

# City of Medford, Wisconsin

## ANNUAL FINANCIAL REPORT

December 31, 2019

# City of Medford, Wisconsin

DECEMBER 31, 2019

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## Table of Contents

<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	13
Statement of Net Position - Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds	17
Statement of Net Position - Fiduciary Fund	21
Statement of Changes in Net Position - Fiduciary Fund	22
Notes to Basic Financial Statements	23
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System	54
Schedule of Contributions - Wisconsin Retirement System	54
Schedule of Proportionate Share of the Net OPEB Liability (Asset) - Local Retiree Life Insurance Fund	55
Schedule of Contributions - Local Retiree Life Insurance Fund	55
Notes to Required Supplementary Information	56
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	59

# City of Medford, Wisconsin

DECEMBER 31, 2019

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## **ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Schedule of Findings and Responses	63



## Independent auditors' report

To the City Council  
City of Medford, Wisconsin

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medford, Wisconsin ("the City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITORS' RESPONSIBILITY

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

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

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

## **OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2019, 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.

## **EMPHASIS OF MATTER**

As described in Note 1.C., during 2019, the City adopted new accounting guidance, Statement No. 84, *Fiduciary Activities*. As a result, the City established a custodial fund for taxes and special charges collected for other governments. In prior years, these amounts were reported in the general fund. Our opinions are not modified with respect to this matter.

As described in Note 4.E., the City recorded a prior period adjustment of \$322,958 in the government wide statements and \$69,622 in the proprietary fund statements to reflect a correction in the balance of compensated absences. Our opinions are not modified with respect to this matter.

## **Prior Year Summarized Financial Information**

We have previously audited the City's 2019 financial statements, and our report dated April 26, 2019, expressed unmodified opinions on those respective financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions and other postemployment benefits on pages 54 through 56 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### **Other Information**

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

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

#### **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin

May 7, 2020

# City of Medford, Wisconsin

## STATEMENT OF NET POSITION

DECEMBER 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Totals	
			2019	2018
<b>ASSETS</b>				
Cash and investments	\$ 7,443,530	\$ 5,855,846	\$ 13,299,376	\$ 14,288,299
Receivables				
Taxes	2,085,830	-	2,085,830	5,190,044
Accounts	27,148	1,361,942	1,389,090	1,419,130
Special assessments	759,637	-	759,637	804,562
Delinquent specials held by County	7,575	-	7,575	3,658
Loans	279,008	-	279,008	341,982
Interest	2,497	2,346	4,843	5,569
Inventories and prepaid items	7,389	295,600	302,989	315,183
Restricted and other assets				
Cash and investments	220,631	2,539,649	2,760,280	3,410,263
Net pension asset	-	-	-	485,491
Capital assets, nondepreciable	1,294,496	220,686	1,515,182	2,397,358
Capital assets, depreciable	20,603,042	23,953,757	44,556,799	42,261,211
Total assets	<u>32,730,783</u>	<u>34,229,826</u>	<u>66,960,609</u>	<u>70,922,750</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related amounts	1,189,650	404,664	1,594,314	885,054
Other postemployment related amounts	9,150	3,112	12,262	13,684
Total deferred outflows of resources	<u>1,198,800</u>	<u>407,776</u>	<u>1,606,576</u>	<u>898,738</u>
<b>LIABILITIES</b>				
Accounts payable	151,243	1,139,535	1,290,778	1,179,744
Accrued and other current liabilities	59,652	52,774	112,426	88,933
Due to other governments	-	-	-	4,324,244
Accrued interest payable	6,148	12,832	18,980	21,350
Special deposits	18,879	3,390	22,269	31,883
Unearned revenues	12,166	4,640	16,806	16,423
Public benefits	-	33,576	33,576	33,891
Long-term obligations				
Due within one year	632,851	150,000	782,851	790,000
Customer advances for construction	-	16,703	16,703	13,674
Due in more than one year	1,698,326	2,242,816	3,941,142	5,060,079
Net pension liability	438,687	149,181	587,868	-
Other postemployment benefits	76,691	26,080	102,771	126,526
Total liabilities	<u>3,094,643</u>	<u>3,831,527</u>	<u>6,926,170</u>	<u>11,686,747</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes levied for subsequent year	2,956,518	-	2,956,518	3,060,591
Pension related amounts	606,746	206,331	813,077	961,066
Other postemployment related amounts	27,168	9,239	36,407	6,145
Total deferred inflows of resources	<u>3,590,432</u>	<u>215,570</u>	<u>3,806,002</u>	<u>4,027,802</u>
<b>NET POSITION</b>				
Net investment in capital assets	19,786,007	21,498,888	41,284,895	40,041,297
Restricted	1,718,327	2,034,649	3,752,976	3,465,717
Unrestricted	5,740,174	7,056,968	12,797,142	12,599,925
Total net position	<u>\$ 27,244,508</u>	<u>\$ 30,590,505</u>	<u>\$ 57,835,013</u>	<u>\$ 56,106,939</u>

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, 2019  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 735,585	\$ 151,244	\$ -	\$ -
Public safety	1,442,150	234,065	49,095	245,621
Public works	2,326,533	15,711	489,296	119,541
Health and human services	12,864	-	-	-
Culture and recreation	746,810	52,799	238,358	-
Conservation and development	81,739	-	-	-
Interest and fiscal charges	165,334	-	-	-
Total governmental activities	5,511,015	453,819	776,749	365,162
<b>BUSINESS-TYPE ACTIVITIES</b>				
Electric utility	9,989,884	10,085,781	-	-
Water utility	668,544	1,057,066	-	-
Sewer utility	1,736,621	1,464,754	-	-
Recycling utility	301,065	310,751	25,924	-
Total business-type activities	12,696,114	12,918,352	25,924	-
Total	<u>\$ 18,207,129</u>	<u>\$ 13,372,171</u>	<u>\$ 802,673</u>	<u>\$ 365,162</u>

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

Total general revenues and transfers

Change in net position

Net position - January 1, as originally reported

Prior period adjustment

Net position - January 1, as restated

Net position - December 31

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

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

Governmental Activities	Business-type Activities	Totals	
		2019	2018
\$ (584,341)	\$ -	\$ (584,341)	\$ (621,560)
(913,369)	-	(913,369)	(958,647)
(1,701,985)	-	(1,701,985)	(1,824,990)
(12,864)	-	(12,864)	(12,780)
(455,653)	-	(455,653)	(258,594)
(81,739)	-	(81,739)	(55,704)
(165,334)	-	(165,334)	(208,842)
<u>(3,915,285)</u>	<u>-</u>	<u>(3,915,285)</u>	<u>(3,941,117)</u>
-	95,897	95,897	319,272
-	388,522	388,522	351,207
-	(271,867)	(271,867)	(225,183)
-	35,610	35,610	59,203
<u>-</u>	<u>248,162</u>	<u>248,162</u>	<u>504,499</u>
<u>(3,915,285)</u>	<u>248,162</u>	<u>(3,667,123)</u>	<u>(3,436,618)</u>
1,712,019	-	1,712,019	1,728,550
1,355,817	-	1,355,817	1,475,824
170,433	-	170,433	170,144
1,272,096	-	1,272,096	1,220,183
331,121	132,451	463,572	337,989
68,275	9,079	77,354	525,651
16,375	4,573	20,948	37,978
345,336	(345,336)	-	-
<u>5,271,472</u>	<u>(199,233)</u>	<u>5,072,239</u>	<u>5,496,319</u>
1,356,187	48,929	1,405,116	2,059,701
<u>25,634,985</u>	<u>30,471,954</u>	<u>56,106,939</u>	<u>54,047,238</u>
<u>253,336</u>	<u>69,622</u>	<u>322,958</u>	<u>-</u>
<u>25,888,321</u>	<u>30,541,576</u>	<u>56,429,897</u>	<u>54,047,238</u>
<u>\$ 27,244,508</u>	<u>\$ 30,590,505</u>	<u>\$ 57,835,013</u>	<u>\$ 56,106,939</u>

# City of Medford, Wisconsin

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

**WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Construction</u>	<u>TID No. 6</u>
<b>ASSETS</b>				
Cash and investments	\$ 4,070,753	\$ 855,312	\$ 219,973	\$ 336,535
Restricted cash and investments	-	-	-	-
Receivables				
Taxes	541,929	189,221	491,845	46,675
Accounts	971	-	-	-
Special assessments	759,637	-	-	-
Delinquent specials held by County	7,575	-	-	-
Loans	-	-	-	-
Interest	2,381	-	-	-
Advance to other funds	3,089,818	-	-	-
Inventories and prepaid items	7,389	-	-	-
	<u>8,480,453</u>	<u>1,044,533</u>	<u>711,818</u>	<u>383,210</u>
Total assets	<u>\$ 8,480,453</u>	<u>\$ 1,044,533</u>	<u>\$ 711,818</u>	<u>\$ 383,210</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 98,142	\$ -	\$ 34,749	\$ -
Accrued and other current liabilities	46,804	-	-	-
Advance from other funds	-	-	-	712,083
Due to other governments	-	-	-	-
Special deposits	-	-	5,811	-
Unearned revenues	378	-	-	-
	<u>145,324</u>	<u>-</u>	<u>40,560</u>	<u>712,083</u>
Total liabilities	<u>145,324</u>	<u>-</u>	<u>40,560</u>	<u>712,083</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	771,141	267,840	696,202	66,068
Loans receivable	-	-	-	-
Special assessments	633,380	-	-	-
	<u>1,404,521</u>	<u>267,840</u>	<u>696,202</u>	<u>66,068</u>
Total deferred inflows of resources	<u>1,404,521</u>	<u>267,840</u>	<u>696,202</u>	<u>66,068</u>
Fund balances				
Nonspendable	3,143,635	-	-	-
Restricted	-	776,693	-	-
Committed	-	-	-	-
Assigned	1,037,974	-	-	-
Unassigned	2,748,999	-	(24,944)	(394,941)
	<u>6,930,608</u>	<u>776,693</u>	<u>(24,944)</u>	<u>(394,941)</u>
Total fund balances	<u>6,930,608</u>	<u>776,693</u>	<u>(24,944)</u>	<u>(394,941)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,480,453</u>	<u>\$ 1,044,533</u>	<u>\$ 711,818</u>	<u>\$ 383,210</u>

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

TID No. 12	Other Governmental Funds	Totals	
		2019	2018
\$ 326,572	\$ 1,634,385	\$ 7,443,530	\$ 7,913,584
-	220,631	220,631	226,718
438,246	377,914	2,085,830	5,190,044
-	26,177	27,148	36,086
-	-	759,637	804,562
-	-	7,575	3,658
-	279,008	279,008	341,982
-	116	2,497	3,217
-	-	3,089,818	3,459,656
-	-	7,389	379
<u>\$ 764,818</u>	<u>\$ 2,538,231</u>	<u>\$ 13,923,063</u>	<u>\$ 17,979,886</u>
\$ 13,108	\$ 18,312	\$ 164,311	\$ 121,988
-	12,848	59,652	45,807
760,529	1,617,206	3,089,818	3,348,467
-	-	-	4,324,244
-	-	5,811	25,593
-	11,788	12,166	11,116
<u>773,637</u>	<u>1,660,154</u>	<u>3,331,758</u>	<u>7,877,215</u>
620,334	534,933	2,956,518	3,060,591
-	279,008	279,008	341,982
-	-	633,380	692,960
<u>620,334</u>	<u>813,941</u>	<u>3,868,906</u>	<u>4,095,533</u>
-	-	3,143,635	3,248,300
-	888,774	1,665,467	1,626,351
-	537,762	537,762	575,273
-	-	1,037,974	1,250,796
<u>(629,153)</u>	<u>(1,362,400)</u>	<u>337,561</u>	<u>(693,582)</u>
<u>(629,153)</u>	<u>64,136</u>	<u>6,722,399</u>	<u>6,007,138</u>
<u>\$ 764,818</u>	<u>\$ 2,538,231</u>	<u>\$ 13,923,063</u>	<u>\$ 17,979,886</u>

# City of Medford, Wisconsin

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018**

	2019	2018
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION</b>		
Total fund balances as shown on previous page	\$ 6,722,399	\$ 6,007,138
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.	21,897,538	21,616,900
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	912,388	1,034,942
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	1,189,650	658,242
Deferred inflows related to pensions	(606,746)	(710,837)
Deferred outflows related to other postemployment benefits	9,150	10,121
Deferred inflows related to other postemployment benefits	(27,168)	(4,545)
Long-term assets are not considered available; therefore, are not reported in the funds:		
Net pension asset	-	359,086
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(1,325,000)	(1,740,000)
Lease revenue bonds	(925,000)	(1,150,000)
Premium on debt	(28,911)	(33,729)
Compensated absences	(52,266)	(310,956)
Net pension liability	(438,687)	-
Other postemployment benefit	(76,691)	(93,583)
Accrued interest on long-term obligations	(6,148)	(7,794)
Net position of governmental activities as reported on the statement of net position (see page 4)	\$ 27,244,508	\$ 25,634,985

*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, 2019  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Debt Service	Construction	TID No. 6
<b>REVENUES</b>				
Taxes	\$ 852,479	\$ 282,344	\$ 696,202	\$ 63,554
Special assessments	179,121	-	-	-
Intergovernmental	1,689,215	-	-	2,513
Licenses and permits	62,267	-	-	-
Fines and forfeits	15,513	-	-	-
Public charges for services	54,242	-	-	-
Intergovernmental charges for services	86,342	-	-	-
Miscellaneous	340,993	-	10,500	-
Total revenues	<u>3,280,172</u>	<u>282,344</u>	<u>706,702</u>	<u>66,067</u>
<b>EXPENDITURES</b>				
Current				
General government	652,347	-	-	-
Public safety	1,035,407	-	-	-
Public works	967,965	-	3,802	-
Health and human services	12,864	-	-	-
Culture and recreation	216,668	-	-	-
Conservation and development	38,231	-	-	407
Debt service				
Principal	-	415,000	-	-
Interest and fiscal charges	-	52,601	-	21,362
Capital outlay	176,506	-	946,035	-
Total expenditures	<u>3,099,988</u>	<u>467,601</u>	<u>949,837</u>	<u>21,769</u>
Excess of revenues over (under) expenditures	<u>180,184</u>	<u>(185,257)</u>	<u>(243,135)</u>	<u>44,298</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	412,877	184,430	-	75,000
Transfers out	(166,656)	-	-	-
Total other financing sources (uses)	<u>246,221</u>	<u>184,430</u>	<u>-</u>	<u>75,000</u>
<b>Net change in fund balances</b>	426,405	(827)	(243,135)	119,298
<b>Fund balances - January 1</b>	<u>6,504,203</u>	<u>777,520</u>	<u>218,191</u>	<u>(514,239)</u>
<b>Fund balances - December 31</b>	<u>\$ 6,930,608</u>	<u>\$ 776,693</u>	<u>\$ (24,944)</u>	<u>\$ (394,941)</u>

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

TID No. 12	Other Governmental Funds	Totals	
		2019	2018
\$ 748,878	\$ 594,522	\$ 3,237,979	\$ 3,374,416
-	-	179,121	234,135
60,631	242,555	1,994,914	1,902,987
-	-	62,267	58,456
-	-	15,513	518,289
-	42,021	96,263	139,368
-	190,026	276,368	278,461
19,585	379,290	750,368	609,989
<u>829,094</u>	<u>1,448,414</u>	<u>6,612,793</u>	<u>7,116,101</u>
-	-	652,347	719,393
-	232,811	1,268,218	1,196,578
-	15,002	986,769	882,088
-	-	12,864	12,780
-	452,481	669,149	655,917
8,014	138,482	185,134	169,932
-	225,000	640,000	1,690,000
22,816	75,138	171,917	216,532
282,275	334,566	1,739,382	1,738,554
<u>313,105</u>	<u>1,473,480</u>	<u>6,325,780</u>	<u>7,281,774</u>
<u>515,989</u>	<u>(25,066)</u>	<u>287,013</u>	<u>(165,673)</u>
-	-	-	915,000
-	-	-	38,547
-	15,371	15,371	-
-	562,994	1,235,301	1,273,577
<u>(358,838)</u>	<u>(296,930)</u>	<u>(822,424)</u>	<u>(822,393)</u>
<u>(358,838)</u>	<u>281,435</u>	<u>428,248</u>	<u>1,404,731</u>
157,151	256,369	715,261	1,239,058
<u>(786,304)</u>	<u>(192,233)</u>	<u>6,007,138</u>	<u>4,768,080</u>
<u>\$ (629,153)</u>	<u>\$ 64,136</u>	<u>\$ 6,722,399</u>	<u>\$ 6,007,138</u>

# City of Medford, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION TO THE STATEMENT OF ACTIVITIES</b>		
Net change in fund balances as shown on previous page	\$ 715,261	\$ 1,239,058
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	1,569,885	820,528
Depreciation expense reported in the statement of activities	(1,283,457)	(1,211,073)
Net book value of disposals	(5,790)	(10,204)
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.	(122,554)	(13,562)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	-	(915,000)
Premium on debt issued	-	(38,547)
Principal repaid	640,000	1,690,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	1,646	2,872
Amortization of premiums	4,818	4,818
Compensated absences	5,354	(27,911)
Net pension liability (asset)	(797,773)	458,987
Deferred outflows of resources related to pensions	531,408	(107,102)
Deferred inflows of resources related to pensions	104,091	(390,466)
Other postemployment benefits	16,892	(14,343)
Deferred outflows of resources related to other postemployment benefits	(971)	10,121
Deferred inflows of resources related to other postemployment benefits	(22,623)	(4,545)
Repayment of principal on long-term receivable and loans made are reported in the governmental funds as a revenue or expenditure, but are reported as a change in the long-term receivable in the statement of net position and does not affect the statement of activities. Current year activity consists of:		
Loans written	-	70,000
Repayments received	-	(59,602)
Change in net position of governmental activities as reported in the statement of activities (see pages 5 - 6)	<u>\$ 1,356,187</u>	<u>\$ 1,504,029</u>

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

# City of Medford, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 857,228	\$ 857,228	\$ 852,479	\$ (4,749)
Special assessments	166,611	166,611	179,121	12,510
Intergovernmental	1,689,837	1,689,837	1,689,215	(622)
Licenses and permits	60,857	60,857	62,267	1,410
Fines and forfeits	13,809	13,809	15,513	1,704
Public charges for services	55,100	55,100	54,242	(858)
Intergovernmental charges for services	85,924	85,924	86,342	418
Miscellaneous	160,600	160,600	340,993	180,393
Total revenues	<u>3,089,966</u>	<u>3,089,966</u>	<u>3,280,172</u>	<u>190,206</u>
<b>EXPENDITURES</b>				
Current				
General government	840,226	840,226	652,347	187,879
Public safety	1,041,627	1,041,627	1,035,407	6,220
Public works	1,020,194	1,020,194	967,965	52,229
Health and human services	12,864	12,864	12,864	-
Culture and recreation	301,839	301,839	216,668	85,171
Conservation and development	51,750	51,750	38,231	13,519
Capital outlay	199,500	199,500	176,506	22,994
Total expenditures	<u>3,468,000</u>	<u>3,468,000</u>	<u>3,099,988</u>	<u>368,012</u>
Excess of revenues over (under) expenditures	<u>(378,034)</u>	<u>(378,034)</u>	<u>180,184</u>	<u>558,218</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	409,296	409,296	412,877	3,581
Transfers out	(166,656)	(166,656)	(166,656)	-
Total other financing sources (uses)	<u>242,640</u>	<u>242,640</u>	<u>246,221</u>	<u>3,581</u>
<b>Net change in fund balance</b>	<u>(135,394)</u>	<u>(135,394)</u>	<u>426,405</u>	<u>561,799</u>
<b>Fund balance - January 1</b>	<u>6,504,203</u>	<u>6,504,203</u>	<u>6,504,203</u>	<u>-</u>
<b>Fund balance - December 31</b>	<u>\$ 6,368,809</u>	<u>\$ 6,368,809</u>	<u>\$ 6,930,608</u>	<u>\$ 561,799</u>

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, 2019  
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018

	Electric Utility	Water Utility	Sewer Utility	Nonmajor Recycling - Solid Waste	Totals	
					2019	2018
<b>ASSETS</b>						
Current assets						
Cash and investments	\$ 2,908,017	\$ 738,057	\$ 1,557,293	\$ 652,479	\$ 5,855,846	\$ 6,374,715
Receivables						
Accounts	1,053,735	122,786	127,832	57,589	1,361,942	1,383,044
Interest	-	142	2,204	-	2,346	2,352
Inventories and prepaid items	217,099	78,501	-	-	295,600	314,804
Total current assets	4,178,851	939,486	1,687,329	710,068	7,515,734	8,074,915
Noncurrent assets						
Restricted and other assets						
Cash and investments	-	850,000	1,689,649	-	2,539,649	3,183,545
Other assets						
Net pension asset	-	-	-	-	-	126,405
Capital assets						
Nondepreciable	115,620	48,968	56,098	-	220,686	1,111,392
Depreciable	7,647,869	10,311,820	5,973,400	20,668	23,953,757	21,930,277
Total capital assets	7,763,489	10,360,788	6,029,498	20,668	24,174,443	23,041,669
Total assets	11,942,340	12,150,274	9,406,476	730,736	34,229,826	34,426,534
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related amounts	260,171	42,116	102,377	-	404,664	226,812
Other postemployment related amounts	2,003	326	783	-	3,112	3,563
Total deferred outflows of resources	262,174	42,442	103,160	-	407,776	230,375
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	1,076,317	12,245	26,285	24,688	1,139,535	1,057,756
Other accrued liabilities	40,337	4,346	8,091	-	52,774	43,126
Accrued interest	-	9,444	3,388	-	12,832	13,556
Deposits	3,390	-	-	-	3,390	6,290
Unearned revenue	4,640	-	-	-	4,640	5,307
Public benefits	33,576	-	-	-	33,576	33,891
Current portion of advance from other funds	-	-	-	-	-	28,630
Current portion of long-term debt	-	65,000	85,000	-	150,000	150,000
Total current liabilities	1,158,260	91,035	122,764	24,688	1,396,747	1,338,556
Long-term obligations, less current portion						
Advance from other funds	-	-	-	-	-	82,559
General obligation debt	-	900,000	1,317,978	-	2,217,978	2,371,669
Compensated absences	14,968	3,290	6,580	-	24,838	93,725
Customer advances for construction	16,703	-	-	-	16,703	13,674
Net pension liability	96,023	15,622	37,536	-	149,181	-
Other postemployment benefits	16,787	2,731	6,562	-	26,080	32,943
Total long-term liabilities	144,481	921,643	1,368,656	-	2,434,780	2,594,570
Total liabilities	1,302,741	1,012,678	1,491,420	24,688	3,831,527	3,933,126
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related amounts	132,809	21,606	51,916	-	206,331	250,229
Other postemployment related amounts	5,947	967	2,325	-	9,239	1,600
Total deferred inflows of resources	138,756	22,573	54,241	-	215,570	251,829
<b>NET POSITION</b>						
Net investment in capital assets	7,456,412	9,395,288	4,626,520	20,668	21,498,888	21,767,141
Restricted	-	850,000	1,184,649	-	2,034,649	2,062,809
Unrestricted	3,306,605	912,177	2,152,806	685,380	7,056,968	6,642,004
Total net position	\$ 10,763,017	\$ 11,157,465	\$ 7,963,975	\$ 706,048	\$ 30,590,505	\$ 30,471,954

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

# City of Medford, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Electric Utility	Water Utility	Sewer Utility	Nonmajor Recycling - Solid Waste
<b>OPERATING REVENUES</b>				
Charges for services	\$ 10,030,347	\$ 1,023,755	\$ 1,437,311	\$ 310,751
Other	55,434	23,878	27,443	-
Total operating revenues	10,085,781	1,047,633	1,464,754	310,751
<b>OPERATING EXPENSES</b>				
Operation and maintenance	9,446,621	345,996	767,044	296,503
Depreciation	491,697	271,372	900,852	4,462
Taxes	63,117	6,707	29,428	100
Total operating expenses	10,001,435	624,075	1,697,324	301,065
Operating income (loss)	84,346	423,558	(232,570)	9,686
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	73,807	1,565	56,536	543
Nonoperating grants	-	-	-	25,924
Gain on disposal of capital assets	-	-	4,573	-
Interest and fiscal charges	-	(41,315)	(39,297)	-
Amortization of debt discount/premium	-	-	-	-
Other nonoperating revenues (expenses)	20,630	6,279	-	-
Total nonoperating revenues (expenses)	94,437	(33,471)	21,812	26,467
Income (loss) before contributions and transfers	178,783	390,087	(210,758)	36,153
Capital contributions	-	67,541	-	-
Transfers out	(222,212)	(190,665)	-	-
<b>Change in net position</b>	(43,429)	266,963	(210,758)	36,153
<b>Net position - January 1, as originally reported</b>	10,758,177	10,885,162	8,158,720	669,895
<b>Prior period adjustment</b>	48,269	5,340	16,013	-
<b>Net position - January 1, as restated</b>	10,806,446	10,890,502	8,174,733	669,895
<b>Net position - December 31</b>	<u>\$ 10,763,017</u>	<u>\$ 11,157,465</u>	<u>\$ 7,963,975</u>	<u>\$ 706,048</u>

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

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Totals	
2019	2018
\$ 12,802,164	\$ 13,018,711
106,755	109,940
<u>12,908,919</u>	<u>13,128,651</u>
10,856,164	10,943,069
1,668,383	1,552,172
99,352	109,164
<u>12,623,899</u>	<u>12,604,405</u>
<u>285,020</u>	<u>524,246</u>
132,451	81,082
25,924	39,946
4,573	37,978
(80,612)	(129,081)
-	3,691
<u>26,909</u>	<u>(3,096)</u>
<u>109,245</u>	<u>30,520</u>
394,265	554,766
67,541	452,090
<u>(412,877)</u>	<u>(451,184)</u>
48,929	555,672
30,471,954	29,944,176
<u>69,622</u>	<u>(27,894)</u>
<u>30,541,576</u>	<u>29,916,282</u>
<u>\$ 30,590,505</u>	<u>\$ 30,471,954</u>

# City of Medford, Wisconsin

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Electric Utility	Water Utility	Sewer Utility	Nonmajor Recycling - Solid Waste
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 10,087,696	\$ 1,045,993	\$ 1,480,209	\$ 312,241
Cash paid for employee wages and benefits	(600,482)	(189,553)	(346,848)	(2,665)
Cash paid to suppliers	(8,510,216)	(139,266)	(672,901)	(292,970)
Net cash provided by operating activities	<u>976,998</u>	<u>717,174</u>	<u>460,460</u>	<u>16,606</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Merchandising/jobbing (net)	20,630	6,279	-	-
Intergovernmental	-	-	-	25,924
Advances from (to) other funds	-	(111,189)	-	-
Interest paid on interfund advance	-	-	-	-
Transfer to other funds	(222,212)	(190,665)	-	-
Net cash provided (used) by noncapital financing activities	<u>(201,582)</u>	<u>(295,575)</u>	<u>-</u>	<u>25,924</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(1,138,515)	(192,107)	(1,430,050)	(7,130)
Capital contributions	3,029	-	-	-
Sale of capital assets	-	-	4,573	-
Proceeds from long-term debt issued	-	-	-	-
Premium on long-term debt issued	-	-	(3,691)	-
Principal paid on long-term debt	-	(65,000)	(85,000)	-
Interest paid on long-term debt	(73)	(41,754)	(39,509)	-
Net cash flows used by capital and related financing activities	<u>(1,135,559)</u>	<u>(298,861)</u>	<u>(1,553,677)</u>	<u>(7,130)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>73,813</u>	<u>1,565</u>	<u>56,536</u>	<u>543</u>
<b>Change in cash and cash equivalents</b>	<b>(286,330)</b>	<b>124,303</b>	<b>(1,036,681)</b>	<b>35,943</b>
<b>Cash and cash equivalents - January 1</b>	<b><u>3,194,347</u></b>	<b><u>1,463,754</u></b>	<b><u>4,283,623</u></b>	<b><u>616,536</u></b>
<b>Cash and cash equivalents - December 31</b>	<b><u>\$ 2,908,017</u></b>	<b><u>\$ 1,588,057</u></b>	<b><u>\$ 3,246,942</u></b>	<b><u>\$ 652,479</u></b>

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

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Totals	
2019	2018
\$ 12,926,139	\$ 13,029,498
(1,139,548)	(1,198,698)
(9,615,353)	(9,657,190)
<u>2,171,238</u>	<u>2,173,610</u>
26,909	(3,096)
25,924	39,946
(111,189)	(81,162)
-	(2,785)
<u>(412,877)</u>	<u>(398,091)</u>
<u>(471,233)</u>	<u>(445,188)</u>
(2,767,802)	(1,697,184)
3,029	-
4,573	37,978
-	1,530,000
(3,691)	55,360
(150,000)	(150,000)
(81,336)	(123,071)
<u>(2,995,227)</u>	<u>(346,917)</u>
<u>132,457</u>	<u>80,289</u>
(1,162,765)	1,461,794
<u>9,558,260</u>	<u>8,096,466</u>
<u>\$ 8,395,495</u>	<u>\$ 9,558,260</u>

# City of Medford, Wisconsin

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Electric Utility	Water Utility	Sewer Utility	Nonmajor Recycling - Solid Waste
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 84,346	\$ 423,558	\$ (232,570)	\$ 9,686
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	491,697	271,372	900,852	4,462
Depreciation charged to other accounts	34,187	16,015	(16,016)	-
Change in liability (asset) and deferred outflows and inflows of resources				
Change in WRS Asset/Liability	175,330	28,737	71,519	-
Change in WRS Deferred Outflow	(116,157)	(18,367)	(43,328)	-
Change in WRS Deferred Inflow	(24,185)	(4,356)	(15,357)	-
Change in OPEB Liability	(3,881)	(687)	(2,295)	-
Change in OPEB Deferred Outflow	232	44	175	-
Change in OPEB Deferred Inflow	4,943	801	1,895	-
Change in operating assets and liabilities				
Accounts receivables	5,797	(1,640)	15,455	1,490
Inventories and prepaid items	17,361	1,843	-	-
Accounts payable	305,700	(2,405)	(222,514)	998
Other accrued liabilities	5,066	2,162	2,450	(30)
Customer deposits	(2,900)	-	-	-
Unearned revenue	(667)	-	-	-
Compensated absences	444	97	194	-
Public benefits	(315)	-	-	-
Net cash provided by operating activities	<u>\$ 976,998</u>	<u>\$ 717,174</u>	<u>\$ 460,460</u>	<u>\$ 16,606</u>
Reconciliation of cash and cash equivalents to the statement of net position				
Cash and cash equivalents in current assets	\$ 2,908,017	\$ 738,057	\$ 1,557,293	\$ 652,479
Cash and cash equivalents in restricted and other assets	-	850,000	1,689,649	-
Total cash and cash equivalents	<u>\$ 2,908,017</u>	<u>\$ 1,588,057</u>	<u>\$ 3,246,942</u>	<u>\$ 652,479</u>
Noncash capital and related financing activities				
Capital assets contributed by City	\$ -	\$ 67,541	\$ -	\$ -

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

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Totals	
2019	2018
\$ 285,020	\$ 524,246
1,668,383	1,552,172
34,186	31,267
275,586	(161,422)
(177,852)	41,665
(43,898)	137,935
(6,863)	5,049
451	(3,563)
7,639	1,600
21,102	(90,833)
19,204	(46,930)
81,779	218,483
9,648	(11,184)
(2,900)	(200)
(667)	3,004
735	(16,555)
(315)	(11,124)
<u>\$ 2,171,238</u>	<u>\$ 2,173,610</u>
\$ 5,855,846	\$ 6,374,715
<u>2,539,649</u>	<u>3,183,545</u>
<u>\$ 8,395,495</u>	<u>\$ 9,558,260</u>
\$ 67,541	\$ 369,276

# City of Medford, Wisconsin

STATEMENT OF NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2019

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	<u>Tax Collection Custodial Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,336,684
<b>LIABILITIES</b>	
Due to other governments	<u>1,336,684</u>
<b>NET POSITION</b>	
Restricted	<u><u>\$ -</u></u>

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

# City of Medford, Wisconsin

## STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED DECEMBER 31, 2019

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	<u>Tax Collection Custodial Fund</u>
<b>ADDITIONS</b>	
Property tax collections	\$ 2,866,518
<b>DEDUCTIONS</b>	
Payments to taxing jurisdictions	<u>2,866,518</u>
<b>Change in net position</b>	-
<b>Net position - January 1</b>	<u>-</u>
<b>Net position - December 31</b>	<u><u>\$ -</u></u>

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. REPORTING ENTITY

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

##### **City of Medford Community Development Authority**

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

#### B. JOINT VENTURES

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

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

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.

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The City has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

#### General Fund

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

#### Debt Service Fund

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

#### Construction Capital Projects Fund

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### Tax Incremental District No. 6 and 12 Capital Projects Funds

These funds are used to account for the project plan costs of the City's Tax Incremental District No. 6. And No. 12.

The City reports the following major enterprise funds:

#### Electric Utility Fund

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

#### Water Utility Fund

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

#### Sewer Utility Fund

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

The City also reports the following fiduciary fund:

#### Custodial Fund

The custodial fund accounts for property taxes and special charges collected on behalf of other governments. These amounts were recorded in the general fund in prior years. Due to the implementation of GASB 84, *Fiduciary Activities*, they are now recorded in a custodial fund.

### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

#### **1. Cash and Investments**

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

#### **2. Property Taxes**

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

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

#### **3. Accounts Receivable**

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

#### **4. Special Assessments**

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### 5. Loans Receivable

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

### 6. Interfund Receivables and Payables

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

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

### 7. Inventories

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

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

### 8. Prepaid Items

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

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

### 9. Capital Assets

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

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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

### 10. Compensated Absences

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

### 11. Deferred Outflows/Inflows of Resources

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

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

### 12. Long-term Obligations

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

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 BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### 13. Pensions

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

### 14. Other Postemployment Benefits Other Than Pensions (OPEB)

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 15. Fund Equity

#### *Governmental Fund Financial Statements*

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

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

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### *Government-Wide and Proprietary Fund Statements*

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

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

### F. SALES TAX

The City collects sales tax from certain customers and remits the entire amount to the appropriate governmental entities.

The City's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

### G. USE OF ESTIMATES

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

### H. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

### I. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance, or changes in fund balance.

# City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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## NOTE 2: STEWARDSHIP AND COMPLIANCE

### A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. During November, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except for the police department and fire department membership funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the governmental funds adopting a budget. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions. The expenditures of the tax increment districts are controlled and authorized by project plans and borrowing resolutions.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2019.

### B. DEFICIT FUND EQUITY

The following funds had deficit fund balance or net position as of December 31, 2019:

Funds	Deficit Fund Balance
Capital projects	
Construction	\$ 24,944
TID No. 5	143,376
TID No. 6	394,941
TID No. 7	230,808
TID No. 8	388,438
TID No. 10	425,713
TID No. 12	629,153
TID No. 13	174,065

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

# City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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## C. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2019 and 2020 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2019 budget was 0.42%. The actual limit for the City for the 2020 budget was 0.95%. 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.

## NOTE 3: DETAILED NOTES ON ALL FUNDS

### A. CASH AND INVESTMENTS

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

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

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

The carrying amount of the City's cash and investments totaled \$17,396,340 on December 31, 2019 as summarized below:

Petty cash and cash on hand	\$	1,182
Deposits with financial institutions		12,495,457
Investments		4,899,701
	\$	<u>17,396,340</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position		
Cash and investments	\$	13,299,376
Restricted cash and investments		2,760,280
Fiduciary Fund Statement of Net Position		
Tax Collection Custodial Fund		1,336,684
	\$	<u>17,396,340</u>

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2019:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
US Treasuries	\$ -	\$ 20,000	\$ -
Money market mutual funds	220,631	-	-
Negotiable certificates of deposit	3,843,570	-	-
Federal Home Loan Banks	-	275,501	-
	<u>\$ 4,064,201</u>	<u>\$ 295,501</u>	<u>\$ -</u>

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

### Custodial Credit Risk

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

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

As of December 31, 2019, \$3,709,529 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. \$3,709,529 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name.

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

### Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
US Treasuries	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ -
Money market mutual funds	220,631	-	-	-	220,631
Negotiable certificates of deposit	3,843,570	-	-	-	3,843,570
Federal Home Loan Banks	275,501	-	-	275,501	-
<b>Totals</b>	<b>\$ 4,359,702</b>	<b>\$ 20,000</b>	<b>\$ -</b>	<b>\$ 275,501</b>	<b>\$ 4,064,201</b>

### 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:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
US Treasuries	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ -
Mutual Bond Funds	220,631	220,631	-	-	-
Negotiable certificates of deposit	3,843,570	2,564,728	1,278,842	-	-
Federal Home Loan Banks	275,501	-	275,501	-	-
<b>Totals</b>	<b>\$ 4,359,702</b>	<b>\$ 2,785,359</b>	<b>\$ 1,554,343</b>	<b>\$ 20,000</b>	<b>\$ -</b>

# City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

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## B. RESTRICTED AND OTHER ASSETS

Restricted and other assets on December 31, 2019 totaled \$2,760,280 and consisted of cash and investments held for the following purposes:

<u>Funds</u>	<u>Amount</u>	<u>Purpose</u>
Community development Authority		
Bond reserve	\$ 220,631	To be used as a bond reserve for lease revenue bonds
Enterprise funds		
Water utility		
Equipment replacement	<u>850,000</u>	To be used for the replacement of certain equipment of the water utility
Sewer utility		
Equipment replacement	1,184,649	To be used for the replacement of certain equipment of the sewer utility in accordance with Wisconsin Department of Natural Resources requirements
Unspent proceeds	<u>505,000</u>	Unspent proceeds to be spent on capital improvements
Total sewer utility	<u>1,689,649</u>	
Total enterprise funds	<u>2,539,649</u>	
Total	<u>\$ 2,760,280</u>	

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

### C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 1,022,327	\$ -	\$ -	\$ 1,022,327
Construction in progress	263,639	260,941	252,411	272,169
Total capital assets, nondepreciable	<u>1,285,966</u>	<u>260,941</u>	<u>252,411</u>	<u>1,294,496</u>
Capital assets, depreciable:				
Buildings and improvements	5,161,085	-	-	5,161,085
Machinery and equipment	4,497,377	910,395	267,543	5,140,229
Infrastructure	29,586,587	650,960	-	30,237,547
Subtotals	<u>39,245,049</u>	<u>1,561,355</u>	<u>267,543</u>	<u>40,538,861</u>
Less accumulated depreciation for:				
Buildings and improvements	2,545,527	152,389	-	2,697,916
Machinery and equipment	3,085,321	358,989	261,753	3,182,557
Infrastructure	13,283,267	772,079	-	14,055,346
Subtotals	<u>18,914,115</u>	<u>1,283,457</u>	<u>261,753</u>	<u>19,935,819</u>
Total capital assets, depreciable, net	<u>20,330,934</u>	<u>277,898</u>	<u>5,790</u>	<u>20,603,042</u>
Governmental activities capital assets, net	<u>\$ 21,616,900</u>	<u>\$ 538,839</u>	<u>\$ 258,201</u>	21,897,538
Less: Capital related debt				2,030,000
Less: Debt premium				28,911
Less: Capital related payables				<u>52,620</u>
Net investment in capital assets				<u>\$ 19,786,007</u>
<b>Business-type activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 149,539	\$ -	\$ -	\$ 149,539
Construction in progress	903,457	12,751	903,457	12,751
Non-utility property	58,396	-	-	58,396
Total capital assets, nondepreciable	<u>1,111,392</u>	<u>12,751</u>	<u>903,457</u>	<u>220,686</u>
Capital assets, depreciable:				
Buildings and improvements	11,017,442	11,423	-	11,028,865
Machinery and equipment	9,846,098	2,371,895	111,245	12,106,748
Infrastructure	28,357,958	1,354,704	275,441	29,437,221
Subtotals	<u>49,221,498</u>	<u>3,738,022</u>	<u>386,686</u>	<u>52,572,834</u>
Less accumulated depreciation for	<u>27,290,911</u>	<u>1,702,882</u>	<u>374,716</u>	<u>28,619,077</u>
Total capital assets, depreciable, net	<u>21,930,587</u>	<u>2,035,140</u>	<u>11,970</u>	<u>23,953,757</u>
Business-type activities capital assets, net	<u>\$ 23,041,979</u>	<u>\$ 2,047,891</u>	<u>\$ 915,427</u>	24,174,443
Less: Capital related debt				2,320,000
Less: Debt premium				47,978
Less: Capital related payables				<u>307,577</u>
Net investment in capital assets				<u>\$ 21,498,888</u>

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Governmental activities	
General government	\$ 36,883
Public safety	193,407
Public works	1,009,825
Conservation and development	3,736
Culture and recreation	39,606
Total depreciation expense - governmental activities	<u>\$ 1,283,457</u>
Business-type activities	
Electric utility	\$ 491,697
Electric utility charged to clearing accounts	34,499
Water utility	271,372
Sewer utility	900,852
Recycling utility	4,462
Total depreciation expense - business-type activities	<u>\$ 1,702,882</u>

### D. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2019 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Long-term cash advances		
General Fund	\$ 3,089,818	\$ -
Capital Projects Funds		
TID No. 5	-	211,637
TID No. 6	-	712,083
TID No. 7	-	288,469
TID No. 8	-	388,944
TID No. 10	-	455,127
TID No. 12	-	760,529
TID No. 13	-	273,029
Totals	<u>\$ 3,089,818</u>	<u>\$ 3,089,818</u>

### Advance from the General Fund

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

Interfund transfers for the year ended December 31, 2019 were as follows:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 412,877	\$ 166,656
Special Revenue		
Library	165,156	-
Parks	1,500	-
Community Development Authority	251,838	-
Debt Service	184,430	-
Capital Projects		
TID No. 5	-	37,500
TID No. 6	75,000	-
TID No. 8	144,500	-
TID No. 10	-	10,470
TID No. 11	-	75,000
TID No. 12	-	358,838
TID No. 13	-	173,960
Enterprise		
Electric utility	-	222,212
Water utility	-	190,665
	<u>1,235,301</u>	<u>\$ 1,235,301</u>
Elimination of governmental funds	(822,424)	
Capital assets of enterprise funds finance by City	(67,541)	
Transfers - governmental activities	<u>\$ 345,336</u>	

Interfund transfers were made for the following purposes:

Tax equivalent payment made by electric utility to general fund	\$ 222,212
Tax equivalent payment made by water utility to general fund	190,665
Tax incremental district transfers for debt retirement related to the District	436,268
Shared TID increment	219,500
Moving revenues from the fund required to collect them to the fund required or allowed to expend them	166,656
	<u>\$ 1,235,301</u>

# City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

## E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2019:

	Beginning Balance (as restated)	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 1,075,000	\$ -	\$ 140,000	\$ 935,000	\$ 135,000
Notes	665,000	-	275,000	390,000	270,000
Total General Obligation Debt	<u>1,740,000</u>	<u>-</u>	<u>415,000</u>	<u>1,325,000</u>	<u>405,000</u>
Debt premium	33,729	-	4,818	28,911	-
Lease revenue bonds	1,150,000	-	225,000	925,000	225,000
Compensated absences	<u>57,620</u>	<u>-</u>	<u>5,354</u>	<u>52,266</u>	<u>2,851</u>
Governmental activities Long-term obligations	<u>\$ 2,981,349</u>	<u>\$ -</u>	<u>\$ 650,172</u>	<u>\$ 2,331,177</u>	<u>\$ 632,851</u>
<b>Business-type activities:</b>					
General Obligation Debt					
Bonds	\$ 2,470,000	\$ -	\$ 150,000	\$ 2,320,000	\$ 150,000
Debt premium	51,669	-	3,691	47,978	-
Compensated absences	<u>24,103</u>	<u>735</u>	<u>-</u>	<u>24,838</u>	<u>-</u>
Business-type activities Long-term obligations	<u>\$ 2,545,772</u>	<u>\$ 735</u>	<u>\$ 153,691</u>	<u>\$ 2,392,816</u>	<u>\$ 150,000</u>

Total interest paid during the year on long-term debt totaled \$156,843.

### General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
General Obligation Bond	05/03/11	04/01/31	2.00 - 4.125%	\$ 1,865,000	\$ 1,205,000
General Obligation Note	10/08/13	10/01/23	0.35 - 2.70%	2,555,000	390,000
General Obligation Bond	02/06/18	12/01/32	3.00%	2,445,000	2,050,000
Total outstanding general obligation debt					<u>\$ 3,645,000</u>

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

Annual principal and interest maturities of the outstanding general obligation debt of \$3,645,000 on December 31, 2019 are detailed below:

Year Ended December 31,	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 405,000	\$ 38,490	\$ 150,000	\$ 78,425	\$ 555,000	\$ 116,915
2021	180,000	29,040	155,000	73,925	335,000	102,965
2022	190,000	23,760	160,000	69,275	350,000	93,035
2023	190,000	17,830	165,000	63,775	355,000	81,605
2024	155,000	12,980	175,000	58,125	330,000	71,105
2025-2029	205,000	8,500	955,000	197,463	1,160,000	205,963
2030-2032	-	-	560,000	32,316	560,000	32,316
	<u>\$ 1,325,000</u>	<u>\$ 130,600</u>	<u>\$ 2,320,000</u>	<u>\$ 573,304</u>	<u>\$ 3,645,000</u>	<u>\$ 703,904</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, 2019 was \$12,813,903 as follows:

Equalized valuation of the City		\$ 313,644,200
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		15,682,210
Total outstanding general obligation debt applicable to debt limitation	\$ 3,645,000	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>776,693</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>2,868,307</u>
Legal margin for new debt		<u>\$ 12,813,903</u>

### Lease Revenue Bonds

The City of Medford entered into a lease agreement with the CDA during 2001 to issue lease revenue bonds totaling \$3,120,000 to provide financing for certain property and improvements within the Tax Incremental District No. 12 of the City ("TID No. 12"). In 2004, the CDA refinanced outstanding maturities of the \$3,120,000 Community Development Lease Revenue Bonds, Series 2001, by issuing \$3,205,000 Community Development Lease Revenue Refunding Bonds, Series 2004A. These bonds were subsequently refinanced in 2013 by issuing \$2,200,000 Community Development Lease Revenue Refunding Bonds, Series 2013A. Lease revenue bonds outstanding on December 31, 2019 follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/19</u>
Lease Revenue Bonds	10/10/13	12/1/23	1.00 - 3.30%	\$ 2,200,000	\$ 925,000

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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

Debt service requirements to maturity are as follows:

Year Ended December 31,	Community Development Authority		
	Principal	Interest	Total
2020	\$ 225,000	\$ 27,155	\$ 252,155
2021	240,000	21,530	261,530
2022	245,000	14,690	259,690
2023	215,000	7,095	222,095
	<u>\$ 925,000</u>	<u>\$ 70,470</u>	<u>\$ 995,470</u>

## F. PENSION PLAN

### 1. Plan Description

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

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

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

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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

The WRS also provides death and disability benefits for employees.

### 2. Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2009	(2.1)%	(42)%
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

### 3. Contributions

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

During the reporting period ended December 31, 2019, the WRS recognized \$177,142 in contributions from the City.

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At December 31, 2019, the City reported a liability of \$587,868 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the City's proportion was 0.01652390%, which was an increase of 0.00017254% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized pension expense of \$394,064.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 457,859	\$ 809,332
Net differences between projected and actual earnings on pension plan investments	858,541	-
Changes in assumptions	99,092	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,680	3,745
Employer contributions subsequent to the measurement date	177,142	-
Total	<u>\$ 1,594,314</u>	<u>\$ 813,077</u>

\$177,142 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2020	\$ 217,625
2021	55,144
2022	96,445
2023	234,881
Total	<u>\$ 604,095</u>

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### 5. Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.0%
Discount rate:	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

\* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

	<b>Current Asset Allocation %</b>	<b>Long-term Expected Nominal Rate of Return %</b>	<b>Long-term Expected Real Rate of Return %</b>
<u>Core Fund Asset Class</u>			
Global equities	49%	8.1%	5.5%
Fixed income	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	3.8%	1.3%
Real estate	9%	6.5%	3.9%
Private equity/debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.6%	5.0%
International equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

**Single Discount Rate.** A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long-term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

**Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to Discount Rate (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 2,336,251	\$ 587,868	\$ (712,189)

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

### 6. Payables to the Pension Plan

At December 31, 2019, the City reported a payable of \$5,381 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2019.

## G. OTHER POSTEMPLOYMENT BENEFITS

### *Plan Description*

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

### *OPEB Plan Fiduciary Net Position*

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

### *Benefits Provided*

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

### *Contributions*

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

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Contribution rates as of December 31, 2019 are:

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

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are listed below:

Life Insurance Employee Contribution Rates For the Year Ended December 31, 2018		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30 - 34	0.06	0.06
35 - 39	0.07	0.07
40 - 44	0.08	0.08
45 - 49	0.12	0.12
50 - 54	0.22	0.22
55 - 59	0.39	0.39
60 - 64	0.49	0.49
65 - 69	0.57	0.57

\* Disabled members under age 70 receive a waiver-of-premium benefit

During the reporting period, the LRLIF recognized \$744 in contributions from the employer.

### *OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At December 31, 2019, the City reported a liability of \$102,771 for its proportionate share of the net OPEB liability (asset). The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the City's proportion was 0.03982800%, which was a decrease of 0.00222700% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized OPEB expense of \$8,693.

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,214
Net differences between projected and actual earnings on OPEB plan investments	2,456	-
Changes in assumptions	9,806	22,276
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	8,917
Total	<u>\$ 12,262</u>	<u>\$ 36,407</u>

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

<u>Year Ended December 31,</u>	<u>Expense</u>
2020	\$ 3,540
2021	3,540
2022	3,540
2023	3,884
2024	4,240
Thereafter	5,401
Total	<u>\$ 24,145</u>

**Actuarial assumptions.** The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2018
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	4.10%
Long-term expected rate of return:	5.00%
Discount rate:	4.22%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return %</u>
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-term expected rate of return			5.00%

**Single discount rate.** A single discount rate of 4.22% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

**Sensitivity of the City's proportionate share of net OPEB liability (asset) to changes in the discount rate.** The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 4.22%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.20%) or 1-percentage-point higher (4.20%) than the current rate:

	<u>1% Decrease to Discount Rate (2.20%)</u>	<u>Current Discount Rate (3.20%)</u>	<u>1% Increase to Discount Rate (4.20%)</u>
City's proportionate share of the net OPEB liability (asset)	\$ 146,197	\$ 102,771	\$ 69,276

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

### *Payable to the OPEB Plan*

At December 31, 2019, the City reported a payable of \$329 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2019.

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### H. FUND EQUITY

#### Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2019, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Inventory and prepaid items	\$ 7,389
Delinquent specials held by County	7,575
Utility special assessments	38,853
Advances to other funds	3,089,818
Total nonspendable fund balance	<u>\$ 3,143,635</u>

#### Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2019, restricted fund balance was as follows:

Special Revenue Funds	
Restricted for	
Room Tax	\$ 10,728
Community development	237,518
Community Development Authority -	
Retirement of long-term debt	220,631
Medford fire and rescue	302,421
Police department	44,705
Fire department membership	44,353
	<u>860,356</u>
Debt Service Fund	
Restricted for	
Retirement of long-term debt	<u>776,693</u>
Capital Projects Fund	
Restricted for	
TID project plan	<u>28,418</u>
Total restricted fund balance	<u>\$ 1,665,467</u>

#### Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2019, General Fund balance was committed as follows:

Special Revenue Funds	
Committed for	
Landfill	\$ 174,222
Library	346,994
Parks	16,546
Total committed fund balance	<u>\$ 537,762</u>

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2019, fund balance was assigned as follows:

General Fund		
Accounting software	\$	27,895
Capital construction		155,429
Chamber building maintenance		25,000
City office equipment		28,956
Citywide assessment revaluation		90,135
Election equipment		18,205
Fire department - vehicles		24,631
Geographical Information System (GIS)		6,468
Insurance Premium		100,534
Land acquisition		31,459
Park development		52,849
Police vehicles		46,174
Public works equipment		195,542
Public works sand, salt and rental		189,278
Recreation		8,027
Swimming pool		32,860
Website development		<u>4,350</u>
Total	\$	<u><u>1,037,792</u></u>

### I. NET POSITION

The City reports restricted net position at December 31, 2019 as follows:

Governmental Activities		
Restricted for		
Debt service	\$	771,176
Room tax		10,728
Medford fire and rescue		346,774
Police department		44,705
Community development		516,526
TID project plan		<u>28,418</u>
Total governmental activities restricted net position		<u><u>1,718,327</u></u>
Business-type Activities		
Restricted for		
Equipment replacement		<u>2,034,649</u>
Total restricted net position	\$	<u><u>3,752,976</u></u>

# City of Medford, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

## NOTE 4: OTHER INFORMATION

### A. TAX INCREMENTAL FINANCING DISTRICTS

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

Since creation of the above Districts, the City has provided various financing sources to the TID. The foregoing amounts are not recorded as liabilities in the TID capital project fund but can be recovered by the City from any future excess tax increment revenues. As of December 31, 2019, the City can recover \$3,981,148 from future excess tax increment revenues of the following:

	<b>Advance / Due from Other Funds</b>	<b>Advances from Component Unit</b>	<b>Portion of General Obligation Debt</b>	<b>Deficit or (Available Resources)</b>	<b>Total</b>
TID No. 5	\$ 211,637	\$ -	\$ -	\$ (68,261)	\$ 143,376
TID No. 6	712,083	-	-	(317,142)	394,941
TID No. 7	288,469	-	-	(57,661)	230,808
TID No. 8	388,944	-	-	(140)	388,804
TID No. 10	455,127	-	15,000	(29,414)	440,713
TID No. 11	-	-	-	(28,418)	(28,418)
TID No. 12	760,529	705,000	-	(131,376)	1,334,153
TID No. 13	273,029	-	935,000	(98,964)	1,109,065
	<u>\$ 3,089,818</u>	<u>\$ 705,000</u>	<u>\$ 950,000</u>	<u>\$ (731,376)</u>	<u>\$ 4,013,442</u>

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

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

<sup>(1)</sup> The District has been designated as a donor or donee district; therefore, the District's maximum life has been extended.

# City of Medford, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### **B. RISK MANAGEMENT**

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

### **C. CONTINGENCIES**

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.

### **D. ENTERPRISE FUNDS - SIGNIFICANT CUSTOMERS**

During 2019, the Sewer Utility had one significant customer who was responsible for 10% of operating revenues in 2019. No other utility customer accounted for more than 10% of operating revenue.

### **E. PRIOR PERIOD ADJUSTMENT**

The City recorded a prior period adjustment of \$322,958 in the government wide statements and \$69,622 in the proprietary fund statements to reflect a correction in the calculation of the compensated absences liability.

### **F. UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

# City of Medford, Wisconsin

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

Plan Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.01632356%	\$ (400,951)	\$ 2,098,523	19.11%	102.74%
12/31/15	0.01633878%	265,502	2,056,590	12.91%	98.50%
12/31/16	0.01636869%	265,502	2,122,925	12.51%	99.12%
12/31/17	0.01635136%	134,917	2,164,968	6.23%	102.93%
12/31/18	0.01652390%	587,868	2,199,504	26.73%	96.45%

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (fiscal year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 154,908	\$ 154,908	\$ -	\$ 2,056,590	7.53%
12/31/16	155,771	155,771	-	2,122,925	7.34%
12/31/17	169,741	169,741	-	2,164,968	7.84%
12/31/18	170,064	170,064	-	2,199,504	7.73%
12/31/19	177,142	177,142	-	2,114,977	8.38%

See notes to required supplementary information.

# City of Medford, Wisconsin

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

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.04205500%	\$ 126,526	\$ 2,164,968	5.84%	44.81%
12/31/18	0.03982800%	102,771	2,199,504	4.67%	48.69%

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	\$ 770	\$ 770	\$ -	\$ 2,199,504	0.04%
12/31/19	744	744	-	2,114,977	0.04%

See notes to required supplementary information.

# City of Medford, Wisconsin

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2019

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### **A. WISCONSIN RETIREMENT SYSTEMS**

*Change of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

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

### **B. OTHER POSTEMPLOYMENT BENEFITS - LOCAL RETIREE LIFE INSURANCE FUND**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in LRLIF.

*Changes of assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

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

# City of Medford, Wisconsin

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	Special Revenue								
	Room Tax	Landfill	Library	CDBG	Community Development Authority	Parks	Medford Area Fire Department	Police Department	Fire Department Membership Fund
<b>ASSETS</b>									
Cash and investments	\$ -	\$ 174,290	\$ 367,886	\$ 237,518	\$ -	\$ 16,546	\$ 311,299	\$ 42,110	\$ 44,453
Restricted cash and investments	-	-	-	-	220,631	-	-	-	-
Receivables									
Taxes	-	-	-	-	-	-	-	-	-
Accounts	10,728	-	-	-	-	-	12,854	2,595	-
Delinquent specials held by County									
Loans	-	-	-	279,008	-	-	-	-	-
Interest	-	61	-	-	-	-	55	-	-
Total assets	<u>\$ 10,728</u>	<u>\$ 174,351</u>	<u>\$ 367,886</u>	<u>\$ 516,526</u>	<u>\$ 220,631</u>	<u>\$ 16,546</u>	<u>\$ 324,208</u>	<u>\$ 44,705</u>	<u>\$ 44,453</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
Liabilities									
Accounts payable	\$ -	\$ 76	\$ 15,314	\$ -	\$ -	\$ -	\$ 2,782	\$ -	\$ 100
Accrued and other current liabilities	-	53	5,578	-	-	-	7,217	-	-
Advances from other funds	-	-	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	11,788	-	-
Total liabilities	-	129	20,892	-	-	-	21,787	-	100
Deferred inflows of resources									
Property taxes levied for subsequent year	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	279,008	-	-	-	-	-
Total deferred inflows of resources	-	-	-	279,008	-	-	-	-	-
Fund balances									
Restricted	10,728	-	-	237,518	220,631	-	302,421	44,705	44,353
Committed	-	174,222	346,994	-	-	16,546	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>10,728</u>	<u>174,222</u>	<u>346,994</u>	<u>237,518</u>	<u>220,631</u>	<u>16,546</u>	<u>302,421</u>	<u>44,705</u>	<u>44,353</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,728</u>	<u>\$ 174,351</u>	<u>\$ 367,886</u>	<u>\$ 516,526</u>	<u>\$ 220,631</u>	<u>\$ 16,546</u>	<u>\$ 324,208</u>	<u>\$ 44,705</u>	<u>\$ 44,453</u>

# City of Medford, Wisconsin

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	<u>Capital Projects</u>						
	<u>TID No. 5</u>	<u>TID No. 7</u>	<u>TID No. 8</u>	<u>TID No. 10</u>	<u>TID No. 11</u>	<u>TID No. 13</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and investments	\$ 82,501	\$ 65,982	\$ 10,828	\$ 45,973	\$ 50,656	\$ 184,343	\$ 1,634,385
Restricted cash and investments	-	-	-	-	-	-	220,631
Receivables							
Taxes	34,273	20,028	24,844	39,852	53,523	205,394	377,914
Accounts	-	-	-	-	-	-	26,177
Delinquent specials held by County							
Loans	-	-	-	-	-	-	279,008
Interest	-	-	-	-	-	-	116
Total assets	<u>\$ 116,774</u>	<u>\$ 86,010</u>	<u>\$ 35,672</u>	<u>\$ 85,825</u>	<u>\$ 104,179</u>	<u>\$ 389,737</u>	<u>\$ 2,538,231</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40	\$ 18,312
Accrued and other current liabilities	-	-	-	-	-	-	12,848
Advances from other funds	211,637	288,469	388,944	455,127	-	273,029	1,617,206
Unearned revenues	-	-	-	-	-	-	11,788
Total liabilities	<u>211,637</u>	<u>288,469</u>	<u>388,944</u>	<u>455,127</u>	<u>-</u>	<u>273,069</u>	<u>1,660,154</u>
Deferred inflows of resources							
Property taxes levied for subsequent year	48,513	28,349	35,166	56,411	75,761	290,733	534,933
Loans receivable	-	-	-	-	-	-	279,008
Total deferred inflows of resources	<u>48,513</u>	<u>28,349</u>	<u>35,166</u>	<u>56,411</u>	<u>75,761</u>	<u>290,733</u>	<u>813,941</u>
Fund balances							
Restricted	-	-	-	-	28,418	-	888,774
Committed	-	-	-	-	-	-	537,762
Unassigned	(143,376)	(230,808)	(388,438)	(425,713)	-	(174,065)	(1,362,400)
Total fund balances	<u>(143,376)</u>	<u>(230,808)</u>	<u>(388,438)</u>	<u>(425,713)</u>	<u>28,418</u>	<u>(174,065)</u>	<u>64,136</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 116,774</u>	<u>\$ 86,010</u>	<u>\$ 35,672</u>	<u>\$ 85,825</u>	<u>\$ 104,179</u>	<u>\$ 389,737</u>	<u>\$ 2,538,231</u>

# City of Medford, Wisconsin

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue								
	Room Tax	Landfill	Library	CDBG	Community Development Authority	Parks	Medford Area Fire Department	Police Department	Fire Department Membership Fund
<b>REVENUES</b>									
Taxes	\$ 43,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	223,352	-	-	-	-	1,440	-
Public charges for services	-	-	5,331	-	-	-	33,439	3,251	-
Intergovernmental charges for services	-	-	6,842	-	-	-	180,409	-	2,775
Miscellaneous	-	1,177	20,646	73,131	-	-	247,943	2,580	33,813
<b>Total revenues</b>	<b>43,892</b>	<b>1,177</b>	<b>256,171</b>	<b>73,131</b>	<b>-</b>	<b>-</b>	<b>461,791</b>	<b>7,271</b>	<b>36,588</b>
<b>EXPENDITURES</b>									
Current									
Public safety	-	-	-	-	-	-	173,815	23,942	35,054
Public works	-	15,002	-	-	-	-	-	-	-
Culture and recreation	-	-	452,279	-	-	202	-	-	-
Conservation and development	43,623	-	-	642	-	-	-	-	-
Debt service									
Principal	-	-	-	-	225,000	-	-	-	-
Interest and fiscal charges	-	-	-	-	26,957	-	-	-	-
Capital outlay	-	-	-	-	-	-	325,227	-	-
<b>Total expenditures</b>	<b>43,623</b>	<b>15,002</b>	<b>452,279</b>	<b>642</b>	<b>251,957</b>	<b>202</b>	<b>499,042</b>	<b>23,942</b>	<b>35,054</b>
Excess of revenues over (under) expenditures	269	(13,825)	(196,108)	72,489	(251,957)	(202)	(37,251)	(16,671)	1,534
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from sale of capital assets	-	-	-	-	-	-	15,371	-	-
Transfers in	-	-	165,156	-	251,838	1,500	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>165,156</b>	<b>-</b>	<b>251,838</b>	<b>1,500</b>	<b>15,371</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>269</b>	<b>(13,825)</b>	<b>(30,952)</b>	<b>72,489</b>	<b>(119)</b>	<b>1,298</b>	<b>(21,880)</b>	<b>(16,671)</b>	<b>1,534</b>
<b>Fund balances - January 1</b>	<b>10,459</b>	<b>188,047</b>	<b>377,946</b>	<b>165,029</b>	<b>220,750</b>	<b>15,248</b>	<b>324,301</b>	<b>61,376</b>	<b>42,819</b>
<b>Fund balances - December 31</b>	<b>\$ 10,728</b>	<b>\$ 174,222</b>	<b>\$ 346,994</b>	<b>\$ 237,518</b>	<b>\$ 220,631</b>	<b>\$ 16,546</b>	<b>\$ 302,421</b>	<b>\$ 44,705</b>	<b>\$ 44,353</b>

# City of Medford, Wisconsin

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Capital Projects</u>						
	TID No. 5	TID No. 7	TID No. 8	TID No. 10	TID No. 11	TID No. 13	Total
<b>REVENUES</b>							
Taxes	\$ 41,287	\$ 11,553	\$ 27,193	\$ 53,726	\$ 83,432	\$ 333,439	\$ 594,522
Intergovernmental	1,271	82	1,104	1,803	3,637	9,866	242,555
Public charges for services	-	-	-	-	-	-	42,021
Intergovernmental charges for services	-	-	-	-	-	-	190,026
Miscellaneous	-	-	-	-	-	-	379,290
<b>Total revenues</b>	<u>42,558</u>	<u>11,635</u>	<u>28,297</u>	<u>55,529</u>	<u>87,069</u>	<u>343,305</u>	<u>1,448,414</u>
<b>EXPENDITURES</b>							
Current							
Public safety	-	-	-	-	-	-	232,811
Public works	-	-	-	-	-	-	15,002
Culture and recreation	-	-	-	-	-	-	452,481
Conservation and development	1,780	1,126	405	1,841	1,780	87,285	138,482
Debt service							
Principal	-	-	-	-	-	-	225,000
Interest and fiscal charges	6,349	8,654	11,333	13,654	-	8,191	75,138
Capital outlay	-	-	-	150	-	9,189	334,566
<b>Total expenditures</b>	<u>8,129</u>	<u>9,780</u>	<u>11,738</u>	<u>15,645</u>	<u>1,780</u>	<u>104,665</u>	<u>1,473,480</u>
Excess of revenues over (under) expenditures	<u>34,429</u>	<u>1,855</u>	<u>16,559</u>	<u>39,884</u>	<u>85,289</u>	<u>238,640</u>	<u>(25,066)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from sale of capital assets	-	-	-	-	-	-	15,371
Transfers in	-	-	144,500	-	-	-	562,994
Transfers out	(37,500)	-	-	(10,470)	(75,000)	(173,960)	(296,930)
<b>Total other financing sources (uses)</b>	<u>(37,500)</u>	<u>-</u>	<u>144,500</u>	<u>(10,470)</u>	<u>(75,000)</u>	<u>(173,960)</u>	<u>281,435</u>
<b>Net change in fund balances</b>	(3,071)	1,855	161,059	29,414	10,289	64,680	256,369
<b>Fund balances - January 1</b>	(140,305)	(232,663)	(549,497)	(455,127)	18,129	(238,745)	(192,233)
<b>Fund balances - December 31</b>	<u>\$ (143,376)</u>	<u>\$ (230,808)</u>	<u>\$ (388,438)</u>	<u>\$ (425,713)</u>	<u>\$ 28,418</u>	<u>\$ (174,065)</u>	<u>\$ 64,136</u>



## 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, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2020.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2019-002 to be material weakness.

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. We consider the deficiencies described in the accompanying accompanying schedule of findings and responses as item 2019-001 to be significant deficiency.

#### **COMPLIANCE AND OTHER MATTERS**

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

#### **CITY OF MEDFORD, WISCONSIN'S RESPONSE TO FINDINGS**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
May 7, 2020

# City of Medford, Wisconsin

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

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### SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

<b>FINDING NO.</b>	<b>CONTROL DEFICIENCIES</b>
2019-001	<b>Preparation of Annual Financial Report</b> Repeat of Finding 2018-001
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the City contracts with us to compile the Wisconsin Municipal Report Form C and the Public Service Commission Report.
Context:	While performing audit procedures, it was noted that City does not have internal controls in place to provide reasonable assurance that financial statements are prepared accordingly.
Criteria:	The preparation and review of the annual financial report, Municipal Financial Report, and Public Service Commission Report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.
Cause:	City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the City continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report, Municipal Financial Report and Public Service Commission Report.
Management Response:	Management believes the cost for additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management has reviewed and approved the annual financial report prior to issuance.

# City of Medford, Wisconsin

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

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<b>FINDING NO.</b>	<b>CONTROL DEFICIENCIES</b>
2019-002	<b>Adjustments to the City's Financial Records</b> Repeat of Finding 2018-002
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries, including a prior period adjustment, that were material to the City's financial statements.
Context:	While performing audit procedures, it was noted that the City does not have sufficient controls in place related to year end closing procedures.
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, 2019.