

CITY OF MEDFORD, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2014

CITY OF MEDFORD, WISCONSIN

December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the City Council
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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2015, 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 22, 2015

BASIC FINANCIAL STATEMENTS

CITY OF MEDFORD, WISCONSIN
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-type Activities	Total	Community Development Authority
ASSETS				
Cash and investments	\$ 6,481,171	\$ 5,624,268	\$ 12,105,439	\$ -
Receivables				
Taxes	5,948,788	-	5,948,788	-
Accounts	39,832	1,480,797	1,520,629	-
Special assessments	632,450	-	632,450	-
Delinquent specials held by County	3,066	-	3,066	-
Loans	449,557	-	449,557	-
Interest	951	5,327	6,278	-
Internal balances	51,363	(51,363)	-	-
Inventories and prepaid items	22,105	352,556	374,661	-
Restricted cash and investments	5,813	1,883,817	1,889,630	220,002
Capital lease receivable from primary government	-	-	-	1,780,000
Capital assets, nondepreciable				
Land	984,715	102,206	1,086,921	-
Construction in progress	50,640	653,374	704,014	-
Non-utility property	-	58,396	58,396	-
Capital assets, depreciable				
Buildings and improvements	5,129,064	10,399,953	15,529,017	-
Machinery and equipment	4,244,242	8,392,023	12,636,265	-
Infrastructure	26,226,911	23,005,310	49,232,221	-
Less: Accumulated depreciation	(14,778,039)	(22,184,321)	(36,962,360)	-
TOTAL ASSETS	35,492,629	29,722,343	65,214,972	2,000,002
LIABILITIES				
Accounts payable	533,812	844,915	1,378,727	-
Accrued payroll liabilities	30,581	9,099	39,680	-
Deposits	24,080	63,336	87,416	-
Accrued interest payable	21,024	11,243	32,267	-
Other accrued liabilities	-	35,357	35,357	-
Due to other governments	4,078,490	-	4,078,490	-
Public benefits	-	112,076	112,076	-
Unearned revenues	6,716	54,088	60,804	-
Long-term obligations				
Due within one year	705,000	55,000	760,000	205,000
Due in more than one year	5,137,594	1,304,115	6,441,709	1,795,000
TOTAL LIABILITIES	10,537,297	2,489,229	13,026,526	2,000,000
DEFERRED INFLOWS OF RESOURCES				
Property taxes	2,938,661	-	2,938,661	-
NET POSITION				
Net investment in capital assets	16,267,533	19,395,433	35,662,966	-
Restricted for				
Debt service	352,747	233,492	586,239	2
Equipment replacement	-	1,650,325	1,650,325	-
Landfill	5,813	-	5,813	-
Gas tax replacement	8,289	-	8,289	-
Medford fire and rescue	322,577	-	322,577	-
Community development	31,692	-	31,692	-
TID project plan	471,741	-	471,741	-
Unrestricted	4,556,279	5,953,864	10,510,143	-
TOTAL NET POSITION	\$ 22,016,671	\$ 27,233,114	\$ 49,249,785	\$ 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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 666,909	\$ 151,578	\$ -	\$ -
Public safety	1,266,789	185,389	55,230	-
Public works	1,895,500	20,895	415,741	77,419
Culture and recreation	771,070	54,105	199,545	-
Health and human services	8,981	-	-	-
Conservation and development	202	-	-	-
Interest on debt	220,023	-	-	-
Total Governmental Activities	4,829,474	411,967	670,516	77,419
Business-type Activities				
Electric utility	9,513,702	9,678,812	-	269
Water utility	634,782	997,237	-	-
Sewer utility	1,471,843	1,202,381	-	-
Recycling utility	292,317	353,901	25,898	-
Total Business-type Activities	11,912,644	12,232,331	25,898	269
Total Primary Government	\$ 16,742,118	\$ 12,644,298	\$ 696,414	\$ 77,688
Component Unit				
Community development authority	\$ 47,974	\$ -	\$ 47,974	\$ -

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

Gain on sale of asset

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	

\$ (515,331)	\$ -	\$ (515,331)	\$ -
(1,026,170)	-	(1,026,170)	-
(1,381,445)	-	(1,381,445)	-
(517,420)	-	(517,420)	-
(8,981)	-	(8,981)	-
(202)	-	(202)	-
(220,023)	-	(220,023)	-
<u>(3,669,572)</u>	<u>-</u>	<u>(3,669,572)</u>	<u>-</u>

-	165,379	165,379	-
-	362,455	362,455	-
-	(269,462)	(269,462)	-
-	87,482	87,482	-
<u>-</u>	<u>345,854</u>	<u>345,854</u>	<u>-</u>
<u>(3,669,572)</u>	<u>345,854</u>	<u>(3,323,718)</u>	<u>-</u>

-	-	-	-
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673,002	-	673,002	-
262,644	-	262,644	-
1,136,363	-	1,136,363	-
861,557	-	861,557	-
1,192,621	-	1,192,621	-
134,617	37,921	172,538	-
65,638	-	65,638	-
-	33,623	33,623	-
(549,663)	549,663	-	-
<u>3,776,779</u>	<u>621,207</u>	<u>4,397,986</u>	<u>-</u>

107,207	967,061	1,074,268	-
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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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<u>\$ 22,016,671</u>	<u>\$ 27,233,114</u>	<u>\$ 49,249,785</u>	<u>\$ 2</u>
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CITY OF MEDFORD, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2014

	General	Debt Service	Construction
ASSETS			
Cash and investments	\$ 3,909,792	\$ 352,747	\$ 293,328
Receivables			
Taxes	3,693,215	296,848	691,452
Accounts	3,563	-	-
Special assessments	632,450	-	-
Delinquent specials held by County	3,066	-	-
Loans	-	-	-
Interest	863	-	-
Due from other funds	49,104	-	-
Inventories and prepaid items	21,712	-	-
Restricted cash and investments	-	-	-
Advances to other funds	2,669,189	254,246	-
TOTAL ASSETS	\$ 10,982,954	\$ 903,841	\$ 984,780
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 93,873	\$ -	\$ 12,975
Accrued payroll liabilities	19,343	-	-
Deposits	-	-	10,000
Due to other governments	4,078,490	-	-
Due to other funds	-	-	-
Advance from other funds	-	-	-
Unearned revenues	702	-	-
Total Liabilities	4,192,408	-	22,975
Deferred Inflows of Resources			
Taxes	684,483	296,848	691,452
Special assessments	507,400	-	-
Loans	-	-	-
Total Deferred Inflows of Resources	1,191,883	296,848	691,452
Fund Balances (Deficits)			
Nonspendable:			
Inventory and prepaid items	21,712	-	-
Delinquent items held by County	3,066	-	-
Utility special assessments	46,897	-	-
Advances to other funds	2,669,189	254,246	-
Restricted for:			
Retirement of long-term debt	-	352,747	-
Landfill	-	-	-
Gas tax replacement	8,289	-	-
Medford fire and rescue	-	-	-
Community development	-	-	-
TID project plan	-	-	-
Committed for:			
Tourism	-	-	-
Landfill	-	-	-
Library	-	-	-
Parks	-	-	-
Assigned	776,609	-	270,353
Unassigned			
General fund	2,072,901	-	-
Capital projects funds	-	-	-
Total Fund Balances (Deficits)	5,598,663	606,993	270,353
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,982,954	\$ 903,841	\$ 984,780

(Continued)

TIF District No. 12	Other Governmental Funds	Total Governmental Funds
\$ 399,975	\$ 1,525,329	\$ 6,481,171
728,059	539,214	5,948,788
-	36,269	39,832
-	-	632,450
-	-	3,066
-	449,557	449,557
-	88	951
-	-	49,104
-	393	22,105
-	5,813	5,813
-	-	2,923,435
<u>\$ 1,128,034</u>	<u>\$ 2,556,663</u>	<u>\$ 16,556,272</u>

\$ 393,402	\$ 33,562	\$ 533,812
10	11,228	30,581
14,080	-	24,080
-	-	4,078,490
-	49,104	49,104
633,106	2,238,966	2,872,072
-	6,014	6,716
<u>1,040,598</u>	<u>2,338,874</u>	<u>7,594,855</u>

728,059	539,214	2,940,056
-	-	507,400
-	449,557	449,557
<u>728,059</u>	<u>988,771</u>	<u>3,897,013</u>

-	393	22,105
-	-	3,066
-	-	46,897
-	-	2,923,435
-	-	352,747
-	5,813	5,813
-	-	8,289
-	322,577	322,577
-	31,692	31,692
-	471,741	471,741
-	49,642	49,642
-	175,591	175,591
-	103,348	103,348
-	9,616	9,616
-	-	1,046,962
-	-	2,072,901
<u>(640,623)</u>	<u>(1,941,395)</u>	<u>(2,582,018)</u>
<u>(640,623)</u>	<u>(770,982)</u>	<u>5,064,404</u>

<u>\$ 1,128,034</u>	<u>\$ 2,556,663</u>	<u>\$ 16,556,272</u>
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CITY OF MEDFORD, WISCONSIN
Balance Sheet (Continued)
Governmental Funds
December 31, 2014

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page \$ 5,064,404

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 21,857,533

Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.

Special assessments	508,795
Loans receivable	449,557

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	\$ (3,810,000)	
Capital lease to component unit	(1,780,000)	
Compensated absences	(252,594)	
Accrued interest on long-term obligations	(21,024)	(5,863,618)

Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 3) \$ 22,016,671

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, 2014

	General	Debt Service	Construction
Revenues			
Taxes	\$ 814,972	\$ 262,644	\$ 673,002
Special assessments	175,683	-	-
Intergovernmental	1,594,415	-	-
Licenses and permits	53,327	-	-
Fines and forfeits	18,265	-	-
Public charges for services	54,359	-	-
Intergovernmental charges for services	86,438	-	-
Miscellaneous	134,812	-	49,000
Total Revenues	<u>2,932,271</u>	<u>262,644</u>	<u>722,002</u>
Expenditures			
Current			
General government	627,002	-	-
Public safety	966,809	-	-
Public works	881,772	-	500,519
Culture and recreation	220,309	-	-
Health and human services	8,981	-	-
Conservation and development	37,347	-	-
Debt service			
Principal	-	490,000	-
Interest and fiscal charges	-	94,235	-
Capital outlay	123,281	-	206,384
Total Expenditures	<u>2,865,501</u>	<u>584,235</u>	<u>706,903</u>
Excess of Revenues Over (Under) Expenditures	<u>66,770</u>	<u>(321,591)</u>	<u>15,099</u>
Other Financing Sources (Uses)			
Sale of capital assets	71	-	-
Transfers in	311,692	361,559	-
Transfers out	(164,204)	-	(41,019)
Total Other Financing Sources (Uses)	<u>147,559</u>	<u>361,559</u>	<u>(41,019)</u>
Net Change in Fund Balances	214,329	39,968	(25,920)
Fund Balances (Deficits) - January 1	<u>5,384,334</u>	<u>567,025</u>	<u>296,273</u>
Fund Balances (Deficits) - December 31	<u>\$ 5,598,663</u>	<u>\$ 606,993</u>	<u>\$ 270,353</u>

(Continued)

TIF District No. 12	Other Governmental Funds	Total Governmental Funds
\$ 565,124	\$ 614,384	\$ 2,930,126
-	-	175,683
34,118	193,830	1,822,363
-	-	53,327
-	-	18,265
-	42,006	96,365
-	149,246	235,684
-	122,861	306,673
<u>599,242</u>	<u>1,122,327</u>	<u>5,638,486</u>
-	-	627,002
-	168,424	1,135,233
-	12,680	1,394,971
-	348,119	568,428
-	-	8,981
9,863	122,729	169,939
200,000	-	690,000
68,153	59,439	221,827
836,937	247,773	1,414,375
<u>1,114,953</u>	<u>959,164</u>	<u>6,230,756</u>
<u>(515,711)</u>	<u>163,163</u>	<u>(592,270)</u>
-	-	71
-	301,204	974,455
-	(438,540)	(643,763)
-	(137,336)	330,763
<u>(515,711)</u>	<u>25,827</u>	<u>(261,507)</u>
<u>(124,912)</u>	<u>(796,809)</u>	<u>5,325,911</u>
<u>\$ (640,623)</u>	<u>\$ (770,982)</u>	<u>\$ 5,064,404</u>

CITY OF MEDFORD, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2014

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (261,507)

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	\$ 865,656	
Depreciation expense reported in the statement of activities	<u>(1,104,753)</u>	
Amount by which capital outlays are less than depreciation in current period		(239,097)

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		(4,682)
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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:

6,588

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.

(91,333)

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	490,000	
Capital leases to component unit	<u>200,000</u>	690,000

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.

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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	\$ 67,500	
Repayments received	<u>(60,880)</u>	6,620

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 4 - 5)

\$ 107,207

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, 2014

	Budgeted Amounts	Actual Amounts	Variance
	Original and Final		Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 803,139	\$ 814,972	\$ 11,833
Special assessments	166,611	175,683	9,072
Intergovernmental	1,607,488	1,594,415	(13,073)
Licenses and permits	46,338	53,327	6,989
Fines and forfeits	26,909	18,265	(8,644)
Public charges for services	37,000	54,359	17,359
Intergovernmental charges for services	85,924	86,438	514
Miscellaneous	118,950	134,812	15,862
Total Revenues	2,892,359	2,932,271	39,912
Expenditures			
Current			
General government	797,466	627,002	170,464
Public safety	952,715	966,809	(14,094)
Public works	916,253	881,772	34,481
Culture and recreation	316,139	220,309	95,830
Health and human services	8,981	8,981	-
Conservation and development	45,114	37,347	7,767
Capital outlay	149,000	123,281	25,719
Total Expenditures	3,185,668	2,865,501	320,167
Excess of Revenues Over (Under) Expenditures	(293,309)	66,770	360,079
Other Financing Sources (Uses)			
Long-term debt issued	40,000	-	(40,000)
Sale of capital assets	-	71	71
Transfers in	248,000	311,692	63,692
Transfers out	(164,204)	(164,204)	-
Total Other Financing Sources (Uses)	123,796	147,559	23,763
Net Change in Fund Balance	(169,513)	214,329	383,842
Fund Balance - January 1	5,384,334	5,384,334	-
Fund Balance - December 31	\$ 5,214,821	\$ 5,598,663	\$ 383,842

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, 2014

	Major Funds			Nonmajor Fund	Total
	Electric Utility	Water Utility	Sewer Utility	Recycling - Solid Waste	
ASSETS					
Current assets					
Cash and investments	\$ 3,587,636	\$ 766,557	\$ 873,990	\$ 396,085	\$ 5,624,268
Receivables					
Accounts	1,159,331	128,529	128,547	64,390	1,480,797
Interest	3,823	139	1,365	-	5,327
Inventories	285,138	55,653	-	-	340,791
Prepaid items	11,765	-	-	-	11,765
Restricted cash and investments	-	323,457	1,560,360	-	1,883,817
Advance to other funds	-	-	127,648	-	127,648
Total Current Assets	5,047,693	1,274,335	2,691,910	460,475	9,474,413
Capital Assets					
Land	68,066	24,968	9,172	-	102,206
Construction in progress	-	78,429	574,945	-	653,374
Non-utility property	34,396	24,000	-	-	58,396
Buildings and improvements	264,742	320,883	9,814,328	-	10,399,953
Machinery and equipment	3,780,927	713,580	3,867,516	30,000	8,392,023
Infrastructure	7,965,502	8,614,884	6,424,924	-	23,005,310
Less: Accumulated depreciation	(5,796,162)	(1,590,736)	(14,797,423)	-	(22,184,321)
Total Capital Assets, Net of Accumulated Depreciation	6,317,471	8,186,008	5,893,462	30,000	20,426,941
TOTAL ASSETS	11,365,164	9,460,343	8,585,372	490,475	29,901,354
LIABILITIES					
Current Liabilities					
Accounts payable	773,798	24,230	26,979	19,908	844,915
Accrued payroll liabilities	4,706	1,468	2,918	7	9,099
Deposits	62,836	500	-	-	63,336
Accrued interest payable	73	11,170	-	-	11,243
Other accrued liabilities	34,146	-	-	1,211	35,357
Public benefits	112,076	-	-	-	112,076
Unearned revenues	2,551	-	-	-	2,551
Current portion of long-term debt	-	55,000	-	-	55,000
Total Current Liabilities	990,186	92,368	29,897	21,126	1,133,577
Noncurrent Liabilities					
General obligation debt	-	1,210,000	-	-	1,210,000
Compensated absences	34,774	24,992	34,349	-	94,115
Advance from other funds	-	179,011	-	-	179,011
Customer advances for construction	51,537	-	-	-	51,537
Total Noncurrent Liabilities	86,311	1,414,003	34,349	-	1,534,663
TOTAL LIABILITIES	1,076,497	1,506,371	64,246	21,126	2,668,240
NET POSITION					
Net investment in capital assets	6,317,471	7,154,500	5,893,462	30,000	19,395,433
Restricted for					
Debt service	-	233,492	-	-	233,492
Equipment replacement	-	89,965	1,560,360	-	1,650,325
Unrestricted	3,971,196	476,015	1,067,304	439,349	5,953,864
TOTAL NET POSITION	\$ 10,288,667	\$ 7,953,972	\$ 8,521,126	\$ 469,349	\$ 27,233,114

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, 2014

	Major Funds			Nonmajor Fund	Total
	Electric Utility	Water Utility	Sewer Utility	Recycling - Solid Waste	
Operating Revenues					
Charges for services	\$ 9,660,514	\$ 978,242	\$ 1,151,446	\$ 344,696	\$ 12,134,898
Other	18,298	18,314	50,935	9,205	96,752
Total Operating Revenues	9,678,812	996,556	1,202,381	353,901	12,231,650
Operating Expenses					
General and administrative	386,248	183,671	234,285	292,317	1,096,521
Operation	8,538,292	66,796	379,954	-	8,985,042
Maintenance	186,329	137,938	103,695	-	427,962
Depreciation	395,961	196,882	753,909	-	1,346,752
Total Operating Expenses	9,506,830	585,287	1,471,843	292,317	11,856,277
Operating Income (Loss)	171,982	411,269	(269,462)	61,584	375,373
Nonoperating Revenues (Expenses)					
Interest income	19,403	1,486	17,032	-	37,921
Gain on sale of capital assets	-	-	33,623	-	33,623
Merchandising and jobbing (net)	(6,872)	681	-	-	(6,191)
Interest expense	-	(49,495)	-	-	(49,495)
Intergovernmental	-	-	-	25,898	25,898
Total Nonoperating Revenues (Expenses)	12,531	(47,328)	50,655	25,898	41,756
Income (Loss) Before Contributions and Transfers	184,513	363,941	(218,807)	87,482	417,129
Capital contributions	269	-	-	-	269
Capital contributions - City	-	324,781	555,574	-	880,355
Transfers out	(158,244)	(153,448)	-	(19,000)	(330,692)
Change in Net Position	26,538	535,274	336,767	68,482	967,061
Net Position - January 1	10,262,129	7,418,698	8,184,359	400,867	26,266,053
Net Position - December 31	\$ 10,288,667	\$ 7,953,972	\$ 8,521,126	\$ 469,349	\$ 27,233,114

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

CITY OF MEDFORD, WISCONSIN

Statement of Cash Flows

Proprietary Funds

December 31, 2014

	Major Funds			Nonmajor Fund	Total
	Electric Utility	Water Utility	Sewer Utility	Recycling - Solid Waste	
Cash Flows from Operating Activities					
Cash received from user charges	\$ 9,439,072	\$ 677,490	\$ 1,181,314	\$ 334,954	\$ 11,632,830
Cash payments to suppliers	(9,035,979)	(201,421)	(601,000)	(291,382)	(10,129,782)
Cash payments to employees	(254,540)	(167,235)	(226,129)	(1,903)	(649,807)
Public fire protection charge from City	-	279,700	-	-	279,700
Net Cash Provided by Operating Activities	148,553	588,534	354,185	41,669	1,132,941
Cash Flows from Noncapital Financing Activities					
Merchandising/jobbing (net)	(6,872)	681	-	-	(6,191)
Miscellaneous	-	-	-	25,898	25,898
Advances from (to) other funds	-	(20,499)	26,272	-	5,773
Transfer to other funds	(158,244)	(153,448)	-	(19,000)	(330,692)
Net Cash Provided (Used) by Noncapital Financing Activities	(165,116)	(173,266)	26,272	6,898	(305,212)
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(878,580)	(113,671)	(343,782)	(30,000)	(1,366,033)
Net salvage and cost of removal	13,499	-	6,623	-	20,122
Capital contributions received	269	-	-	-	269
Principal payments on long-term debt	-	(55,000)	-	-	(55,000)
Interest payments on long-term debt	-	(49,770)	-	-	(49,770)
Net Cash Used by Capital and Related Financing Activities	(864,812)	(218,441)	(337,159)	(30,000)	(1,450,412)
Cash Flows from Investing Activities					
Interest income received	18,517	1,485	17,148	-	37,150
Change in Cash and Cash Equivalents	(862,858)	198,312	60,446	18,567	(585,533)
Cash and Cash Equivalents - Beginning of Year	4,450,494	891,702	2,373,904	377,518	8,093,618
Cash and Cash Equivalents - End of Year	\$ 3,587,636	\$ 1,090,014	\$ 2,434,350	\$ 396,085	\$ 7,508,085
Reconciliation to Statement of Net Position					
Cash and investments	\$ 3,587,636	\$ 766,557	\$ 873,990	\$ 396,085	\$ 5,624,268
Restricted cash and investments	-	323,457	1,560,360	-	1,883,817
Total Cash and Cash Equivalents	\$ 3,587,636	\$ 1,090,014	\$ 2,434,350	\$ 396,085	\$ 7,508,085
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 171,982	\$ 411,269	\$ (269,462)	\$ 61,584	\$ 375,373
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	395,961	196,882	753,909	-	1,346,752
Depreciation charged other accounts	67,122	9,543	(9,543)	-	67,122
Changes in assets and liabilities					
Accounts receivable	(243,145)	(39,366)	(21,067)	(18,947)	(322,525)
Inventories and prepaid items	(86,639)	19,696	9,240	-	(57,703)
Accounts payable	(128,459)	7,763	(107,593)	(2,150)	(230,439)
Payroll liabilities	(6,089)	(2,066)	(3,117)	2	(11,270)
Other liabilities	2,812	-	-	1,180	3,992
Compensated absences	(24,646)	(15,187)	1,818	-	(38,015)
Public benefits	(346)	-	-	-	(346)
Net Cash Provided by Operating Activities	\$ 148,553	\$ 588,534	\$ 354,185	\$ 41,669	\$ 1,132,941
Noncash Investing, Capital and Financing Activities					
Capital assets contributed by City	\$ -	\$ 324,781	\$ 555,574	\$ -	\$ 880,355

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

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

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, 2014

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, 2014

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, 2014

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. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements. 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, 2014

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, 2014

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

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, 2014

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, 2014.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2014:

Funds	Deficit Fund Equity
Capital Projects Funds	
TIF District No. 5	\$ 144,570
TIF District No. 6	742,563
TIF District No. 7	261,868
TIF District No. 8	532,320
TIF District No. 10	248,116
TIF District No. 11	11,958
TIF District No. 12	640,623

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

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

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 \$14,215,071 on December 31, 2014 as summarized below:

Petty cash funds	\$ 1,130
Deposits with financial institutions	12,973,941
Investments	
U.S. Treasury Bonds	20,000
Negotiable certificates of deposit	1,000,000
Goldman Sach Treasury Instruments Portfolio	220,000
	\$ 14,215,071

Reconciliation to the basic financial statements:

Statement of Net Position	
Cash and investments	\$ 12,105,439
Restricted cash and investments	
Primary government	1,889,630
Component unit	220,002
	\$ 14,215,071

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, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2014, \$5,286,857 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. \$3,612,938 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name, \$1,469,351 was collateralized with securities held by a third party trustee, and \$204,568 was uncollateralized.

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
Goldman Sach Treasury Instruments Portfolio - Negotiable certificates of deposit	\$ 220,000	\$ -	\$ -	\$ -	\$ 220,000
U.S. Treasury bonds	1,000,000	-	-	-	1,000,000
	20,000	20,000	-	-	-
Totals	\$ 1,240,000	\$ 20,000	\$ -	\$ -	\$ 1,220,000

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
Goldman Sach Treasury Instruments Portfolio - Negotiable certificates of deposit	\$ 220,000	\$ 220,000	\$ -	\$ -	\$ -
U.S. Treasury bonds	1,000,000	755,000	245,000	-	-
	20,000	-	-	-	20,000
Totals	\$ 1,240,000	\$ 975,000	\$ 245,000	\$ -	\$ 20,000

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Restricted Assets

Restricted assets on December 31, 2014 totaled \$2,109,632 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Governmental Activities		
Landfill Special Revenue Fund		
Closure	\$ 5,813	Escrow account to finance landfill post-closure cost.
Business-type Activities		
Sewer Utility		
Equipment replacement fund	1,560,360	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	89,965	To be used for the replacement of certain equipment of the water utility.
Debt proceeds	233,492	Remaining debt proceeds used to finance future capital improvements.
Total Business-type Activities	<u>1,883,817</u>	
Total Primary Government	<u>1,889,630</u>	
Component Unit		
Community Development Authority	<u>220,002</u>	To be used as a bond reserve account
Total	<u>\$ 2,109,632</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, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2014 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	50,640	494,043	50,640
Subtotals	<u>1,478,758</u>	<u>50,640</u>	<u>494,043</u>	<u>1,035,355</u>
Capital assets, being depreciated:				
Buildings and improvements	4,334,189	794,875	-	5,129,064
Machinery and equipment	4,176,447	178,044	110,249	4,244,242
Infrastructure	25,890,771	336,140	-	26,226,911
Subtotals	<u>34,401,407</u>	<u>1,309,059</u>	<u>110,249</u>	<u>35,600,217</u>
Less accumulated depreciation for:				
Buildings and improvements	1,798,858	141,597	-	1,940,455
Machinery and equipment	2,244,367	304,290	105,567	2,443,090
Infrastructure	9,735,628	658,866	-	10,394,494
Subtotals	<u>13,778,853</u>	<u>1,104,753</u>	<u>105,567</u>	<u>14,778,039</u>
Total capital assets, being depreciated, net	<u>20,622,554</u>	<u>204,306</u>	<u>4,682</u>	<u>20,822,178</u>
Governmental activities capital assets, net	<u>\$ 22,101,312</u>	<u>\$ 254,946</u>	<u>\$ 498,725</u>	21,857,533
Less related long-term debt outstanding				<u>5,590,000</u>
Net investment in capital assets				<u>\$ 16,267,533</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 102,206	\$ -	\$ -	\$ 102,206
Construction in progress	142,148	511,226	-	653,374
Non-utility property	58,396	-	-	58,396
Total capital assets, not being depreciated	<u>302,750</u>	<u>511,226</u>	<u>-</u>	<u>813,976</u>
Capital assets, being depreciated:				
Buildings and improvements	10,327,403	199,550	127,000	10,399,953
Machinery and equipment	7,869,346	889,368	366,691	8,392,023
Infrastructure	22,353,433	673,244	21,367	23,005,310
Subtotals	<u>40,550,182</u>	<u>1,762,162</u>	<u>515,058</u>	<u>41,797,286</u>
Less accumulated depreciation	<u>21,272,006</u>	<u>1,427,373</u>	<u>515,058</u>	<u>22,184,321</u>
Total capital assets, being depreciated, net	<u>19,278,176</u>	<u>334,789</u>	<u>-</u>	<u>19,612,965</u>
Business-type activities capital assets, net	<u>\$ 19,580,926</u>	<u>\$ 846,015</u>	<u>\$ -</u>	20,426,941
Less related long-term debt outstanding, less debt proceeds of \$232,492				<u>1,031,508</u>
Net investment in capital assets				<u>\$ 19,395,433</u>

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
General government	\$ 26,768
Public safety	157,414
Public works	806,004
Culture and recreation	114,567
Total depreciation expense - governmental activities	<u>\$ 1,104,753</u>
Business-type activities	
Electric utility	\$ 395,961
Electric utility charged to clearing accounts	67,122
Water utility	196,882
Sewer utility	753,909
Salvage and cost of removal	13,499
Total depreciation expense - business-type activities	<u>\$ 1,427,373</u>

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, 2014 are detailed below:

	Advances to Other Funds	Advances from Other Funds
Long-term Cash Advances		
General Fund	\$ 2,669,189	\$ -
Debt Service Fund	254,246	-
Capital Projects Funds		
TIF District No. 5	-	211,637
TIF District No. 6	-	840,052
TIF District No. 7	-	224,722
TIF District No. 8	-	545,702
TIF District No. 10	-	311,312
TIF District No. 12	-	633,106
TIF District No. 13	-	105,541
Enterprise Funds		
Water utility	-	179,011
Sewer utility	127,648	-
Totals	<u>\$ 3,051,083</u>	<u>\$ 3,051,083</u>

In addition to the long term cash advances, the general fund also provided cash to two other funds to finance deficit cash balances at December 31, 2014. TIF District No. 7 had a balance of \$37,146 payable to the general fund, and TIF District No. 11 had a balance of \$11,958 owed to the general fund.

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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, 2014 totaled \$179,011 and was composed of the following issue:

Water Utility

\$219,972 issued 12/10/12; \$20,909 to \$23,571 due annually through 2022;
interest 2.00%

\$ 179,011

Annual principal and interest maturities of the above outstanding enterprise fund advance of \$179,011 on December 31, 2014 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2015	\$ 20,909	\$ 3,580	\$ 24,489
2016	21,327	3,162	24,489
2017	21,753	2,736	24,489
2018	22,188	2,301	24,489
2019	22,632	1,857	24,489
2020-2022	70,202	2,817	73,019
	<u>\$ 179,011</u>	<u>\$ 16,453</u>	<u>\$ 195,464</u>

Interfund transfers for the year ended December 31, 2014 were as follows:

	Transfers	
	Transfer In	Transfer Out
Transfers from:		
General Fund	\$ 311,692	\$ 164,204
Special Revenue Funds		
Library	160,204	-
Landfill	19,000	-
Parks	4,000	-
Debt Service Fund	361,559	-
Capital Projects Funds		
Construction	-	41,019
TIF District No. 5	-	49,000
TIF District No. 7	-	38,000
TIF District No. 8	118,000	124,760
TIF District No. 10	-	46,880
TIF District No. 13	-	179,900
Enterprise Funds		
Electric utility	-	158,244
Water utility	-	153,448
Recycling	-	19,000
Totals	<u>\$ 974,455</u>	<u>\$ 974,455</u>

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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.

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2014:

	Outstanding 1/1/14	Issued	Retired	Outstanding 12/31/14	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 1,745,000	\$ -	\$ 115,000	\$ 1,630,000	\$ 120,000
Notes	2,555,000	-	375,000	2,180,000	380,000
Total General Obligation Debt	4,300,000	-	490,000	3,810,000	500,000
Capital leases to component unit	1,980,000	-	200,000	1,780,000	205,000
Compensated absences	259,182	55,167	61,755	252,594	-
Governmental activities Long-term obligations	<u>\$ 6,539,182</u>	<u>\$ 55,167</u>	<u>\$ 751,755</u>	<u>\$ 5,842,594</u>	<u>\$ 705,000</u>
Business-type activities:					
General Obligation Debt					
Bonds	\$ 1,320,000	\$ -	\$ 55,000	\$ 1,265,000	\$ 55,000
Compensated absences	132,130	28,250	66,265	94,115	-
Business-type activities Long-term obligations	<u>\$ 1,452,130</u>	<u>\$ 28,250</u>	<u>\$ 121,265</u>	<u>\$ 1,359,115</u>	<u>\$ 55,000</u>

Total interest paid during the year on long-term debt totaled \$192,115.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$1,675,000 issued 3/25/09; \$95,000 to \$140,000 due annually through 2025; interest 3.10% to 4.50%	\$ 1,245,000
\$1,865,000 issued 5/3/11; \$80,000 to \$120,000 due annually through 2031; interest 2.0% to 4.125%	1,650,000
Total Bonds	<u>2,895,000</u>

Notes

\$2,555,000 issued 10/8/13; \$40,000 to \$385,000 due annually through 2023; interest 0.55% to 2.70%	2,180,000
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Total Outstanding General Obligation Debt \$ 5,075,000

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$5,075,000 on December 31, 2014 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	415,000	59,243	65,000	39,530	480,000	98,773
2020-2024	1,155,000	160,396	345,000	166,825	1,500,000	327,221
2025-2029	215,000	10,900	420,000	94,263	635,000	105,163
2030-2031	-	-	200,000	10,416	200,000	10,416
	<u>\$ 3,810,000</u>	<u>\$ 551,293</u>	<u>\$ 1,265,000</u>	<u>\$ 482,704</u>	<u>\$ 5,075,000</u>	<u>\$ 1,033,997</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, 2014 was \$9,723,252 as follows:

Equalized valuation of the City	\$ 288,910,100
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>14,445,505</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 5,075,000
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>352,747</u>
Net outstanding general obligation debt applicable to debt limitation	<u>4,722,253</u>
Legal Margin for New Debt	<u><u>\$ 9,723,252</u></u>

Capital Lease to Component Unit

Annual principal and interest maturities of the outstanding capital lease to the Community Development Authority of \$1,780,000 on December 31, 2014 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
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	225,000	37,880	262,880
2020-2023	705,000	70,470	775,470
	<u>\$ 1,780,000</u>	<u>\$ 265,290</u>	<u>\$ 2,045,290</u>

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

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, 2014 investments of \$5,813 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, 2014, fund balance was assigned as follows:

General Fund

Assigned for:

Land acquisition	\$ 31,459
Office equipment	19,815
Police vehicles	26,119
Fire department - vehicles	27,374
Capital construction	155,430
Park development	36,994
GIS	3,467
Accounting software	27,895
Public works equipment	246,274
Website development	1,350
Sand, salt and rental	63,828
Recreation	8,017
Election equipment	17,000
Citywide assessment revaluation	50,000
Swimming pool	32,103
Chamber building maintenance	29,484
	<u>\$ 776,609</u>

Construction Capital Projects Fund

Assigned for:

Capital improvements	<u>\$ 270,353</u>
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CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

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 Employment category, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

Contribution rates for 2014 were:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	7.00%	7.00%
Executives & Elected Officials	7.75%	7.75%
Protective with Social Security	7.00%	10.10%
Protective without Social Security	7.00%	13.70%

The payroll for City employees covered by the WRS for the year ended December 31, 2014 was \$2,098,543; the employer's total payroll was \$2,164,957. The total required contribution for the year ended December 31, 2014 was \$312,062, which consisted of \$165,164, or 7.87% of covered payroll from the employer and \$146,898, or 7.00% of covered payroll from employees. Total contributions for the years ended December 31, 2013 and 2012 were \$288,121 and \$245,491, 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 years' 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, 2014

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, 2014 from future excess tax increment revenues follows:

TIF No.	Advance / Due from Other Funds	Advances from Component Unit	Portion of General Obligation Debt	Deficit or (Available Resources)	Total
5	\$ 211,637	\$ -	\$ -	\$ (67,067)	\$ 144,570
6	840,052	-	-	(97,489)	742,563
7	224,722	-	-	37,146	261,868
8	545,702	-	475,000	(13,382)	1,007,320
10	311,312	-	65,000	(63,196)	313,116
11	-	-	-	11,958	11,958
12	633,106	1,780,000	-	7,517	2,420,623
13	105,541	-	1,630,000	(577,282)	1,158,259
	<u>\$ 2,872,072</u>	<u>\$ 1,780,000</u>	<u>\$ 2,170,000</u>	<u>\$ (761,795)</u>	<u>\$ 6,060,277</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 Date
TIF No. 5	1989	September 19, 2016
TIF No. 6	1996	September 17, 2029
TIF No. 7	1997	September 16, 2020
TIF No. 8	1997	September 16, 1930
TIF No. 10	1999	September 28, 2022
TIF No. 11	1999	September 28, 2022
TIF No. 12	2000	September 5, 2023
TIF No. 13	2005	June 7, 2025

CITY OF MEDFORD, WISCONSIN
Notes to Financial Statements
December 31, 2014

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%
	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, 2014

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 12/31/14
Lease Revenue Bonds	10/10/2013	12/1/2023	0.50%-3.30%	\$ 2,200,000	\$ 2,000,000
Less: Bond reserve held by the Community Development Authority					(220,000)
Capital lease receivable from the City of Medford, Wisconsin					<u>\$ 1,780,000</u>

Debt service requirements to maturity are as follows:

Year Ended December 31	Community Development Authority		
	Principal	Interest	Total
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	225,000	37,880	262,880
2020-2023	925,000	70,470	995,470
	<u>\$ 2,000,000</u>	<u>\$ 265,290</u>	<u>\$ 2,265,290</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 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, 2014

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 2014 and 2015 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 2014 budget was 0.43%. The actual limit for the City for the 2015 budget was 1.22%. 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.

9. Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net position liability that will be recorded on the government-wide, proprietary and discretely presented component unit statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ending December 31, 2015.

SUPPLEMENTARY INFORMATION

CITY OF MEDFORD, WISCONSIN
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2014

	Special Revenue Funds							
	Room Tax	Landfill	Library	CDBG	Parks	Medford Fire and Rescue	Police Department	Fire Department Membership Fund
ASSETS								
Cash and investments	\$ 25,176	\$ 178,824	\$ 133,473	\$ 31,692	\$ 9,616	\$ 234,264	\$ 43,282	\$ 50,539
Receivables								
Taxes	-	-	-	-	-	-	-	-
Accounts	24,466	-	-	449,557	-	9,208	2,595	-
Loans	-	21	-	-	-	67	-	-
Interest	-	-	-	-	393	-	-	-
Inventories and prepaid items	-	5,813	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 49,642	\$ 184,658	\$ 133,473	\$ 481,249	\$ 10,009	\$ 243,539	\$ 45,877	\$ 50,539
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts payable	\$ -	\$ 3,254	\$ 28,589	\$ -	\$ -	\$ 1,410	\$ -	\$ 272
Accrued and other current liabilities	-	-	1,536	-	-	9,682	-	-
Due to other funds	-	-	-	-	-	6,014	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total Liabilities	-	3,254	30,125	-	-	17,106	-	272
Deferred Inflows of Resources								
Taxes	-	-	-	449,557	-	-	-	-
Loans	-	-	-	449,557	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	899,114	-	-	-	-
Fund Balances (Deficits)								
Nonspendable								
Inventories and prepaid items	-	-	-	-	393	-	-	-
Restricted for:								
Landfill	-	5,813	-	-	-	226,433	45,877	50,267
Medford Fire and Rescue	-	-	-	31,692	-	-	-	-
Community development	-	-	-	-	-	-	-	-
TID project plan	-	-	-	-	-	-	-	-
Committed for:								
Tourism	49,642	-	-	-	-	-	-	-
Landfill	-	175,591	-	-	-	-	-	-
Library	-	-	103,348	-	-	-	-	-
Parks	-	-	-	-	9,616	-	-	-
Unassigned								
Capital projects funds	-	-	-	-	-	-	-	-
Total Fund Balances (Deficits)	49,642	181,404	103,348	31,692	10,009	226,433	45,877	50,267
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 49,642	\$ 184,658	\$ 133,473	\$ 481,249	\$ 10,009	\$ 243,539	\$ 45,877	\$ 50,539

(Continued)

CITY OF MEDFORD, WISCONSIN

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

	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	\$ 67,067	\$ 97,489	\$ -	\$ 13,382	\$ 63,196	\$ -	\$ 577,329	\$ 1,525,329
Receivables								
Taxes	63,026	51,592	10,848	34,111	55,954	26,069	297,614	539,214
Accounts	-	-	-	-	-	-	-	36,269
Loans	-	-	-	-	-	-	-	449,557
Interest	-	-	-	-	-	-	-	88
Inventories and prepaid items	-	-	-	-	-	-	-	393
Restricted cash and investments	-	-	-	-	-	-	-	5,813
TOTAL ASSETS	\$ 130,093	\$ 149,081	\$ 10,848	\$ 47,493	\$ 119,150	\$ 26,069	\$ 874,943	\$ 2,556,663
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37	\$ 33,562
Accrued and other current liabilities	-	-	-	-	-	-	10	11,228
Due to other funds	-	-	37,146	-	-	11,958	-	49,104
Unearned revenue	-	-	-	-	-	-	-	6,014
Advances from other funds	211,637	840,052	224,722	545,702	311,312	-	105,541	2,238,966
Total Liabilities	211,637	840,052	261,868	545,702	311,312	11,958	105,588	2,338,874
Deferred Inflows of Resources								
Taxes	63,026	51,592	10,848	34,111	55,954	26,069	297,614	539,214
Loans	-	-	-	-	-	-	-	449,557
Total Deferred Inflows of Resources	63,026	51,592	10,848	34,111	55,954	26,069	297,614	988,771
Fund Balances (Deficits)								
Nonspendable								
Inventories and prepaid items	-	-	-	-	-	-	-	393
Restricted for:								
Landfill	-	-	-	-	-	-	-	5,813
Medford Fire and Rescue	-	-	-	-	-	-	-	322,577
Community development	-	-	-	-	-	-	-	31,692
TID project plan	-	-	-	-	-	-	471,741	471,741
Committed for:								
Tourism	-	-	-	-	-	-	-	49,642
Landfill	-	-	-	-	-	-	-	175,591
Library	-	-	-	-	-	-	-	103,348
Parks	-	-	-	-	-	-	-	9,616
Unassigned								
Capital projects funds	(144,570)	(742,563)	(261,868)	(532,320)	(248,116)	(11,958)	-	(1,941,395)
Total Fund Balances (Deficits)	(144,570)	(742,563)	(261,868)	(532,320)	(248,116)	(11,958)	471,741	(770,982)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 130,093	\$ 149,081	\$ 10,848	\$ 47,493	\$ 119,150	\$ 26,069	\$ 874,943	\$ 2,556,663

CITY OF MEDFORD, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2014

	Special Revenue Funds							
	Room Tax	Landfill	Library	CDBG	Parks	Medford Fire and Rescue	Police Department	Fire Department Membership Fund
Revenues								
Taxes	\$ 46,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	184,527	-	-	-	-	-
Public charges for services	-	-	5,693	-	-	24,585	11,728	-
Intergovernmental charges for services	-	-	5,539	-	-	140,283	-	3,424
Miscellaneous	-	374	20,892	75,046	-	5,200	3,360	17,989
Total Revenues	46,569	374	216,651	75,046	-	170,068	15,088	21,413
Expenditures								
Current								
Public safety	-	-	-	-	-	142,575	2,429	23,420
Public works	-	12,680	-	-	-	-	-	-
Culture and recreation	-	-	344,121	-	3,998	-	-	-
Conservation and development	34,429	-	-	79,765	-	-	-	-
Debt service								
Interest and fiscal charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	34,429	12,680	344,121	79,765	3,998	142,575	2,429	23,420
Excess of Revenues Over (Under)								
Expenditures	12,140	(12,306)	(127,470)	(4,719)	(3,998)	27,493	12,659	(2,007)
Other Financing Sources (Uses)								
Transfers in	-	19,000	160,204	-	4,000	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	19,000	160,204	-	4,000	-	-	-
Net Change in Fund Balances	12,140	6,694	32,734	(4,719)	2	27,493	12,659	(2,007)
Fund Balances (Deficits) - January 1	37,502	174,710	70,614	36,411	10,007	198,940	33,218	52,274
Fund Balances (Deficits) - December 31	\$ 49,642	\$ 181,404	\$ 103,348	\$ 31,692	\$ 10,009	\$ 226,433	\$ 45,877	\$ 50,267

(Continued)

CITY OF MEDFORD, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2014

	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	\$ 59,999	\$ 51,877	\$ 40,646	\$ 29,505	\$ 54,852	\$ 28,475	\$ 302,461	\$ 614,384
Intergovernmental	2,481	577	199	478	806	2,020	2,742	193,830
Public charges for services	-	-	-	-	-	-	-	42,006
Intergovernmental charges for services	-	-	-	-	-	-	-	149,246
Miscellaneous	-	-	-	-	-	-	-	122,861
Total Revenues	62,480	52,454	40,845	29,983	55,658	30,495	305,203	1,122,327
Expenditures								
Current								
Public safety	-	-	-	-	-	-	-	168,424
Public works	-	-	-	-	-	-	-	12,680
Culture and recreation	-	-	-	-	-	-	-	348,119
Conservation and development	1,127	1,128	1,127	1,128	978	1,128	1,919	122,729
Debt service								
Interest and fiscal charges	6,349	25,099	6,742	8,744	9,339	-	3,166	59,439
Capital outlay	-	-	237,500	-	150	9,797	326	247,773
Total Expenditures	7,476	26,227	245,369	9,872	10,467	10,925	5,411	959,164
Excess of Revenues Over (Under)								
Expenditures	55,004	26,227	(204,524)	20,111	45,191	19,570	299,792	163,163
Other Financing Sources (Uses)								
Transfers in	-	-	-	118,000	-	-	-	301,204
Transfers out	(49,000)	-	(38,000)	(124,760)	(46,880)	-	(179,900)	(438,540)
Total Other Financing Sources (Uses)	(49,000)	-	(38,000)	(6,760)	(46,880)	-	(179,900)	(137,336)
Net Change in Fund Balances	6,004	26,227	(242,524)	13,351	(1,689)	19,570	119,892	25,827
Fund Balances (Deficits) - January 1	(150,574)	(768,790)	(19,344)	(545,671)	(246,427)	(31,528)	351,849	(796,809)
Fund Balances (Deficits) - December 31	\$ (144,570)	\$ (742,563)	\$ (261,868)	\$ (532,320)	\$ (248,116)	\$ (11,958)	\$ 471,741	\$ (770,982)

**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, 2014, 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 22, 2015.

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 2014-001 and 2014-002 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Medford, Wisconsin's Response to Findings

City of Medford, Wisconsin's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 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 22, 2015

CITY OF MEDFORD, WISCONSIN
 Schedule of Findings and Responses
 For the Year Ended December 31, 2014

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2014-001	<p>Preparation of Annual Financial Report</p> <p>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. For the same reasons, the City contracts with us to compile the Wisconsin Municipal Financial Report Form C and the Public Service Commission Report.</p> <p>Criteria: The preparation and review of the annual financial report, municipal financial report, and public service commission report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.</p> <p>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.</p> <p>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.</p> <p>Recommendation: We recommend the City continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report, municipal financial report, and public service commission report.</p> <p>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.</p>

CITY OF MEDFORD, WISCONSIN
 Schedule of Findings and Responses (Continued)
 For the Year Ended December 31, 2014

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2014-002	Adjustments to the City's Financial Records
Condition:	As part of our 2014 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, 2014.