\$ 1,320,000</u>	<u>\$ 528,484</u>	<u>\$ 5,620,000</u>	<u>\$ 1,172,962</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, 2013 was \$8,460,184 as follows:

Equalized valuation of the City	\$ 275,348,100
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	13,767,405
Total outstanding general obligation debt applicable to debt limitation	\$ 5,620,000
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>312,779</u>
Net outstanding general obligation debt applicable to debt limitation	<u>5,307,221</u>
Legal Margin for New Debt	<u><u>\$ 8,460,184</u></u>

CITY OF MEDFORD, WISCONSIN

Notes to Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Landfill Postclosure Care Costs and Related Issues

The City is required by state and federal laws and regulations to establish an escrow account to finance postclosure cost. The City is in compliance with these requirements, and, at December 31, 2013 investments of \$42,143 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.

8. Assigned Fund Balance

In the fund financial statements, portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2013, fund balance was assigned as follows:

General Fund

Assigned for:

Land acquisition	\$ 31,459
Office equipment	19,026
Police vehicles	29,023
Dare expenses	425
Fire department - rescue vehicles	16,124
Fire department - vehicles	9,512
Capital construction	155,430
Park development	30,194
GIS	5,942
Accounting software	29,377
Public works equipment	235,637
Website development	1,350
Sand, salt and rental	78,744
Recreation	8,017
Election equipment	16,000
Citywide assessment revaluation	40,000
Council set aside from old library	15,916
Chamber building maintenance	26,834
	<u>\$ 749,010</u>

Construction Capital Projects Fund

Assigned for:

Capital improvements	<u>\$ 296,273</u>
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CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION

1. Retirement Commitments

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

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

	2013	
	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives & Elected Officials	7.0%	7.0%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for City employees covered by the WRS for the year ended December 31, 2013 was \$1,971,965; the employer's total payroll was \$2,058,835. The total required contribution for the year ended December 31, 2013 was \$288,121, which consisted of \$157,041 or 7.96% of covered payroll from the employer, and \$131,080, or 6.65% of covered payroll from employees. Total contributions for the years ended December 31, 2012 and 2011 were \$245,491 and \$235,495, respectively, equal to the required contributions for each year.

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

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

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

CITY OF MEDFORD, WISCONSIN

Notes to Financial Statements

December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

2. Tax Incremental Financing Districts

The City has established eight separate Tax Increment Financing Districts (TIF) capital projects funds created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the TIFs were created, the property tax base within each TIF was "frozen" and increment taxes resulting from increases to the property tax base are used to finance TIF improvements, including principal and interest on long-term debt issued by the City to finance such improvements.

Since creation of the above TIFs, the City has provided various financing sources to each TIF and has also recorded eligible TIF project costs in other funds of the City. Detail of the amounts recoverable by the City as of December 31, 2013 from future excess tax increment revenues follows:

TIF No.	Advances from Other Funds	Advances from Component Unit	Portion of General Obligation Debt	Less: Available Resources	Total
5	\$ 211,637	\$ -	\$ -	\$ (61,063)	\$ 150,574
6	866,324	-	-	(97,534)	768,790
7	120,123	-	-	(100,779)	19,344
8	545,702	-	595,000	(31)	1,140,671
10	311,312	-	80,000	(64,885)	326,427
11	31,528	-	-	-	31,528
12	633,106	1,980,000	-	(508,194)	2,104,912
13	105,541	-	1,745,000	(457,390)	1,393,151
	<u>\$ 2,825,273</u>	<u>\$ 1,980,000</u>	<u>\$ 2,420,000</u>	<u>\$ (1,289,876)</u>	<u>\$ 5,935,397</u>

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

	Creation Year	Termination Year
TIF No. 5	1989	September 19, 2026
TIF No. 6	1996	January 1, 2029
TIF No. 7	1997	January 1, 2030
TIF No. 8	1997	January 1, 2030
TIF No. 10	1999	January 1, 2030
TIF No. 11	1999	January 1, 2022
TIF No. 12	2000	January 1, 2023
TIF No. 13	2005	January 1, 2025

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

3. Joint Ventures

The Medford Rural Fire and Rescue Joint Ownership 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 fire 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 Grover	3%
Town of Hammel	7%
Town of Medford	21%
Town of Molitor	4%
	100%

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 fire 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. Fire 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.

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.

4. Component Unit

This report contains the Community Development Authority (CDA) of the City of Medford, which is included as a component unit. Financial information is presented as a discrete column in the government-wide Statement of Net Position and Statement of Activities.

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

Basis of Accounting/Measurement Focus

The CDA follows the modified accrual basis of accounting and the flow of current financial resources measurement focus.

CITY OF MEDFORD, WISCONSIN

Notes to Financial Statements

December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

Lease Revenue Bonds

The City of Medford has entered into an agreement with the Community Development Authority of the City of Medford (CDA) for certain property and improvements in TIF No. 12. In 2013, the CDA issued lease revenue bonds totaling \$2,200,000. All of the debt proceeds were transferred to TIF No. 12 for the purpose of financing various TIF projects. The City expects that TIF No. 12 revenues will be sufficient to make lease payments to the CDA to be used for lease revenue bond repayments. The City has recorded the above capital lease with a long-term advance from the City. The City has no other significant leases or lessee or lessor.

The CDA is leasing improvements to the City. The lease payments are in the same amount as the CDA's debt payments on the lease revenue bonds. Upon final payment of the bonds, title to the leased property will transfer to the City.

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/13
Lease Revenue Bonds	10/10/2013	12/1/2023	0.50%-3.30%	\$ 2,200,000	\$ 2,200,000
Less: Bond reserve held by the Community Development Authority					(220,000)
Capital lease receivable from the City of Medford, Wisconsin					<u>\$ 1,980,000</u>

Debt service requirements to maturity are as follows:

Year Ended December 31	Community Development Authority		
	Principal	Interest	Total
2014	\$ 200,000	\$ 49,160	\$ 249,160
2015	205,000	42,060	247,060
2016	210,000	40,625	250,625
2017	215,000	38,525	253,525
2018	220,000	35,730	255,730
2019-2023	1,150,000	102,350	1,252,350
	<u>\$ 2,200,000</u>	<u>\$ 308,450</u>	<u>\$ 2,508,450</u>

5. 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; workers compensation and health care of its employees. The City purchases commercial insurance to provide coverage for losses from most of these risks. There were not significant reductions in coverage compared to the prior year. Settled claims have not exceeded the commercial coverage in any of the past three years.

6. Contingencies

a. 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. 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.

b. 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 and legal counsel 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.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

7. 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 2013 and 2014 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2013 budget was 0.52%. The actual limit for the City for the 2014 budget was 0.43%. 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.

8. Presentation of Sales Taxes

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.

SUPPLEMENTARY INFORMATION

CITY OF MEDFORD, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

	Special Revenue Funds							
	Room Tax	Landfill	Library	CDBG	Parks	Medford Fire and Rescue	Police Department	Fire Department Membership Fund
ASSETS								
Cash and investments	\$ 14,395	\$ 132,601	\$ 94,821	\$ 36,411	\$ 7,124	\$ 211,259	\$ 30,623	\$ 52,474
Receivables								
Taxes	-	-	-	-	-	-	-	-
Accounts	23,107	-	-	-	-	11,146	2,595	-
Loans	-	-	-	442,937	-	-	-	-
Interest	-	20	-	-	-	60	-	-
Inventories and prepaid items	-	-	-	-	2,883	-	-	-
Restricted cash and investments	-	42,143	-	-	-	-	-	-
TOTAL ASSETS	\$ 37,502	\$ 174,764	\$ 94,821	\$ 479,348	\$ 10,007	\$ 222,465	\$ 33,218	\$ 52,474
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts payable	\$ -	\$ 33	\$ 20,019	\$ -	\$ -	\$ 8,989	\$ -	\$ 200
Accrued and other current liabilities	-	21	4,188	-	-	8,890	-	-
Unearned revenues	-	-	-	-	-	5,646	-	-
Advances								
Other funds	-	-	-	-	-	-	-	-
Total Liabilities	-	54	24,207	-	-	23,525	-	200
Deferred Inflows of Resources								
Taxes	-	-	-	-	-	-	-	-
Loans	-	-	-	442,937	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	442,937	-	-	-	-
Fund Balances (Deficits)								
Nonspendable								
Inventories and prepaid items	-	-	-	-	2,883	-	-	-
Restricted for:								
Landfill	-	42,143	-	-	-	-	-	-
Medford Fire and Rescue	-	-	-	-	-	198,940	33,218	52,274
Community development	-	-	-	36,411	-	-	-	-
TID project plan	-	-	-	-	-	-	-	-
Committed for:								
Tourism	37,502	-	-	-	-	-	-	-
Landfill	-	132,567	-	-	-	-	-	-
Library	-	-	70,614	-	-	-	-	-
Parks	-	-	-	-	7,124	-	-	-
Unassigned								
Capital projects funds	-	-	-	-	-	-	-	-
Total Fund Balances (Deficits)	37,502	174,710	70,614	36,411	10,007	198,940	33,218	52,274
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 37,502	\$ 174,764	\$ 94,821	\$ 479,348	\$ 10,007	\$ 222,465	\$ 33,218	\$ 52,474

(Continued)

CITY OF MEDFORD, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

	Capital Projects							Total Nonmajor Governmental Funds
	TIF District No. 5	TIF District No. 6	TIF District No. 7	TIF District No. 8	TIF District No. 10	TIF District No. 11	TIF District No. 13	
ASSETS								
Cash and investments	\$ 61,063	\$ 97,534	\$ 100,779	\$ 31	\$ 64,885	\$ -	\$ 457,448	\$ 1,361,448
Receivables								
Taxes	59,999	51,877	40,646	29,505	54,852	28,475	302,461	567,815
Accounts	-	-	-	-	-	-	-	36,848
Loans	-	-	-	-	-	-	-	442,937
Interest	-	-	-	-	-	-	-	80
Inventories and prepaid items	-	-	-	-	-	-	-	2,883
Restricted cash and investments	-	-	-	-	-	-	-	42,143
TOTAL ASSETS	\$ 121,062	\$ 149,411	\$ 141,425	\$ 29,536	\$ 119,737	\$ 28,475	\$ 759,909	\$ 2,454,154
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41	\$ 29,282
Accrued and other current liabilities	-	-	-	-	-	-	17	13,116
Unearned revenues	-	-	-	-	-	-	-	5,646
Advances								
Other funds	211,637	866,324	120,123	545,702	311,312	31,528	105,541	2,192,167
Total Liabilities	211,637	866,324	120,123	545,702	311,312	31,528	105,599	2,240,211
Deferred Inflows of Resources								
Taxes	59,999	51,877	40,646	29,505	54,852	28,475	302,461	567,815
Loans	-	-	-	-	-	-	-	442,937
Total Deferred Inflows of Resources	59,999	51,877	40,646	29,505	54,852	28,475	302,461	1,010,752
Fund Balances (Deficits)								
Nonspendable								
Inventories and prepaid items	-	-	-	-	-	-	-	2,883
Restricted for:								
Landfill	-	-	-	-	-	-	-	42,143
Medford Fire and Rescue	-	-	-	-	-	-	-	284,432
Community development	-	-	-	-	-	-	-	36,411
TID project plan	-	-	-	-	-	-	351,849	351,849
Committed for:								
Tourism	-	-	-	-	-	-	-	37,502
Landfill	-	-	-	-	-	-	-	132,567
Library	-	-	-	-	-	-	-	70,614
Parks	-	-	-	-	-	-	-	7,124
Unassigned								
Capital projects funds	(150,574)	(768,790)	(19,344)	(545,671)	(246,427)	(31,528)	-	(1,762,334)
Total Fund Balances (Deficits)	(150,574)	(768,790)	(19,344)	(545,671)	(246,427)	(31,528)	351,849	(796,809)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 121,062	\$ 149,411	\$ 141,425	\$ 29,536	\$ 119,737	\$ 28,475	\$ 759,909	\$ 2,454,154

CITY OF MEDFORD, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	Special Revenue Funds							
	Room Tax	Landfill	Library	CDBG	Parks	Medford Fire and Rescue	Police Department	Fire Department Membership Fund
Revenues								
Taxes	\$ 43,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	164,518	-	-	-	-	-
Public charges for services	-	-	6,808	-	-	37,326	13,619	-
Intergovernmental charges for services	-	-	6,593	-	-	140,283	-	3,185
Miscellaneous	-	701	14,654	50,830	-	4,618	5,052	25,369
Total Revenues	43,700	701	192,573	50,830	-	182,227	18,671	28,554
Expenditures								
Current								
Public safety	-	-	-	-	-	155,648	15,521	26,462
Public works	-	10,078	-	-	-	-	-	-
Culture and recreation	-	-	356,060	-	4,000	-	-	-
Conservation and development	61,360	-	-	28,481	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	558,333	-	-
Total Expenditures	61,360	10,078	356,060	28,481	4,000	713,981	15,521	26,462
Excess of Revenues Over (Under)								
Expenditures	(17,660)	(9,377)	(163,487)	22,349	(4,000)	(531,754)	3,150	2,092
Other Financing Sources (Uses)								
Long-term debt issued	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	4,200	-	-
Transfers in	-	20,000	160,204	-	4,000	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	20,000	160,204	-	4,000	4,200	-	-
Net Change in Fund Balances	(17,660)	10,623	(3,283)	22,349	-	(527,554)	3,150	2,092
Fund Balances (Deficits) - January 1	55,162	164,087	73,897	14,062	10,007	726,494	30,068	50,182
Fund Balances (Deficits) - December 31	\$ 37,502	\$ 174,710	\$ 70,614	\$ 36,411	\$ 10,007	\$ 198,940	\$ 33,218	\$ 52,274

(Continued)

CITY OF MEDFORD, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	Capital Projects							Total Nonmajor Governmental Funds
	TIF District No. 5	TIF District No. 6	TIF District No. 7	TIF District No. 8	TIF District No. 10	TIF District No. 11	TIF District No. 13	
Revenues								
Taxes	\$ 51,648	\$ 51,966	\$ 40,629	\$ 28,529	\$ 55,062	\$ 28,611	\$ 294,263	\$ 594,408
Intergovernmental	3,141	430	195	420	1,173	3,149	3,684	176,710
Public charges for services	-	-	-	-	-	-	-	57,753
Intergovernmental charges for services	-	-	-	-	-	-	-	150,061
Miscellaneous	-	-	-	-	-	-	-	101,224
Total Revenues	54,789	52,396	40,824	28,949	56,235	31,760	297,947	1,080,156
Expenditures								
Current								
Public safety	-	-	-	-	-	-	-	197,631
Public works	-	-	-	-	-	-	-	10,078
Culture and recreation	-	-	-	-	-	-	-	360,060
Conservation and development	1,127	1,128	1,127	1,129	978	2,627	1,906	99,863
Debt service								
Principal	-	-	-	585,000	75,000	18,380	-	678,380
Interest and fiscal charges	6,349	26,142	3,604	18,572	11,051	-	3,166	68,884
Capital outlay								
Capital outlay	-	-	13,850	-	150	188,942	403,180	1,164,455
Total Expenditures	7,476	27,270	18,581	604,701	87,179	209,949	408,252	2,579,351
Excess of Revenues Over (Under)								
Expenditures	47,313	25,126	22,243	(575,752)	(30,944)	(178,189)	(110,305)	(1,499,195)
Other Financing Sources (Uses)								
Long-term debt issued	-	-	-	595,000	80,000	-	-	675,000
Sale of capital assets	-	-	-	-	-	-	-	4,200
Transfers in	-	-	-	102,000	-	-	-	286,204
Transfers out	(49,000)	-	(38,000)	(125,898)	(28,325)	(1,482)	(182,650)	(425,355)
Total Other Financing Sources (Uses)	(49,000)	-	(38,000)	571,102	51,675	(1,482)	(182,650)	540,049
Net Change in Fund Balances	(1,687)	25,126	(15,757)	(4,650)	20,731	(179,671)	(292,955)	(959,146)
Fund Balances (Deficits) - January 1	(148,887)	(793,916)	(3,587)	(541,021)	(267,158)	148,143	644,804	162,337
Fund Balances (Deficits) - December 31	\$ (150,574)	\$ (768,790)	\$ (19,344)	\$ (545,671)	\$ (246,427)	\$ (31,528)	\$ 351,849	\$ (796,809)

**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, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Medford's basic financial statements, and have issued our report thereon dated April 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Medford, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Medford, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Medford, Wisconsin'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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2013-001 and 2013-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Medford, Wisconsin's financial statements are free of 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 of Medford, Wisconsin's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Medford, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Medford, Wisconsin'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 of Medford, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
April 14, 2014

CITY OF MEDFORD, WISCONSIN
 Schedule of Findings and Responses
 For the Year Ended December 31, 2013

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
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2013-001 Preparation of Annual Financial Report

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 formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.

Criteria: The preparation and review of the annual financial 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.

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.

Management Response: Management believes that the cost of employing staff with the necessary expertise outweighs the benefits to be received. Management will continue to review the financial statements prior to issuance.

CITY OF MEDFORD, WISCONSIN
 Schedule of Findings and Responses (Continued)
 For the Year Ended December 31, 2013

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2013-002	Adjustments to the City's Financial Records
Condition:	As part of our 2013 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, 2013.