

**FINAL OFFICIAL STATEMENT DATED FEBRUARY 6, 2018**

**NEW ISSUE**

Bank Qualified  
Non-Rated

*In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. The Bonds shall be "qualified tax-exempt obligations". See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.*

**\$2,740,000  
CITY OF WAUPACA  
Waupaca County, Wisconsin  
Sewerage System Revenue Bonds, Series 2018**

Dated: March 5, 2018

Due: May 1, as shown below

The \$2,740,000 Sewerage System Revenue Bonds, Series 2018 (the "Bonds") will be dated March 5, 2018, and will be in the denomination of \$5,000 each or any multiple thereof. The Bonds will mature serially on May 1 of the years 2019 through 2025 and term bonds will mature on May 1, 2028 (the "Term Bonds"). Interest on the Bonds shall be payable commencing on November 1, 2018 and semiannually thereafter on May 1 and November 1 of each year. Associated Trust Company, National Association, Green Bay, Wisconsin will serve as paying agent for the Bonds.

**MATURITY SCHEDULE**

				CUSIP <sup>(1)</sup>					CUSIP <sup>(1)</sup>
				Base					Base
(May 1)	Amount	Rate	Yield	943239	(May 1)	Amount	Rate	Yield	943239
2019	\$395,000	3.000%	2.000%	AS2	2023	\$445,000	3.000%	2.700%	AW3
2020	410,000	3.000	2.200	AT0	2024	460,000	3.000	2.800	AX1
2021	420,000	3.000	2.400	AU7	2025	40,000	4.000	3.100	AY9
2022	435,000	3.000	2.550	AV5					
									CUSIP <sup>(1)</sup>
									Base
									943239
	\$135,000	Term Bonds due May 1, 2028				Rate: 3.375%	Yield: 3.450%		AZ6

The Bonds are being issued pursuant to Section 66.0621 of the Wisconsin Statutes. The Bonds shall be issued by the City of Waupaca, Wisconsin (the "City"). A portion of the Bonds will be used for the public purpose of current refunding a portion of the City's Sewerage System Revenue Bonds, Series 2008, dated April 1, 2008, which were issued to refund obligations issued to finance sewerage system improvements and extensions. The remaining portion of the Bonds will be used for the public purpose of financing 2018 Capital Improvement Projects. (See "THE FINANCING PLAN" herein.)

The Bonds maturing on May 1, 2028 are subject to call and prior redemption, at the option of the City, on May 1, 2025 or any date thereafter, in whole or in part, and if in part, by lot at a price of par plus accrued interest to the date of redemption. The Term Bonds are also subject to mandatory redemption as described herein. (See "REDEMPTION PROVISIONS" herein.)

The Bonds will be issued only as fully registered Bonds and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository of the Bonds. Individual purchases will be made in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

The Bonds are not general obligations of the City and are payable only out of the Debt Service Fund (as described herein) into which the revenues of the Sewerage System are pledged on parity with the Outstanding Bonds as defined herein. (See "SECURITY" herein.)

**The City's Bonds are offered when, as and if issued subject to the approval of legality and certain legal matters by Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. Quarles & Brady LLP will also act as Disclosure Counsel for the City. The anticipated settlement date for the Bonds is on or about March 5, 2018.**



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**CITY OF WAUPACA  
Waupaca County, Wisconsin**

**PUBLIC WORKS/UTILITY DIRECTOR**

Justin Berrens

**WASTEWATER TREATMENT SUPERINTENDENT**

Jeff Dyer

**ADMINISTRATION**

Henry B. Veleker, City Administrator/Clerk  
Kathryn Kasza, Finance Director/Treasurer  
Justin Berrens, Director of Public Works/Utility  
Brennan Kane, Director – Community Development  
Aaron Jenson, Director – Parks and Recreation  
Peg Burington, Library Director  
Brian Hoelzel, Police Chief

**COMMON COUNCIL**

Brian R. Smith, Mayor  
Lori Chesnut, Alderperson  
Steve Hackett, Alderperson  
Paul Hagen, Council President  
Alan Kjelland, Alderperson  
Paul Mayou, Alderperson  
Eric Olson, Alderperson  
Dave Peterson, Alderperson  
Mary Phair, Alderperson  
Scott Purchatzke, Alderperson  
Charles Whitman, Alderperson

**PROFESSIONAL SERVICES**

**City Attorney:** John Hart – Hart Law Office, Waupaca, Wisconsin  
**Underwriter:** Robert W. Baird & Co. Incorporated, Milwaukee, Wisconsin  
**Bond Counsel:** Quarles & Brady LLP, Milwaukee, Wisconsin  
**Disclosure Counsel:** Quarles & Brady LLP, Milwaukee, Wisconsin  
**Paying Agent:** Associated Trust Company, National Association, Green Bay, Wisconsin

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement is being distributed in connection with the sale of the Bonds referred to in this Official Statement and may not be used, in whole or in part, for any other purpose. No dealer, broker, salesman or other person is authorized to make any representations concerning the Bonds other than those contained in this Official Statement, and if given or made, such other information or representations may not be relied upon as statements of the City of Waupaca, Wisconsin (the "City"). This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale.

Unless otherwise indicated, the City is the source of the information contained in this Official Statement. Certain information in this Official Statement has been obtained by the City or on its behalf from The Depository Trust Company and other non-City sources that the City believes to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information. Nothing contained in this Official Statement is a promise of or representation by Robert W. Baird & Co. Incorporated (the "Underwriter"). The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and opinions expressed in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in the financial condition or operations of the City or other information in this Official Statement, since the date of this Official Statement.

This Official Statement contains statements that are "forward-looking statements" as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Official Statement, the words "estimate," "intend," "project" or "projection," "expect" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to risks and uncertainties, some of which are discussed herein, that could cause actual results to differ materially from those contemplated in such forward-looking statements. Investors and prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Official Statement.

This Official Statement should be considered in its entirety. No one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, ordinances, reports or other documents are referred to in this Official Statement, reference should be made to those documents for more complete information regarding their subject matter.

The Bonds will not be registered under the Securities Act of 1933, as amended, or the securities laws of any state of the United States, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity shall have passed upon the accuracy or adequacy of this Official Statement.

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OR MAY NOT OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.**

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## SUMMARY

<b>City:</b>	City of Waupaca Waupaca County, Wisconsin.
<b>Issue:</b>	\$2,740,000 Sewerage System Revenue Bonds, Series 2018.
<b>Dated Date:</b>	March 5, 2018.
<b>Interest Due:</b>	On each May 1 and November 1, beginning on November 1, 2018. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.
<b>Principal Due:</b>	May 1 of the years 2019 through 2025. Term Bonds due May 1, 2028.
<b>Redemption Provisions:</b>	The Bonds maturing on May 1, 2028 shall be subject to call and prior payment, at the option of the City, on May 1, 2025 or on any date thereafter at a price of par plus accrued interest. The amounts and maturities of the Bonds to be redeemed shall be selected by the City. If less than the entire principal amount of any maturity is to be redeemed, the Bonds of that maturity which are to be redeemed shall be selected by lot. Notice of such call shall be given by sending a notice thereof by registered or certified mail, facsimile or electronic transmission, overnight express delivery, or in any other manner required by DTC not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books. The Term Bonds maturing May 1, 2028 are also subject to mandatory redemption as described herein. (See "REDEMPTION PROVISIONS" herein.)
<b>Security:</b>	The Bonds, together with interest thereon, shall not constitute an indebtedness of the City nor a charge against its general credit or taxing power. The Bonds, together with interest thereon, shall be payable only out of the Debt Service Fund provided for in the Resolution and shall be a valid claim of the holder thereof only against said Debt Service Fund and the revenues of the System pledged to such Fund, on parity with the City's outstanding Sewerage System Revenue Bonds, Series 2002, dated July 24, 2002 (the "2002 Bonds"), Sewerage System Revenue Bonds, Series 2004, dated August 25, 2004 (the "2004 Bonds"), Sewerage System Revenue Bonds, Series 2005, dated November 9, 2005 (the "2005 Bonds"), Sewerage System Revenue Bonds, Series 2007, dated July 11, 2007 (the "2007 Bonds") (collectively, the "Outstanding Bonds").
<b>Purpose:</b>	A portion of the Bonds will be used for the public purpose of current refunding a portion of the City's Sewerage System Revenue Bonds, Series 2008, dated April 1, 2008, which were issued to refund obligations issued to finance sewerage system improvements and extensions. The remaining portion of the Bonds will be used for the public purpose of financing 2018 Capital Improvement Projects. (See "THE FINANCING PLAN" herein.)
<b>Tax Status:</b>	Interest on the Bonds is excludable from gross income for federal income tax purposes. (See "TAX EXEMPTION" herein.)
<b>Bank Qualification:</b>	The Bonds shall be "qualified tax-exempt obligations."
<b>Record Date:</b>	The 15th day of the calendar month next preceding each interest payment date.

Information set forth on this page is qualified by the entire Official Statement. A full review of the entire Official Statement should be made by potential investors.

## INTRODUCTORY STATEMENT

This Official Statement presents certain information relating to the City of Waupaca, Wisconsin (the "City" and the "State" respectively) in connection with the sale of the City's \$2,740,000 Sewerage System Revenue Bonds, Series 2018 (the "Bonds"). The Bonds are issued pursuant to the Constitution and laws of the State and the resolution adopted by the Common Council of the City (the "Resolution") and other proceedings and determinations related thereto.

All summaries of statutes, documents and the Resolution contained in this Official Statement are subject to all the provisions of, and are qualified in their entirety by reference to such statutes, documents and the Resolution, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Resolution (defined herein). Copies of the Resolution may be obtained from the Underwriter (defined herein) upon request.

## THE FINANCING PLAN

A portion of the proceeds of the Bonds will be deposited in a segregated account and used to current refund the following issue (the "Prior Issue"):

<u>Issue</u>	<u>Original Amount</u>	<u>Call Price</u>	<u>Call Date</u>	<u>Maturities to be Refunded</u>	<u>Amount of Principal Refunded</u>	<u>Balance After Refunding</u>
Sewerage System Revenue Bonds, Series 2008 Dated: 4/1/08	\$4,125,000	100%	5/1/18	2024 <sup>(1)</sup>	\$2,395,000	-0-

<sup>(1)</sup>The 2019-2024 mandatory redemption amounts for the term bond maturing May 1, 2024 will be refunded by the Bonds. The City will set aside funds for the principal and interest payment due on May 1, 2018.

The remaining portion of the Bonds will be issued for the public purpose of financing 2018 Capital Improvement Projects of the Sewerage System.

## REDEMPTION PROVISIONS

### **Optional Redemption**

The Bonds maturing on May 1, 2028 are subject to call and prior redemption, at the option of the City, on May 1, 2025 or any date thereafter, in whole or in part, and if in part, by lot at a price of par plus accrued interest to the date of redemption.

### **Mandatory Redemption**

The Bonds maturing on May 1, 2028 (the "Term Bonds") are also subject to mandatory sinking fund redemption on May 1 of each of the years and in the amounts set forth below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of the Term Bonds, the City shall cause to be deposited in the Debt Service Fund Account a sum which is sufficient to redeem the following principal amounts of such Term Bonds plus accrued interest to the redemption date:

<u>2028 Term Bonds</u>	
<u>Year</u>	<u>Amount</u>
2026	\$45,000
2027	45,000
2028 (maturity)	45,000

The City will call the Term Bonds for redemption on the dates and in the amounts set forth above and direct its officers and agents to take the necessary steps to select the Term Bonds to be redeemed on the dates and amounts set forth above and give appropriate notice of said redemption to the registered holders of the Term Bonds so redeemed.

## ESTIMATED SOURCES AND USES

### Sources of Funds

Par Amount of Bonds	\$2,740,000.00
Prior Issue Debt Service Reserve Fund	306,000.00
Net Reoffering Premium	39,564.20
Estimated Investment Earnings	4,507.92
Total Sources of Funds:	<u>\$3,090,072.12</u>

### Uses of Funds

Deposit to Debt Service Fund (for Current Refunding)	\$2,395,000.00
Deposit to Project Fund	350,000.00
Deposit to Debt Service Reserve Fund	274,000.00
Underwriter's Discount	38,360.00
Costs of Issuance	22,596.11
Deposit to Debt Service Fund (for Capitalized Interest)	10,116.01
Total Uses of Funds:	<u>\$3,090,072.12</u>

## SECURITY FOR THE BONDS

### Security and Source of Payment

The Bonds, together with interest thereon, shall not constitute an indebtedness of the City nor a charge against its general credit or taxing power. The Bonds, together with interest thereon, shall be payable only out of the Debt Service Fund created pursuant to the Bond Resolution on parity with the Sewerage System Revenue Bonds, Series 2002, dated July 24, 2002 (the "2002 Bonds"), Sewerage System Revenue Bonds, Series 2004, dated August 25, 2004 (the "2004 Bonds"), Sewerage System Revenue Bonds, Series 2005, dated November 9, 2005 (the "2005 Bonds"), and Sewerage System Revenue Bonds, Series 2007, dated July 11, 2007 (the "2007 Bonds") (collectively, the "Outstanding Bonds") and shall be a valid claim of the holder thereof only against said Debt Service Fund and the revenues of the System pledged to such fund. Sufficient revenues are pledged to said Debt Service Fund, to be used for no other purpose than to pay the principal of, premium, if any, and interest on the Outstanding Bonds and the Bonds as the same becomes due.

It is the express intent and determination of the Common Council that the amounts transferred from the Revenue Fund and deposited in the Debt Service Fund shall be sufficient in any event to pay the interest on the Bonds as the same accrues and the principal amount thereof as the same matures, and to provide any amounts required to be paid monthly into the Reserve Account to maintain the Reserve Requirement.

### Reserve Account

To additionally secure the payment of principal and interest on the Bonds, a separate account will be created in the Debt Service Fund to be known as the "Reserve Account," and the City covenants and agrees that the amount on deposit in the Reserve Account will equal the "Reserve Requirement." The "Reserve Requirement" is defined in the Bond Resolution as an amount, determined as of the date of issuance of the Bonds, equal to the least of (a) 10% of the principal amount of the Bonds, (b) the maximum amount of principal and interest due on the outstanding Bonds in any bond year and (c) 125% of average annual debt service on the outstanding Bonds; provided, however, that on an ongoing basis it shall never exceed the remaining maximum annual principal and interest due on the outstanding Bonds in any calendar year. The Reserve Account shall be used solely for the purpose of paying principal of or interest on the Bonds at any time when there shall be insufficient money in the Interest and Principal Account. The Reserve Account is not pledged to, and monies on deposit therein shall never be used to pay principal and interest on the Outstanding Bonds.

### Rate Covenant

The City expressly covenants and agrees that it will charge and collect such lawfully established rates and charges for the services rendered by the Sewerage System (the "System"), so that in each year while the Bonds remain outstanding, the revenues of the System agreed to be set aside for that purpose will be sufficient to provide for payment of the Bonds and the interest thereon as the same becomes due and payable; and will promptly adopt and

enforce increased rates whenever such increase is necessary to fulfill any covenant of the Bond Resolution. It will make all good faith efforts so that in each bond year net revenues of the System shall not be less than 110% of the annual debt service requirement on the Outstanding Bonds and Bonds in that year.

**Additional Security (Service to the City)**

The City has covenanted that the reasonable cost and value of any service rendered to the City by the System by furnishing sewerage services shall be charged against the City and shall be paid in monthly installments as the service accrues. The amount of such reasonable cost and value shall be paid for as the service accrues, out of the current revenues of the City collected or in the process of collection, exclusive of the revenues of the System, and out of taxes levied by the City to meet its necessary current expenses. Such compensation for such service rendered to the City shall be paid into the Revenue Fund and shall be subject to apportionment to the Operation and Maintenance, Debt Service Fund and Surplus Fund in the manner provided in the Bond Resolution. However, such payment out of the tax levy shall be subject to (a) approval of the Public Service Commission, or successors to its function, if necessary, (b) yearly appropriations therefor and (c) applicable levy limitations, if any; but neither the Bond Resolution nor such payment shall be construed as constituting an obligation of the City to make any such appropriation over and above the reasonable cost and value of services rendered to the City and its inhabitants or make any subsequent payment over and above such reasonable cost and value. The amount of such reasonable cost and value is found to be equal to an amount as may be necessary from year to year to pay the balance of an amount which, together with other revenues of the System, will produce in each bond year net revenues equivalent to not less than 110% of the annual debt service requirement on the Outstanding Bonds and Bonds.

**Flow of Funds**

All revenues of the System shall be deposited as collected in a special fund to be known as the "Revenue Fund" and transferred to the following funds in the following manner and order of priority on the tenth day of each month.

1. Revenues transferred to the Operation and Maintenance Fund shall be retained therein in an amount not exceeding the estimated current expenses of the System for the current month and the next succeeding month.
2. Revenues transferred to the Debt Service Fund shall first be used to deposit monthly therein an amount equal to one-sixth of the next installment of interest on the Outstanding Bonds and Bonds then outstanding plus an amount equal to one-twelfth of the installment of principal of said Outstanding Bonds and Bonds coming due during such bond year, until the full amount of such installments shall be on deposit in said Debt Service Fund. Revenues shall next be transferred to the Reserve Account within the Debt Service Fund in an amount equal to one-twelfth of the Reserve Requirement until the Reserve Requirement has been accumulated therein. Money in the Reserve Account shall be used whenever necessary to pay principal of or interest on the Bonds whenever the Debt Service Fund shall be insufficient for that purpose. Money in the Reserve Account in excess of the Reserve Requirement shall be transferred to the Debt Service Fund. The Reserve Account does not secure payment of the Outstanding Bonds, and funds on deposit therein shall under no circumstances be used to pay principal of or interest on the Outstanding Bonds.
3. Revenues transferred to the Surplus Fund shall first be used whenever necessary to pay the principal of or interest on the Outstanding Bonds and Bonds when the Debt Service Fund shall be insufficient for that purpose and thereafter shall be disbursed as follows:
  - i. to remedy any deficiency in any other funds or accounts and;
  - ii. money thereafter remaining in the Surplus Fund at the end of any fiscal year may be transferred to any of the funds or account created by the Bond Resolution or to reimburse the General Fund of the City for advances made by the City to the System.

## GENERAL COVENANTS REGARDING OPERATION OF THE SEWERAGE SYSTEM

In the Bond Resolution, the City covenants among other things as follows:

### General Operations

The City will not sell, lease or in any manner dispose of the System or any part thereof except as provided in the Bond Resolution; and will keep proper books of record and account and have the same audited annually.

### Insurance

The City covenants to carry insurance such as is usual and customary for comparable systems.

## THE SEWERAGE SYSTEM

The Wastewater Division is responsible for operating and maintaining; 12 sanitary lift stations and the wastewater treatment plant, capable of treating over 1.5 million gallons of sewage per day. The Wastewater Division consists of 4 certified operators, meeting the training requirements set forth by the Wisconsin Department of Natural Resources (the "WDNR"). The staff works diligently maintaining records, conducting inspections, cleaning and repairing infrastructure. The Wastewater Division strives to protect public health and works very closely with the WDNR to ensure compliance and environmental stewardship.

### Revenues by Customer Type

<u>Year</u>	<u>Residential</u>	<u>Commercial &amp; Industrial</u>	<u>Other</u>	<u>Total</u>
2017*	\$1,028,763	\$731,302	\$74,962	\$1,835,027
2016	1,023,720	719,974	88,818	1,832,512
2015**	934,832	704,939	78,565	1,718,336
2014	1,024,108	766,194	84,838	1,875,140
2013	1,017,234	774,130	87,839	1,879,203

\*Estimated.

\*\*Decline in 2015 is due to Waupaca Foundry installing a recycling line for cooling towers, Gusmer Enterprises Inc. installed a recycling line for some operations and conservation efforts, education, and newer appliances consuming less water.

Source: City of Waupaca

### Largest Customers - 2017

<u>Customer</u>	<u>Quantity/Usage Total ERU's</u>	<u>Amount in Dollars</u>	<u>% of Total Billing</u>
Gusmer Enterprises, Inc.*	50,786	\$200,662	10.94%
Waupaca Foundry, Inc.*	2,338	154,412	8.41
Waupaca County	6,398	35,236	1.92
Bethany Homes, Inc.	4,844	32,408	1.77
Group One	2,567	14,123	0.77
AA Healthcare	2,072	9,099	0.50
Bliss Corporation	1,775	8,821	0.48
Riverside Medical Center	1,606	8,197	0.45
Lazer Wash/Mobil Truck Stop	1,677	7,641	0.42
Neumann's Piggly Wiggly	693	3,284	0.18

\*Gusmer Enterprises, Inc. has 4 different meter sizes with a monthly service charge of \$1,129.38 and a yearly charge of \$13,552.56. Waupaca Foundry, Inc. has 5 different meter sizes with a monthly service charge of \$5,029.20 and a yearly charge of 60,350.40.

Source: City of Waupaca

### Sewer Rates

The System operates under the primary jurisdiction of the City's Common Council. The Common Council has the authority to set rates for the utility.

Sewer revenues are recorded based on water meter readings.

**General Service – Monthly Service Charge**

	<u>Rate</u>		<u>Rate</u>
5/8" meter	\$24.21	2" meter	\$189.24
3/4" meter	24.21	3" meter	363.36
1" meter	60.54	4" meter	605.58
1 1/4" meter	89.62	6" meter	1,211.12
1 1/2" meter	121.11		

Source: City of Waupaca

**Billing**

All sewer customers are billed \$3.69 per 1,000 gallons of water usage plus a monthly service charge. Bills for sewer service are rendered monthly and become due and payable upon issuance following the period for which service is rendered. A late payment charge of 1 percent per month will be added to bills not paid within 20 days of issuance. This late payment charge will be applied to the total unpaid balance for utility service, including all unpaid late charges. This late payment charge is applicable to all customers. The utility customer may be given written notice that the bill is overdue no sooner than 20 days after the bill is issued. Unless payment or satisfactory arrangement for payment is made within the next 10 days, service may be discontinued pursuant to Chapter PSC 185, Wisconsin Adm. Code.

Under State law, any sewer bills which are delinquent at the time tax bills may be rendered, are included on the tax bill and become a lien on the served premises.

**CITY OF WAUPACA  
SEWERAGE SYSTEM COVERAGE ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31**

City of Waupaca Sewerage System	PER CITY PROJECTION		PER AUDITED FINANCIALS			
	2018 Projected <sup>(2)</sup>	2017 Estimate <sup>(2)</sup>	2016 Actual	2015 Actual	2014 Actual	2013 Actual
TOTAL REVENUES						
Operating Revenues	2,113,215	2,113,583	2,018,322	2,099,963	2,086,854	2,074,430
Investment Earnings	2,100	1,732	1,138	8,498	11,329	16,699
<b>TOTAL REVENUES</b>	<b>\$2,115,315</b>	<b>\$2,115,315</b>	<b>\$2,019,460</b>	<b>\$2,108,461</b>	<b>\$2,098,183</b>	<b>\$2,091,129</b>
TOTAL OPERATING EXPENSES <sup>(1)</sup>	1,033,924	1,018,644	917,689	939,867	808,465	844,617
Net Revenues Available for Debt Service	\$1,081,391	\$1,096,671	\$1,101,771	\$1,168,594	\$1,289,718	\$1,246,512
Annual Debt Service	\$624,751	\$670,528	\$674,671	\$673,263	\$1,108,252	\$1,112,022
Coverage Ratio	1.73	1.64	1.63	1.74	1.16	1.12
Maximum Annual Debt Service	\$645,106	\$645,106	\$645,106	\$674,671	\$1,108,252	\$1,112,022
Coverage Ratio (year of MADS)	1.68	1.70	1.71	1.73	1.16	1.12

<sup>(1)</sup> Net of Depreciation, debt service, tax equivalents and capital expenditures.

<sup>(2)</sup> Per City. The debt service coverage ratios are calculated using the 2017 estimated and 2018 projected net revenues. No guarantee can be given that the actual net revenues in such years will be the same as such estimates and projections, and actual or future net revenues may be materially different.

Source: City of Waupaca Comprehensive Annual Financial Reports, years ended December 31, 2013 through December 31, 2016, the Budget and Service Plan for 2017 through 2018 and the City of Waupaca, Finance Department.

## PROJECTED SEWERAGE SYSTEM REVENUE INDEBTEDNESS

Year	Outstanding 2008 Bonds <sup>(1)</sup>		Outstanding Parity Bonds <sup>(1)</sup>		New Issue – Parity Bonds		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$340,000	\$60,170	\$144,824	\$25,277		\$54,481	\$624,751
2019	0	0	148,602	21,449	\$395,000	77,181	642,232
2020	0	0	152,479	17,521	410,000	65,106	645,106
2021	0	0	156,458	13,490	420,000	52,656	642,604
2022	0	0	160,541	9,353	435,000	39,831	644,725
2023	0	0	86,572	6,217	445,000	26,631	564,420
2024	0	0	88,652	4,112	460,000	13,056	565,820
2025	0	0	58,713	2,335	40,000	5,356	106,404
2026	0	0	32,385	1,222	45,000	3,797	82,405
2027	0	0	33,187	411	45,000	2,278	80,876
2028	0	0	0	0	45,000	759	45,759
	<u>\$340,000</u>	<u>\$60,170</u>	<u>\$1,062,412</u>	<u>\$101,386</u>	<u>\$2,740,000</u>	<u>\$341,134</u>	<u>\$4,645,102</u>
Less: 2018 Sinking Funds	<u>(340,000)</u>	<u>(60,170)</u>	<u>(144,824)</u>	<u>(25,277)</u>	<u>0</u>	<u>(54,481)</u>	<u>(624,751)</u>
<b>TOTAL</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$917,589</u></u>	<u><u>\$76,109</u></u>	<u><u>\$2,740,000</u></u>	<u><u>\$286,653</u></u>	<u><u>\$4,020,351</u></u>

<sup>(1)</sup>Outstanding debt represented includes the Prior Issue and the Outstanding Bonds, except for the portion of the Prior Issue to be refunded. The City will set aside funds for the principal and interest payments due on May 1, 2018 for the 2008 Bonds.

The City will set aside funds for the principal and interest payments due on May 1, 2018 for the 2008 Bonds.

### UNDERWRITING

Robert W. Baird & Co. Incorporated (the "Underwriter") has agreed to purchase the Bonds from the City for a purchase price of \$2,741,204.20 plus accrued interest to the delivery of the Bonds. The Underwriter will be obligated to purchase all of the Bonds if any of such Bonds are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the offering price set forth on the cover of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

### TAX EXEMPTION

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could

cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Bonds may be enacted. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

### **Original Issue Discount**

To the extent that the initial public offering price of certain of the Bonds is less than the principal amount payable at maturity, such Bonds ("Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Bonds, a portion of the original issue discount that is accrued in each year will be included in adjusted current earnings for purposes of calculating the corporation's alternative minimum tax liability. Corporate owners of any Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year. We note, however, that the 2017 tax act (Public Law 115-97)

enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

### **Bond Premium**

To the extent that the initial offering price of certain of the Bonds is more than the principal amount payable at maturity, such Bonds ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Bonds shall be "qualified tax-exempt obligations" for purposes of Section 265 of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to a Resolution adopted by the Common Council to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. **The Undertaking provides that the annual report will be filed not later than 270 days after the end of each fiscal year. The City's fiscal year ends December 31<sup>st</sup>.** The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Bonds are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City is required to file its continuing disclosure information using the Electronic Municipal Market Access (“EMMA”) system. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

The City's operating data for the fiscal years ended December 31, 2012 did not include certain items required under the City's continuing disclosure undertakings. The City did not file notice of certain bond insurer rating changes during the previous five years. Except to the extent the preceding is deemed to be material, in the previous five years, the City has not failed to comply in all material respects with any previous undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of

notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

## **LITIGATION**

There is no controversy or litigation of any nature now pending or, to the knowledge of the City, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof.

## **LEGAL MATTERS**

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving legal opinion of Quarles & Brady LLP, Bond Counsel. Such opinion will be issued on the basis of the law existing at the time of the issuance of the Bonds. A copy of such opinion will be available at the time of the delivery of the Bonds.

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Bonds for any investor.

Quarles & Brady LLP from time to time serves as counsel to the Underwriter with respect to issuers other than the City and transactions other than the issuance of the Bonds.

## **MUNICIPAL BANKRUPTCY**

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Bonds are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Bonds could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Bonds, and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds. Further, under such circumstances, there could be no assurance that the Bonds would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Bonds could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Bonds.

Moreover, if the City were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Bonds would not occur.

## **MISCELLANEOUS**

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the Clerk has been duly authorized by the City.

## **AUTHORIZATION**

This Official Statement has been approved for distribution to prospective purchasers and the Underwriter of the Bonds. The City, acting through its Clerk, will provide to the Underwriter of the Bonds at the time of delivery of the Bonds, a certificate confirming that, to the best of its knowledge and belief, the Official Statement with respect to the Bonds, together with any supplements thereto, at the time of the adoption of the Resolution and at the time of delivery of the Bonds, was true and correct in all material respects and did not at any time contain an untrue statement of a material fact or omit to state a material fact required to be stated, where necessary to make the statements in light of the circumstances under which they were made, not misleading.

**CITY OF WAUPACA, WISCONSIN**

By /s/ Henry B. Veleker  
City Administrator/Clerk

**APPENDIX A**

**CITY OF WAUPACA  
Waupaca County, Wisconsin**

**GENERAL INFORMATION**

## THE CITY

### Common Council

The City has a mayor/aldermanic form of government consisting of the Mayor and ten alderpersons who are elected for staggered two-year terms. The present Mayor and alderpersons of the Common Council and the expiration of their respective terms of office are as follows:

Brian R. Smith, Mayor (Term: April, 2016 - 2018)

Name	Aldermanic District	Expiration of Term
Dave Peterson, Alderperson	1 <sup>st</sup>	April, 2018
Mary Phair, Alderperson	1 <sup>st</sup>	April, 2019
Paul Hagen, Alderperson	2 <sup>nd</sup>	April, 2019
Eric Olson, Alderperson	2 <sup>nd</sup>	April, 2018
Paul Mayou, Council President	3 <sup>rd</sup>	April, 2018
Scott Purchatzke, Alderperson	3 <sup>rd</sup>	April, 2019
Lori Chesnut, Alderperson	4 <sup>th</sup>	April, 2018
Charles Whitman, Alderperson	4 <sup>th</sup>	April, 2019
Steve Hackett, Alderperson	5 <sup>th</sup>	April, 2019
Alan Kjelland, Alderperson	5 <sup>th</sup>	April, 2018

Source: *The City.*

### Administration

The daily administration is handled by the City Administrator and various department heads. The members of the administration and their years of service are listed below.

Name	Title	Years of Service
Henry B. Veleker	City Administrator/Clerk	19
Kathryn Kasza	Finance Director/Treasurer	3*
Justin Berrens	Director – Public Works/Utility	2*
Brennan Kane	Director – Community Development	4
Aaron Jenson	Director – Parks and Recreation	6
Peg Burington	Library Director	19
Brian Hoelzel	Police Chief	23

*\*Prior to joining the City, Ms. Kasza was the Assistant Comptroller at the City of Greenfield for 15 years, a Treasurer/Comptroller for 8 years at the Village of Brown Deer and the Clerk/Treasurer for 7 years at the Village of Greendale.*

*Mr. Berrens was previously a Project Manager for K. Singh & Associates, Inc.*

Source: *The City.*

### Employment Relations

Department	Number of Employees <sup>(1)</sup>
Administration	10
Streets/Cemetery	14
Utilities	7
Parks and Recreation	7 <sup>(2)</sup>
Library	14
Police/Dispatch	16
TOTAL	68

<sup>(1)</sup> Full-time equivalent.

<sup>(2)</sup> Varies with seasonal employees.

Source: *The City.*

The City employees have the following labor contracts:

<u>Union</u>	<u>Group Represented</u>	<u>Expiration</u>
Wisconsin Professional Police Association	Patrol Officers	December 31, 2018

The City considers its relationship with the employee group to be good.

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and, after significant changes were made to the law in 2011, very limited rights to collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety or transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless the City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

### **Pension Plan**

All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes. 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 ("Chapter 40"). The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City may generally not pay the employees' required contribution. The total retirement plan contributions (including both the City's and the employees' contributions) for the fiscal year ended December 31, 2014 was \$438,586. During the fiscal years ended December 31, 2015 ("Fiscal Year 2015") and December 31, 2016 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$231,356 and \$233,643, respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2015.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability

exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2015, the total pension liability of the WRS was calculated as \$90.1 billion and the fiduciary net position was calculated as \$88.5 billion, resulting in a net pension liability of \$1.6 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2016, the City reported a liability of \$388,576 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2015 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.02391266% of the aggregate WRS net pension liability as of December 31, 2015.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of the net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note 6 in "Appendix A: Basic Financial Statements and Related Notes for the year ended December 31, 2016."

## GENERAL INFORMATION

### Location

The City is the Waupaca County Seat, and is located at the junction of U.S. Highway 10 and State Highways 22, 49, and 54 in east central Wisconsin. The City is 127 miles northwest of Milwaukee, 115 miles north of Madison, and 243 miles southeast of Minneapolis.

### Education

The City is served by the School District of Waupaca (the "District"), which offers a comprehensive educational program for students in pre-kindergarten through the twelfth grade. The District facilities include two elementary schools, one middle school, one high school, an alternative school, and the district administration building. The District employs approximately 328 people and had a 2017-18 enrollment of 2,081 students. Two parochial schools also serve the City.

### Post-Secondary Education

Opportunities for post-secondary education are available within an hour's drive of the City. The Fox Valley Technical College (FVTC), with its main campus in the City of Appleton, has a branch location in the City of Waupaca and offers vocational, technical and adult education to City residents. The Universities of Wisconsin – Stevens Point and Oshkosh, as well as Lawrence University in the City of Appleton, are also within commuting distance to the City and offer four-year degree programs.

## DEMOGRAPHIC AND ECONOMIC INFORMATION

### Population

	Waupaca County	City of Waupaca
Estimate, 2017	52,100	6,050
Estimate, 2016	52,320	6,052
Estimate, 2015	52,429	6,087
Estimate, 2014	52,435	6,076
Census, 2010	52,410	6,069

Source: Wisconsin Department of Administration, Demographic Services Center.

**Per Tax Return Adjusted Gross Income**

	<u>State of Wisconsin</u>	<u>Waupaca County</u>	<u>City of Waupaca</u>
2016	\$55,267	\$46,361	\$42,938
2015	54,227	47,009	45,822
2014	52,050	45,140	42,590
2013	50,670	44,250	41,540
2012	49,900	43,240	40,980

Source: Wisconsin Department of Revenue, Division of Research and Policy.

**Unemployment Rate**

	<u>State of Wisconsin</u>	<u>Waupaca County</u>
November, 2017	2.7%	2.6%
November, 2016	3.7	3.5
Average, 2016	4.1%	4.1%
Average, 2015	4.6	4.7
Average, 2014	5.4	5.7
Average, 2013	6.7	7.3
Average, 2012	7.0	7.6

Source: Wisconsin Department of Workforce Development.

**Building Permits**

<u>Year</u>	<u>Number of Permits</u>	<u>Valuation</u>
2017*	135	\$5,202,684
2016	215	17,545,999
2015	237	13,661,806
2014	224	4,827,581
2013	211	4,629,161

\*As of December 7, 2017

Source: City of Waupaca, Building Inspection Department.

### **Largest Employers**

<u>Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Waupaca Foundry Inc.	Gray/ductile iron casting manufacturer	1,500
Wisconsin Veterans Home	Retirement community/nursing facility	1,000+
Waupaca County	Government	382 <sup>(1)</sup>
School District of Waupaca	Education	328
ThedaCare Medical Center	Hospital	250
Bethany Homes Inc.	Elderly care facility	225
Gusmer Enterprises, Inc.	Specialty paper products	145
Alliance Industries	Manufacturer of foundry sand cores	130
Print 'N Press	Printers	130
Clearwater Harbor Inc.	Boat tours/bar/restaurant	120

<sup>(1)</sup> Includes part-time & seasonal employees.

Source: Infogroup ([www.salesgenie.com](http://www.salesgenie.com)), Wisconsin Worknet, client & direct employer inquiries.

### **Largest Taxpayers**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2017 Assessed Valuation</u>	<u>2017 Equalized Valuation</u>
Waupaca Foundry	Gray/ductile iron casting manufacturer	\$22,773,600	\$23,388,884
Waubuck Seba Partners	Elderly housing	9,069,600	9,314,637
MFF Mtg. Borrower 27 LLC, dba Mills Fleet Farm	Retail	6,429,300	6,603,003
Riverside Medical Center	Medical clinic/hospital services	6,108,800	6,273,844
Time Square Joint Venture	Retail rentals	5,793,400	5,949,923
IRC Waupaca LLC	Retail food store	4,924,800	5,057,855
SCS Timber Ridge Appt LLC	Housing rentals	4,348,500	4,465,985
Gramsenhagen LLC	Housing rentals	4,160,900	4,273,317
KT Real Estate Holdings LLC	Convenience store/fuel	3,780,700	3,882,845
Gusmer Enterprises	Filtration Product Manufacturing	3,618,000	3,715,749
	<b>TOTAL</b>	<b>\$71,007,600</b>	<b>\$72,926,042</b>

The above taxpayers represent 17.10% of the City's 2017 Equalized Value (TID IN) of \$426,400,200.

Source: City of Waupaca

## **TAX LEVIES, RATES AND COLLECTIONS**

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31. Real property taxes may be paid in full by January 31 or in two equal installments payable by January 31 and July 31. Municipalities also have the option of adopting payment plans which allow taxpayers to pay their real property taxes and special assessments in three or more installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31 are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. Any amounts paid after July 31 are paid to the county treasurer. For municipalities which have not adopted an installment payment plan, the town, city or village treasurer settles with other taxing jurisdictions for collections through the preceding month on January 15 and February 20. For municipalities which have adopted an installment payment plan, the town, city or village treasurer settles with other taxing jurisdictions for collections through the preceding month on January 15, February 15 and the 15th day of each

month following a month in which an installment payment is due. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. The County Board may authorize its County Treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment role are collected from each taxing entity in the year following the levy year. Since, in practice, all delinquent real property taxes are withheld from the county's share of taxes, the City receives 100 percent of the real property taxes it levies for real property taxes. See "Levy Limits" on page 13 herein for information on additional limitations on City tax levies.

Set forth below are the taxes levied and the tax rate per \$1,000 assessed value on all taxable property within the City. The rates set forth are for the levy years 2013-2017.

Levy Year	Collection Year	City Tax Rate	City Levy	Uncollected Personal Property Taxes as of August 20 of each year	Percent of Levy Collected
2017	2018	\$9.67	\$4,014,332	-In Process of Collection-	
2016	2017	10.10	4,129,095	\$1,203	99.98%
2015	2016	10.19	4,134,316	7,195	99.83%
2014	2015	10.26	4,189,728	386	99.99
2013	2014	9.89	4,060,407	2,295	99.94

Source: The City.

#### ASSESSED TAX RATES

	Levy Year				
	2017	2016	2015	2014	2013
City of Waupaca	\$9.67	\$10.10	\$10.19	\$10.26	\$9.89
School District of Waupaca	11.08	10.62	11.55	10.81	10.30
Fox Valley Technical College District	1.11	1.08	1.11	1.09	1.91
Waupaca County	6.71	6.24	6.46	6.15	6.09
State of Wisconsin	0.00 <sup>(1)</sup>	0.16	0.17	0.16	0.16
<b>Gross Tax Rate</b>	<b>\$28.57</b>	<b>\$28.20</b>	<b>\$29.48</b>	<b>\$28.47</b>	<b>\$28.35</b>
Less: State Tax Credit	(1.77)	(1.64)	(1.60)	(1.32)	(1.25)
<b>Net Tax Rate</b>	<b>\$26.80</b>	<b>\$26.56</b>	<b>\$27.88</b>	<b>\$27.15</b>	<b>\$27.10</b>
Ratio of Assessed to Equalized Valuation	97.37%	103.40%	100.74%	103.26%	103.60%
<b>Equalized Tax Rate</b>	<b>\$26.10</b>	<b>\$27.46</b>	<b>\$28.09</b>	<b>\$28.04</b>	<b>\$28.08</b>

<sup>(1)</sup>State property taxes were eliminated in the State's 2017-19 budget act.

Source: The City.

#### LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on

certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

## ASSESSED AND EQUALIZED VALUATIONS

All equalized valuations of property in the State of Wisconsin are determined by the State of Wisconsin, Department of Revenue, Supervisor of Assessments Office. Equalized valuations are the State's estimate of full market value. The State determines assessed valuations of all manufacturing property in the State. Assessed valuations of residential and commercial property are determined by local assessors.

Set forth in the table below are the assessed and equalized valuations of property located within the City for the years 2013 through 2017. The City equalized valuation has increased by 7.41 percent since 2013 with an average annual increase of 1.80 percent.

Year	Assessed Valuations	Equalized Valuation (TID-IN)	Equalized Valuation (TID-OUT)
2017	\$415,194,200	\$426,400,200	\$352,432,200
2016	408,844,300	395,248,800	332,305,600
2015	405,802,900	402,769,700	338,201,100
2014	408,415,000	395,516,900	333,934,400
2013	410,634,900	396,994,300	335,443,700

Source: Wisconsin Department of Revenue.

The equalized valuation by class in the City for 2017 is as follows:

	Amount	Percent of Total
Real Estate		
Residential	\$194,033,700	45.51%
Commercial	166,463,000	39.04
Manufacturing	39,977,600	9.38
Agricultural, Undeveloped, Forest, Other	592,100	0.14
Total Real Estate	<u>401,066,400</u>	<u>94.06</u>
Total Personal Property	<u>25,333,800</u>	<u>5.94</u>
Total	<u><u>\$426,400,200</u></u>	<u><u>100.00%</u></u>

Source: Wisconsin Department of Revenue.

### **Tax Increment Districts**

The City has created Tax Incremental Districts ("TIDs") under Wisconsin Statutes Section 66.1105. TID valuations totaling \$73,968,000 have been excluded from the City's tax base for 2017.

The City	Creation Date	Base Value	2017 Value	Increment
03	2000	\$1,912,500	\$13,513,000	\$11,600,500
04	2000	2,901,600	28,512,600	25,611,000
05	2000	1,216,600	2,024,100	807,500
06	2000	10,906,600	35,023,900	24,117,300
07	2001	1,445,500	4,891,500	3,446,000
08	2001	1,772,600	7,029,400	5,256,800
09	2001	2,208,100	1,794,700	*
10	2001	281,800	3,410,700	3,128,900
TOTAL				<u><u>\$73,968,000</u></u>

\*This TID has a zero or negative value increment.  
Source: Wisconsin Department of Revenue.

## INDEBTEDNESS OF THE CITY

### Direct Indebtedness

The City anticipates issuing \$3,960,000 General Obligation Promissory Notes, dated March 5, 2018 (the "Notes"). Proceeds from the Notes will be used to refund certain outstanding obligations of the City (the "Prior Issues"). Set forth below is the direct indebtedness of the City, including principal and interest payments due on existing debt, (excluding the portions of the Prior Issues to be refunded), as well as debt service on the Notes. Interest on the Notes has been calculated using an average rate of 2.97 percent.

Year	Outstanding Bonds and Notes		The Notes		Less: Projected Offsetting Revenues*	Total Debt Service Requirements
	Principal	Interest	Principal	Interest		
2018	\$1,802,429	\$326,171			(\$1,114,507)	\$1,014,094
2019	1,102,895	217,804	\$495,000	\$164,560	(966,474)	1,013,784
2020	994,502	174,870	615,000	94,725	(971,006)	908,091
2021	928,115	141,182	730,000	74,550	(963,456)	910,391
2022	512,008	117,289	445,000	56,925	(519,105)	612,116
2023	202,738	101,578	720,000	39,450	(456,566)	607,200
2024	40,000	95,021	470,000	21,600	(135,021)	491,600
2025	335,000	87,176	485,000	7,275	(422,176)	492,275
2026	350,000	72,666	--	--	(422,666)	--
2027	370,000	57,098	--	--	(427,098)	--
2028	340,000	41,370	--	--	(381,370)	--
2029	355,000	25,555	--	--	(380,555)	--
2030	370,000	8,695	--	--	(378,695)	--
	<u>7,702,686</u>	<u>1,466,476</u>	<u>3,960,000</u>	<u>459,085</u>	<u>7,538,696</u>	<u>6,049,551</u>
Less: 2018 Sinking Funds	<u>(1,802,429)</u>	<u>(326,171)</u>	<u>--</u>	<u>--</u>	<u>1,114,507</u>	<u>(1,014,094)</u>
<b>TOTAL</b>	<u><u>\$5,900,257</u></u>	<u><u>\$1,140,305</u></u>	<u><u>\$3,960,000</u></u>	<u><u>\$459,085</u></u>	<u><u>(\$6,424,189)</u></u>	<u><u>\$5,035,458</u></u>

Does not include the 2018 Bonds (defined below), which is expected to close approximately March 15, 2018.

\*The above outstanding debt was issued as a general obligation of the City; however revenues from the City's tax increment districts and special assessments are projected to partially offset the total debt service. The actual amount of these offsetting revenues is not guaranteed. Under State law, the City is required to levy an amount sufficient to pay the debt service on its outstanding general obligation debt, but such levy may be abated by the use of such offsetting revenues, if and to the extent available.

### Future Financings

Concurrent with this issue, the City anticipates issuing the Notes and \$2,160,000\* Water System Revenue Bonds, Series 2018 dated March 5, 2018. The Water System Revenue Bonds are not secured by and have no claim to the revenues of the sewerage system. The City expects to issue approximately \$1,305,000 general obligation refunding bonds expected to be privately placed March 15, 2018 (the "2018 Bonds"). The City also anticipates issuing approximately \$268,000 general obligation debt in September, 2018.

### Default Record

The City has no record of default on any prior debt repayment obligations.

### Other Debt

The following issues are not general obligations of the City:

One Sewerage System Revenue Bonds, Series 2008, dated April 1, 2008, totaling \$340,000 in principal maturing in 2018. The City has funds on deposit in the Debt Service Fund to provide for payment of the 2018 maturity. The remaining outstanding amount of the 2008 Bonds is being refunded by the 2018 Sewerage Bonds to be issued on March 5, 2018.

- Four Clean Water Fund Loans issued as Sewerage System Revenue Bonds, dated July 24, 2002, August 25, 2004, November 9, 2005 and July 11, 2007, totaling \$1,062,412 in principal maturing 2018 through 2027.
- Two Safe Drinking Water Fund Loans issued as Water System Revenue Bonds, dated February 10, 1999, and June 13, 2012 totaling \$196,674 in principal maturing 2018 through 2032.

One Water System Revenue Bonds, Series 2008, dated April 1, 2008, totaling \$145,000 in principal maturing in 2018. The City has funds on deposit in the Debt Service Fund to provide for payment of the 2018 maturity. The remaining outstanding maturities are being refunded by the 2018 Water Bonds to be issued on March 5, 2018.

**Overlapping and Underlying Indebtedness**

Set forth below is information relating to the outstanding overlapping and underlying indebtedness of the City.

Name of Entity	Amount of Debt (Net of 2018 Principal Payments)	Percent Chargeable to City	Outstanding Debt Chargeable to City
Fox Valley Technical College District	\$68,765,000	1.13%	\$777,045
Waupaca County	19,260,000	10.32	1,987,632
School District of Waupaca	2,970,000	26.98	801,306
City of Waupaca Public Inland Lakes Pro & Rehab District	0	100.00	0
	\$90,995,000		\$3,565,983

*NOTE: This summary may not reflect all of the City's outstanding overlapping and underlying indebtedness.*

*Source: Wisconsin Department of Revenue. Information provided by each municipal entity through publicly available disclosure documents available on EMMA.msrb.org and the Wisconsin Department of Public Instruction and direct inquiries.*

**Statistical Summary**

The table below reflects direct, overlapping and underlying bonded indebtedness net of all 2018 principal payments and the portions of the Prior Issues to be refunded.

2017 Equalized Valuation as certified by Wisconsin Department of Revenue	\$426,400,200
Direct Bonded Indebtedness Including the Notes*	\$9,860,257
Direct, Overlapping and Underlying Bonded Indebtedness Including the Notes*	\$13,426,240
Direct Bonded Indebtedness as a Percentage of Equalized Valuation*	2.31%
Direct, Overlapping and Underlying Bonded Indebtedness as a Percentage of Equalized Valuation*	3.15%
Population of City (2017 Estimate)**	6,050
Direct Bonded Indebtedness Per Capita*	\$1,629.79
Direct, Overlapping and Underlying Bonded Indebtedness Per Capita*	\$2,219.21

*\*Does not include the 2018 Bonds.*

*\*\*Source: Wisconsin Department of Administration, Demographic Services Center.*

**Debt Limit**

The total indebtedness of the City may not exceed five percent of the equalized value of property in the City. Set forth in the table below is a comparison of the outstanding indebtedness of the City, as of the closing of the Notes, as a percentage of the applicable debt limit.

Equalized Valuation (2017) as certified by Wisconsin Department of Revenue	\$426,400,200
Legal Debt Percentage Allowed	<u>5.00%</u>
Legal Debt Limit	\$21,320,010
General Obligation Debt Outstanding, Including the Notes <sup>(1)</sup>	<u>\$11,662,686</u>
Unused Margin of Indebtedness	\$9,657,324
Percent of Legal Debt Incurred	54.70%
Percentage of Legal Debt Available	45.30%

<sup>(1)</sup>Does not include the 2018 Bonds.

**FINANCIAL INFORMATION**

The financial operations of the City are conducted primarily through its General Fund. Most taxes and non-tax revenues (such as license fees, fines and costs and user's fees) are paid into the General Fund and current operating expenditures are made from the General Fund pursuant to appropriations made by the Common Council. Taxes levied for debt service are paid directly into the Debt Service Fund and debt service expenditures are made from that fund.

**Budgeting Process**

The City is required by State law to annually formulate a budget and to hold a public hearing thereon prior to the determination of the amounts to be financed in whole or in part by general property taxes, funds on hand or estimated revenues from other sources. Such budget must list existing indebtedness of the City and all anticipated revenue from all sources during the ensuing year and must also list all proposed appropriations for each department, activity and reserve account of the City during the ensuing year. The budget must show actual revenues and expenditures for the preceding year, actual revenues and expenditures for not less than the first six months of the current year and estimated revenues and expenditures for the balance of the current year.

As part of the budgeting process, public hearings are held on the proposed budget, at which time any resident or taxpayer in the City may be heard. At an annual meeting in November or December of each year, the Common Council adopts the final budget for the succeeding year and levies taxes based on assessed valuations of property less any increment attributable to TIDs. The amount of taxes so levied and the amounts of the various appropriations in the final budget (after any alterations made pursuant to public hearings) may not be changed unless authorized by a vote of two-thirds of the entire membership of the Common Council. Failure to publish notice of any such alteration within ten days thereafter shall preclude any change in the budget.

**GENERAL FUND SUMMARY  
YEARS ENDED DECEMBER 31**

	2018 BUDGET	2017 ESTIMATED	2016 ACTUAL	2015 ACTUAL	2014 ACTUAL
<b>Revenues</b>					
Taxes	\$3,358,770	\$3,516,045	\$3,512,205	\$2,117,173	\$1,994,739
Intergovernmental revenues	1,625,453	1,593,737	1,607,661	2,034,987	2,046,837
Licenses and permits	162,285	166,305	201,366	168,296	170,727
Fines, forfeits and penalties	70,000	70,000	63,481	67,599	63,072
Charges for services	314,200	295,720	216,259	239,983	241,456
Investment income	2,300	2,300	3,803	664	2,241
Other revenue	85,500	85,500	171,311	128,361	149,480
<b>Total Revenues</b>	<u>5,618,508</u>	<u>5,729,607</u>	<u>5,776,086</u>	<u>4,757,063</u>	<u>4,668,552</u>
<b>Expenditures</b>					
General government	1,464,533	1,330,347	832,641	764,295	795,391
Public safety	1,786,904	1,762,532	1,740,721	1,786,823	1,665,276
Public works	1,112,550	1,146,595	1,030,219	1,019,892	980,828
Health and human services	178,478	158,595	133,922	185,916	174,908
Culture, recreation and education	821,211	833,398	854,130	1,678,687	1,563,743
Debt service	0	0	0	0	45,321
<b>Total Expenditures</b>	<u>5,363,676</u>	<u>5,231,467</u>	<u>4,591,633</u>	<u>5,435,613</u>	<u>5,225,467</u>
Excess of revenues over (under) expenditures	<u>254,832</u>	<u>498,140</u>	<u>1,184,453</u>	<u>(678,550)</u>	<u>(556,915)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	0	0	1,747	6,949	9,917
Operating transfers in	1,171,055	1,239,852	624,141	497,916	495,299
Operating transfers out	(1,563,992)	(1,737,992)	(1,799,326)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>(392,937)</u>	<u>(498,140)</u>	<u>(1,173,438)</u>	<u>504,865</u>	<u>505,216</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(138,105)</u>	<u>0</u>	<u>11,015</u>	<u>(173,685)</u>	<u>(51,699)</u>
Fund balances - beginning of year	<u>\$1,475,594</u>	<u>\$1,475,594</u>	<u>\$1,464,579</u>	<u>\$1,638,264</u>	<u>\$1,689,963</u>
Fund balances - end of year	<u>\$1,337,489</u>	<u>\$1,475,594</u>	<u>\$1,475,594</u>	<u>\$1,464,579</u>	<u>\$1,638,264</u>

The amounts shown for the years ended December 31, 2014 through 2016 are excerpts from the audit reports that have been examined by Johnson Block and Company, Inc., Mineral Point, Wisconsin (the "Auditor"). The amounts shown for the year ended December 30, 2017 are estimated and the amounts shown for the year ended December 31, 2018 are shown on a budgetary basis, each as provided by the City. The comparative statement of revenues, expenditures and changes in fund balances should be read in conjunction with the other financial statements and notes thereto appearing at Appendix A to this Official Statement.

**Financial Statements**

A copy of the City's Basic Financial Statements and Related Notes for the fiscal year ended December 31, 2016, including the accompanying independent auditor's report, is included as Appendix A to this Official Statement. Potential purchasers should read such financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessment or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Notes, the City represents that there has been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

## **APPENDIX B**

### **BASIC FINANCIAL STATEMENTS AND RELATED NOTES**

#### **CITY OF WAUPACA Waupaca County, Wisconsin**

**For Year Ended December 31, 2016**

**Johnson Block & Company, Inc.  
Certified Public Accountants  
Mineral Point, Wisconsin**

A copy of the City's Basic Financial Statements and Related Notes for the fiscal year ended December 31, 2016, including the accompanying independent auditor's report, is included as Appendix A to this Official Statement. Potential purchasers should read such financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessment or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there has been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

**CITY OF WAUPACA, WISCONSIN**  
**AUDITED FINANCIAL STATEMENTS**  
Including Independent Auditor's Report  
As of and for the year ended December 31, 2016

Johnson Block & Company, Inc.  
Certified Public Accountants  
2500 Business Park Road  
Mineral Point, Wisconsin 53565  
(608) 987-2206  
Fax: (608) 987-3391

CITY OF WAUPACA, WISCONSIN  
DECEMBER 31, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
Village of Waupaca, Wisconsin

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 Waupaca, Wisconsin ("City"), as of and for the year ended December 31, 2016, 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.

### Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 of Waupaca, Wisconsin, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the Wisconsin Retirement System schedules on pages 52 – 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The miscellaneous financial data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Johnson Block & Company, Inc.*

Johnson Block and Company, Inc.  
May 11, 2017  
Mineral Point, WI

## BASIC FINANCIAL STATEMENTS

Exhibit A-1  
City of Waupaca, Wisconsin  
Statement of Net Position  
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,400,764	\$ 2,485,041	\$ 4,885,805
Receivables:			
Taxes	5,466,172		5,466,172
Due from other governments	88,555		88,555
Customer		407,378	407,378
Other	267,949	66,735	334,684
Internal balances	(6,745,081)	6,745,081	
Prepays	50,427		50,427
Inventories	23,419	66,827	90,246
	<hr/>		
Total current assets	1,552,205	9,771,062	11,323,267
Noncurrent assets:			
Restricted assets:			
Cash and investments		939,059	939,059
Other assets:			
Long-term notes receivable	627,031		627,031
Less: discount on long-term notes receivable	(102,210)		(102,210)
Special assessments receivable	135,359	112,339	247,698
Capital assets:			
Property and plant	34,243,392	36,985,313	71,228,705
Less: accumulated provision for depreciation	(10,043,963)	(17,418,852)	(27,462,815)
	<hr/>		
Total noncurrent assets	24,859,609	20,617,859	45,477,468
	<hr/>		
Total assets	26,411,814	30,388,921	56,800,735
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	1,916,551	271,543	2,188,094
Unamortized major repairs		24,351	24,351
Deferred charges on refunding	35,773		35,773
	<hr/>		
Total deferred outflows of resources	1,952,324	295,894	2,248,218
	<hr/>		
Total assets and deferred outflows of resources	\$ 28,364,138	\$ 30,684,815	\$ 59,048,953

Exhibit A-1 (Continued)  
City of Waupaca, Wisconsin  
Statement of Net Position  
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 352,913	\$ 110,742	\$ 463,655
Developer payable	1,023		1,023
Due to other governments	937		937
Accrued liabilities	142,021	16,537	158,558
Accrued interest	131,563	27,789	159,352
Customer deposits	5,316		5,316
Current portion of long-term debt	1,456,792	522,443	1,979,235
	<hr/>	<hr/>	<hr/>
Total current liabilities	2,090,565	677,511	2,768,076
Current liabilities (payable from restricted assets):			
Accrued interest		10,375	10,375
Current portion of mortgage revenue bonds		185,210	185,210
		<hr/>	<hr/>
Total current liabilities (payable from restricted assets)		195,585	195,585
Long-term liabilities:			
Mortgage revenue bonds		5,856,738	5,856,738
Bonds and notes payable	11,332,533		11,332,533
Net pension liability	340,354	48,222	388,576
Compensated absences	776,961	121,336	898,297
Less: current portion	(1,456,792)	(707,653)	(2,164,445)
	<hr/>	<hr/>	<hr/>
Total long-term liabilities	10,993,056	5,318,643	16,311,699
	<hr/>	<hr/>	<hr/>
Total liabilities	13,083,621	6,191,739	19,275,360
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	727,266	103,041	830,307
Deferred revenues	5,296,865		5,296,865
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	6,024,131	103,041	6,127,172
<b>NET POSITION</b>			
Net investment in capital assets	17,104,500	13,709,723	30,814,223
Restricted	2,071,979	928,684	3,000,663
Unrestricted	(9,920,093)	9,751,628	(168,465)
	<hr/>	<hr/>	<hr/>
Total net position	9,256,386	24,390,035	33,646,421
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	\$ 28,364,138	\$ 30,684,815	\$ 59,048,953
	<hr/>	<hr/>	<hr/>

Exhibit A-2  
City of Waupaca, Wisconsin  
Statement of Activities  
For the Year Ended December 31, 2016

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business Type Activities
Primary Government:						
Governmental activities:						
General government	\$ 1,046,111	\$ 134,338	\$	\$	\$ (911,773)	\$ (911,773)
Public safety	2,021,477	223,248	28,265		(1,769,964)	(1,769,964)
Health and social services	143,398	30,130	17,941		(95,327)	(95,327)
Public works	2,133,514	189,402	264,869	4,580	(1,674,663)	(1,674,663)
Culture, recreation and education	1,912,004	263,834	672,051		(976,119)	(976,119)
Conservation and development	515,941	330,836			(185,105)	(185,105)
Interest and fiscal charges	529,468				(529,468)	(529,468)
Total governmental activities	<u>8,301,913</u>	<u>1,171,788</u>	<u>983,126</u>	<u>4,580</u>	<u>(6,142,419)</u>	<u>(6,142,419)</u>
Business-type activities:						
Water utility	1,058,930	1,286,551			227,621	227,621
Sewer utility	1,785,197	2,018,322		95,399	328,524	328,524
Telecommunication utility	125,969	158,072			32,103	32,103
Total business-type activities	<u>2,970,096</u>	<u>3,462,945</u>		<u>95,399</u>	<u>588,248</u>	<u>588,248</u>
Total primary government	<u>\$ 11,272,009</u>	<u>\$ 4,634,733</u>	<u>\$ 983,126</u>	<u>\$ 99,979</u>	<u>(6,142,419)</u>	<u>588,248</u> <u>(5,554,171)</u>
<u>General Revenues and Transfers:</u>						
Property taxes						
General purposes					5,388,408	5,388,408
Other taxes					262,860	262,860
Federal and state aid not restricted for specific purposes					1,605,176	1,605,176
Interest and investment earnings					3,970	8,722
Proceeds from insurance					12,232	12,232
Gain on sale of fixed assets					41,382	240
Miscellaneous					27,484	27,484
Transfers					492,518	(492,518)
Total general revenues					<u>7,834,030</u>	<u>(483,556)</u>
Change in net position					1,691,611	104,692
Net position - beginning					7,564,775	24,285,343
Net position - ending					<u>\$ 9,256,386</u>	<u>\$ 24,390,035</u>
						<u>\$ 33,646,421</u>

Exhibit A-3  
City of Waupaca, Wisconsin  
Balance Sheet  
Governmental Funds  
December 31, 2016

	General	Debt Service	TIF #3	TIF #4	TIF #8	Other Governmental Funds	Total
<b>ASSETS</b>							
Cash and investments	\$ 922,136	\$ 401,668	\$ 71,564	\$	\$	\$ 1,005,396	\$ 2,400,764
Receivables:							
Taxes	3,513,104		315,872	689,668	77,730	869,798	5,466,172
Due from other governments						88,555	88,555
Special assessments						135,359	135,359
Due from other funds	841,939			673,004			1,514,943
Other	82,931		4,481	343		180,194	267,949
Long-term notes receivable, net of discount of \$102,210	97,790					470,206	567,996
Inventory						23,419	23,419
Prepays	50,427						50,427
<b>Total assets</b>	<b>\$ 5,508,327</b>	<b>\$ 401,668</b>	<b>\$ 391,917</b>	<b>\$ 1,363,015</b>	<b>\$ 77,730</b>	<b>\$ 2,772,927</b>	<b>\$ 10,515,584</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 159,740	\$	\$ 22	\$ 248	\$ 5,517	\$ 187,386	\$ 352,913
Developer payable			1,023			-	1,023
Accrued liabilities	130,269					11,752	142,021
Customer deposits	5,316						5,316
Due to other governments	937						937
Due to other funds	167,143	64,326			995,589	355,078	1,582,136
Advances due from other funds			75,000		6,602,888	-	6,677,888
<b>Total liabilities</b>	<b>463,405</b>	<b>64,326</b>	<b>76,045</b>	<b>248</b>	<b>7,603,994</b>	<b>554,216</b>	<b>8,762,234</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred revenues	3,569,328		315,872	689,668	77,730	1,350,636	6,003,234
<b>Total deferred inflows of resources</b>	<b>3,569,328</b>		<b>315,872</b>	<b>689,668</b>	<b>77,730</b>	<b>1,350,636</b>	<b>6,003,234</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>4,032,733</b>	<b>64,326</b>	<b>391,917</b>	<b>689,916</b>	<b>7,681,724</b>	<b>1,904,852</b>	<b>14,765,468</b>
<b>FUND BALANCES</b>							
Nonspendable	148,217					23,419	171,636
Restricted		337,342		673,099		820,609	1,831,050
Assigned						189,918	189,918
Unassigned (deficit)	1,327,377				(7,603,994)	(165,871)	(6,442,488)
<b>Total fund balances</b>	<b>1,475,594</b>	<b>337,342</b>		<b>673,099</b>	<b>(7,603,994)</b>	<b>868,075</b>	<b>(4,249,884)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,508,327</b>	<b>\$ 401,668</b>	<b>\$ 391,917</b>	<b>\$ 1,363,015</b>	<b>\$ 77,730</b>	<b>\$ 2,772,927</b>	<b>\$ 10,515,584</b>

Exhibit A-4  
City of Waupaca, Wisconsin  
Reconciliation of the Governmental Funds Balance Sheet  
with the Statement of Net Position  
December 31, 2016

Total fund balances-governmental funds: \$ (4,249,884)

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital asset	34,243,392	
Governmental accumulated depreciation	<u>(10,043,963)</u>	24,199,429

Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the statement of net position and are being amortized with pension expense in the statement of activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.

Deferred outflows of resources	1,916,551	
Deferred inflows of resources		(727,266)

Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred inflows on the fund statements.

Special assessments	138,373	
Long-term notes receivable		627,031
Discount on notes receivable		(102,210)

Payments made to the refunding bond escrow are reported in the funds statement when expended, but are amortized over the life of the bond in the statement of net position.

Deferred charges on refunding	35,773	
-------------------------------	--------	--

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

Bonds and notes payable	(11,332,533)	
Accrued interest on general obligation debt	(131,563)	
Net pension liability		(340,354)
Compensated absences		<u>(776,961)</u>

Total net position of governmental activities	<u>\$ 9,256,386</u>	
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Exhibit A-5  
City of Waupaca, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2016

	General	Debt Service	TIF #3	TIF #4	TIF #8	Other Governmental Funds	Total
<b>REVENUES</b>							
Taxes	\$ 3,512,205	\$	\$ 344,792	\$ 726,513	\$ 85,715	\$ 982,043	\$ 5,651,268
Special assessments				76,172			76,172
Licenses and permits	201,366						201,366
Fines, forfeits and penalties	63,481						63,481
Intergovernmental	1,607,661		791	6,772	3,182	751,897	2,370,303
Public charges for services	216,259					143,908	360,167
Miscellaneous:							
Interest	3,803					426	4,229
Other	171,311		7,843		45,230	500,836	725,220
Total revenues	5,776,086		353,426	809,457	134,127	2,379,110	9,452,206
<b>EXPENDITURES</b>							
General government	832,641					798,723	1,631,364
Public safety	1,740,721					1,727	1,742,448
Health and social services	133,922					7,889	141,811
Public works	1,030,219					561,809	1,592,028
Culture, recreation and education	854,130					57,191	911,321
Conservation and development				23		423,125	423,148
Capital outlay:							
General government						256,805	256,805
Public safety						35,000	35,000
Public works						294,719	294,719
Culture, recreation and education						93,766	93,766
Conservation and development			49,460	17,880	23,071	24,141	114,552
Debt service:							
Principal retirement		2,138,229	1,290,000	1,309,927	95,000	765,073	5,598,229
Interest and fiscal charges		177,675	110,956	65,585	128,309	55,334	537,859
Debt issuance costs			687	1,376	125	945	3,133
Total expenditures	4,591,633	2,315,904	1,451,103	1,394,791	246,505	3,376,247	13,376,183
Excess of revenues over (under) expenditures	1,184,453	(2,315,904)	(1,097,677)	(585,334)	(112,378)	(997,137)	(3,923,977)
<b>OTHER FINANCIAL SOURCES (USES)</b>							
Proceeds from sale of capital assets	1,747		45,000			4,723	51,470
Transfers in	624,141	1,346,227	168,371			719,839	2,858,578
Transfers out	(1,799,326)	(273,774)	(37,009)	(8,250)	(37,009)	(363,686)	(2,519,054)
Debt proceeds		883,028	923,644	330,985		697,975	2,835,632
Total other financing sources (uses)	(1,173,438)	1,955,481	1,100,006	322,735	(37,009)	1,058,851	3,226,626
Net change in fund balances	11,015	(360,423)	2,329	(262,599)	(149,387)	61,714	(697,351)
Fund balances - beginning	1,464,579	697,765	(2,329)	935,698	(7,454,607)	806,361	(3,552,533)
Fund balances - ending	\$ 1,475,594	\$ 337,342	\$	\$ 673,099	\$ (7,603,994)	\$ 868,075	\$ (4,249,884)

Exhibit A-6  
City of Waupaca, Wisconsin  
Reconciliation of Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2016

Net change in fund balances-total governmental funds \$ (697,351)

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

The acquisition of capital assets are reported in the governmental funds as  
expenditures. However, for governmental activities those costs are shown in  
the statement of net position and allocated over their estimated useful lives as  
annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	598,660	
Depreciation expenses reported in the statement of activities	(734,672)	
Amount by which capital outlays and donations are greater (less) than depreciation in the current period.		(136,012)

The cost of capital assets disposed of during the current year is expensed in the  
statement of activities. In the governmental funds, the cost of these assets was  
recognized as an expenditure in the year purchased. Thus, the change in net position  
differs from the change in fund balances by the undepreciated cost of the disposed assets. (10,089)

Compensated absences are reported in the governmental funds when  
amounts are paid. The statement of activities reports the amount earned  
during the year. The difference between the amount paid and earned was: (52,029)

Repayment of principal on long-term debt is reported in the governmental funds  
as an expenditure, but is reported as a reduction in long-term debt in the  
statement of net position and does not affect the statement of activities  
The amount of long-term debt principal payments in the current year is: 5,598,229

The issuance of long-term debt (e.g. bonds, notes) provides current financial  
resources to governmental funds but does not affect the statement of activities (2,835,632)

Deferred charges associated with long-term debt issued in a prior period are reported  
in the statement of activities, but are not a current financial resource and, therefore,  
are not reported in the governmental funds. This is the net decrease in deferred  
charges during the current period. (20,956)

Exhibit A-6 (continued)  
City of Waupaca, Wisconsin  
Reconciliation of Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2016

In governmental funds, special assessment collections are reflected as revenue when received.		
In the statement of activities, revenue is recognized when assessed.		
Amount assessed is greater (less) than collected by:		4,580
Long-term notes receivable loans are reflected as expenditures in governmental funds, but are reported as additions to notes receivable in statement of net position and does not affect the statement of activities.		
Net amount of new loans versus loan repayments was:		21,748
The amortization of a discount on notes receivable does not involve current financial resources and, therefore, is not reported as revenue in the governmental funds. In the statement of activities, the discount on notes receivable is being amortized as interest income over the life of the note.		
		2,848
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid during the current period	535,414	
The amount of interest accrued during the current period	<u>(502,933)</u>	
Interest paid is greater (less) than interest expensed by		32,481
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the statement of activities is actuarially determined by the defined pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.		
Difference between the required contributions into the defined benefit plan and the actuarially determined change in net pension asset between years, with adjustments.		<u>(216,206)</u>
Change in net position-governmental activities		<u>\$ 1,691,611</u>

Exhibit A-7  
City of Waupaca, Wisconsin  
Statement of Net Position  
Proprietary Funds  
December 31, 2016

	Water Utility	Sewer Utility	Telecommunications Utility	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,251,573	\$ 1,164,505	\$ 68,963	\$ 2,485,041
Receivables:				
Customer	147,206	241,448	18,724	407,378
Other	3,535	63,200		66,735
Due from other funds	236,202	167,143		403,345
Inventories	64,334	2,493		66,827
<b>Total current assets</b>	<b>1,702,850</b>	<b>1,638,789</b>	<b>87,687</b>	<b>3,429,326</b>
Restricted assets:				
Debt reserves	262,997	676,062		939,059
<b>Total restricted assets</b>	<b>262,997</b>	<b>676,062</b>		<b>939,059</b>
Other assets:				
Special assessments receivable	65,283	47,056		112,339
Advance due from other funds	2,979,124	3,698,764		6,677,888
<b>Total other assets</b>	<b>3,044,407</b>	<b>3,745,820</b>		<b>6,790,227</b>
Capital assets:				
Property and plant	12,050,508	24,670,606	264,199	36,985,313
Less: accumulated provision for depreciation	(4,978,744)	(12,175,909)	(264,199)	(17,418,852)
<b>Total capital assets</b>	<b>7,071,764</b>	<b>12,494,697</b>		<b>19,566,461</b>
<b>Total assets</b>	<b>12,082,018</b>	<b>18,555,368</b>	<b>87,687</b>	<b>30,725,073</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	102,622	167,608	1,313	271,543
Unamortized major repairs	24,351			24,351
<b>Total deferred outflows of resources</b>	<b>126,973</b>	<b>167,608</b>	<b>1,313</b>	<b>295,894</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 12,208,991</b>	<b>\$ 18,722,976</b>	<b>\$ 89,000</b>	<b>\$ 31,020,967</b>

Exhibit A-7 (Continued)  
City of Waupaca, Wisconsin  
Statement of Net Position  
Proprietary Funds  
December 31, 2016

	Water Utility	Sewer Utility	Telecommunications Utility	Total
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 29,381	\$ 74,977	\$ 6,384	\$ 110,742
Due to other funds	164,276	171,876		336,152
Accrued liabilities	6,274	9,892	371	16,537
Accrued interest		27,789		27,789
Current portion of revenue bonds	9,034	513,409		522,443
<b>Total current liabilities</b>	<b>208,965</b>	<b>797,943</b>	<b>6,755</b>	<b>1,013,663</b>
Current liabilities (payable from restricted assets):				
Accrued interest	10,375			10,375
Current portion of revenue bonds	185,210			185,210
<b>Total current liabilities (payable from restricted assets)</b>	<b>195,585</b>			<b>195,585</b>
Long-term liabilities:				
Revenue bonds	1,545,917	4,310,821		5,856,738
Net pension liability	18,224	29,765	233	48,222
Compensated absences	58,589	62,747		121,336
Less: current portion	(194,244)	(513,409)		(707,653)
<b>Total long-term liabilities</b>	<b>1,428,486</b>	<b>3,889,924</b>	<b>233</b>	<b>5,318,643</b>
<b>Total liabilities</b>	<b>1,833,036</b>	<b>4,687,867</b>	<b>6,988</b>	<b>6,527,891</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	38,941	63,602	498	103,041
<b>NET POSITION</b>				
Net investment in capital assets	5,525,847	8,183,876		13,709,723
Restricted	252,622	676,062		928,684
Unrestricted	4,558,545	5,111,569	81,514	9,751,628
<b>Total net position</b>	<b>10,337,014</b>	<b>13,971,507</b>	<b>81,514</b>	<b>24,390,035</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 12,208,991</b>	<b>\$ 18,722,976</b>	<b>\$ 89,000</b>	<b>\$ 31,020,967</b>

Exhibit A-8  
City of Waupaca, Wisconsin  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2016

	Water Utility	Sewer Utility	Telecommunications Utility	Totals
<b>OPERATING REVENUES</b>				
Sales of water	\$ 1,286,551		\$	\$ 1,286,551
Measured sewer service		2,018,322		2,018,322
Telecommunications revenues			158,072	158,072
<b>Total operating revenues</b>	<b>1,286,551</b>	<b>2,018,322</b>	<b>158,072</b>	<b>3,462,945</b>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	773,867	917,689	112,479	1,804,035
Depreciation	210,350	686,558	13,490	910,398
Taxes	9,896	5,390		15,286
<b>Total operating expenses</b>	<b>994,113</b>	<b>1,609,637</b>	<b>125,969</b>	<b>2,729,719</b>
<b>Operating income</b>	<b>292,438</b>	<b>408,685</b>	<b>32,103</b>	<b>733,226</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	7,579	1,138	5	8,722
Proceeds from sale of capital assets			240	240
Interest expense	(64,817)	(175,560)		(240,377)
<b>Total nonoperating revenues (expenses)</b>	<b>(57,238)</b>	<b>(174,422)</b>	<b>245</b>	<b>(231,415)</b>
<b>Income before contributions and transfers</b>	<b>235,200</b>	<b>234,263</b>	<b>32,348</b>	<b>501,811</b>
Capital contributions		95,399		95,399
Transfer of tax equivalent	(242,628)	(249,890)		(492,518)
<b>Change in net position</b>	<b>(7,428)</b>	<b>79,772</b>	<b>32,348</b>	<b>104,692</b>
Net position - beginning	10,344,442	13,891,735	49,166	24,285,343
Net position - ending	<b>\$ 10,337,014</b>	<b>\$ 13,971,507</b>	<b>\$ 81,514</b>	<b>\$ 24,390,035</b>

Exhibit A-9  
City of Waupaca, Wisconsin  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016

	Water Utility	Sewer Utility	Telecommunications Utility	Totals
<b>CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES</b>				
Received from customers	\$ 1,320,274	\$ 2,010,883	\$ 157,209	\$ 3,488,366
Payments to employees	(269,641)	(422,120)	(29,341)	(721,102)
Payments to suppliers	(452,593)	(507,656)	(81,846)	(1,042,095)
Net cash flows from (used by) operating activities	598,040	1,081,107	46,022	1,725,169
<b>CASH FLOWS (USED BY) NONCAPITAL FINANCING ACTIVITIES</b>				
Paid to municipality for tax equivalent	(242,628)	(249,890)		(492,518)
Net cash flows (used by) noncapital financing activities	(242,628)	(249,890)		(492,518)
<b>CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Payments for capital acquisitions	(431,197)	(81,816)		(513,013)
Proceeds from the sale of fixed assets			240	240
Principal payments	(183,422)	(498,606)		(682,028)
Interest paid	(65,852)	(178,671)		(244,523)
Contributed capital		95,399		95,399
Net cash flows from (used by) capital and related financing activities	(680,471)	(663,694)	240	(1,343,925)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts of interest	7,579	1,138	5	8,722
Net cash flows from investing activities	7,579	1,138	5	8,722
Net change in cash and cash equivalents	(317,480)	168,661	46,267	(102,552)
Cash and cash equivalents - beginning of year	1,832,050	1,671,906	22,696	3,526,652
Cash and cash equivalents - end of year	\$ 1,514,570	\$ 1,840,567	\$ 68,963	\$ 3,424,100
<b>Reconciliation of cash and cash equivalents to statement of net position accounts</b>				
Cash and investments	\$ 1,251,573	\$ 1,164,505	\$ 68,963	\$ 2,485,041
Cash and investments (restricted assets)	262,997	676,062		939,059
Cash and cash equivalents	\$ 1,514,570	\$ 1,840,567	\$ 68,963	\$ 3,424,100

Exhibit A-9 (Continued)  
City of Waupaca, Wisconsin  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016

	Water Utility	Sewer Utility	Telecommunications Utility	Totals
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 292,438	\$ 408,685	\$ 32,103	\$ 733,226
Noncash items in operating income:				
Depreciation expense	224,536	672,372	13,490	910,398
Pension expense	12,556	10,362	264	23,182
Amortization of major repair	21,902			21,902
Changes in assets and liabilities:				
Customer accounts receivable	9,425	(7,745)	(2,463)	(783)
Other accounts receivable	14,732	4,570	1,600	20,902
Due from other funds	31,830	166		31,996
Special assessments receivable	9,566	(4,264)		5,302
Inventories	(483)			(483)
Accounts payable	(28,472)	11,534	2,534	(14,404)
Due to other governments	(1,742)	(574)	(824)	(3,140)
Due to other funds	186	(28,240)		(28,054)
Accrued liabilities	2,127	7,262	371	9,760
Customer deposits			(1,053)	(1,053)
Compensated absences	9,439	6,979		16,418
Net cash provided by operating activities	<u>\$ 598,040</u>	<u>\$ 1,081,107</u>	<u>\$ 46,022</u>	<u>\$ 1,725,169</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Waupaca, Wisconsin  
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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Waupaca conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The City of Waupaca, Wisconsin was incorporated under the provisions of Chapter 131, Laws of Wisconsin, 1981. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter; public safety (police and fire), highways and streets, sanitation, health and social services, culture, recreation, education, public improvements, planning and zoning, and general administrative services.

The basic criterion for including a legally separate organization as a Component Unit is the degree of financial accountability the City has with the organization. The following circumstances set forth the City's financial accountability for a legally separate organization:

- a. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.
- b. The City may be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The financial statements include the City of Waupaca Community Development Authority as a component unit. The Authority is organized as a legally separate organization under Section 66.431 of the State of Wisconsin Statutes for the purpose of carrying out blight elimination, slum clearance and urban renewal projects. The board of the Authority is appointed by the mayor of the City. Wisconsin statutes provide for circumstances whereby the City can impose its will on the Authority and also create a potential financial benefit to or burden the City. As a component unit, the activities of the Community Development Authority, when they occur, are blended into the City's general and capital projects funds. Separately issued financial statements of the Authority are not available.

For 2016, there were no revenues or expenditures for the Community Development Authority.

B. Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made to minimize the double-counting of internal activities of the City.

City of Waupaca, Wisconsin  
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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Government-Wide Financial Statements (Continued)**

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

**Fund Financial Statements**

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major fund within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the city believes is particularly important to financial statement users may be reported as a major fund.

**Basis of Presentation:**

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

City of Waupaca, Wisconsin  
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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Government-Wide Financial Statements (Continued)**

Debt Service– Used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

TIF No. 3, 4 and 8 Capital Projects Funds – Accounts for the activity of Tax Incremental District No.'s 3, 4 and 8, including any payment of long-term debt principal, interest and related costs.

The City reports the following major proprietary funds:

Water– All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Non-Major Funds:

The City reports the following non-major governmental funds:

Special Revenue Funds – Accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

- Inland Lakes
- Hotel/Motel Tax
- Transit System
- Revolving Loans
- Adult Recreation Center
- Airport
- Donations and grants

Capital Improvements – Used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

TIF No. 5, 6, 7, 9 & 10 Capital Projects Funds – Accounts for the activity of Tax Incremental Districts, including any payment of long-term debt principal, interest and related costs.

Permanent Funds – Are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

- Cemetery Perpetual care

The City reports the following non-major proprietary funds:

Telecommunications– This fund accounts for the activities of the City's communication utility. This utility offers broadband services to businesses and individuals. Expenditures are recovered through user fees.

City of Waupaca, Wisconsin  
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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C). Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**Government-Wide Financial Statements**

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 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.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled to the resources and the amounts are available. Amounts owed to the City, which are not available, are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

City of Waupaca, Wisconsin  
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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C). Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows of resources.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year, which are for subsequent year's operations. For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred inflows of resources is removed from the balance sheet and revenue is recognized.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

The City has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the City's individual major funds, and in the aggregate for non-major funds.

All deposits of the City are made in board designated official depositories and are secured as required by State Statute. The City may designate, as an official depository, any bank or savings association. Also the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost, which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

For purposes of the statement of cash flows, all cash and highly liquid investments with an original maturity of three months or less (including restricted assets) are considered to be cash equivalents.

E. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units in the accompanying agency fund balance sheet.

Property tax calendar - 2016 tax roll:

Lien date and levy date	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
January settlement	January 15, 2017
February settlement	February 20, 2017
August settlement	August 20, 2017
Personal property taxes in full	January 31, 2017
Tax sale- 2016 delinquent real estate taxes	October 2018

No provision for uncollectible accounts receivable has been made for the City and the utilities because they have the right by law to place delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds," Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables (Continued)

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

F. Inventories and Prepaid Items

Inventories of governmental fund types consist of fuel and expendable supplies held for consumption. Expendable supplies, which are not material, are considered expenditures when purchased and, accordingly, are not reflected on the Balance Sheet- Governmental Funds.

Inventories of proprietary fund types are valued at the lower-of-cost or market using the first-in, first-out method and are initially capitalized and then charged to expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

G. Restricted Assets

Certain proceeds of the Utility revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The “revenue bond construction” account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The “revenue bond special redemption” account is used to segregate resources accumulated for debt service payments over the next twelve months. The “revenue bond depreciation” account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Other restricted assets include a “DNR Replacement Fund” which is required by the Wisconsin Department of Natural Resources for repairs and maintenance on the Wastewater Utility plant and the net pension asset related to the Wisconsin Retirement System. “Customer Deposits” are deposits made by the customer which are due to the customers unless their bills are not paid.

H. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost if actual cost is not available. Contributed assets are reported at acquisition value. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset’s lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction are capitalized as part of the additions to capital assets.

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	20-35
Land		N/A
Improvements	5,000	5-15
Buildings	5,000	50-100
Machinery and equipment	5,000	5-20

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

I. Compensated Absences

Vacation pay is earned based on length of service (5-30 days per year). Vacation days are not cumulative and are based on the calendar year.

Regular full time employees can accrue sick leave to a maximum of 150 days. For regular full time employees hired after 2011, sick leave shall be eligible for a maximum accrual of 90 days. Employees earn 12 sick days per year. Accumulated unused sick leave is placed in a bank for the employee. All full time employees leaving employment with the City in good standing will receive a lump sum payment of unused sick leave (paid at a pre-determined percentage based on years of service). An employee that is retiring also has the option to use unused sick leave as credit towards the City's health insurance plan. The City health insurance program is not available to retirees beyond COBRA requirements.

Compensated absence expenditures and liabilities are recorded and adjusted to December 31 salaries/wages at the close of each fiscal year.

J. Bond Premiums, Discounts, and Issuance Costs

In the government wide and fund financial statements, governmental fund and proprietary fund types 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 on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$106,811 and consists of one issue.

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Bond Premiums, Discounts, and Issuance Costs (Continued)

Deferred amounts from refunding resulting in a debit are reported as deferred outflows. Deferred amounts from refunding resulting in a credit are reported as deferred inflows.

K. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

L. Equity Classifications

**Government-Wide Statements**

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**Fund Statements**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

**Fund Statements (Continued)**

- Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

The Council may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Council. Commitments of fund balance, once made, can be modified only by majority vote of the Council.

The City has passed a fund balance policy to preserve working capital and to adequately prepare for unforeseen events which will require ready access to funds. The City requires that the unassigned fund balance be maintained between 20% and 25% of the General Fund budget. Amounts exceeding 30% shall be transferred to the Rainy-Day Fund. As of December 31, 2016, the unassigned fund balance of the general fund was 26% of the current year general fund budgeted expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

M. Transfers

Transfers include the payment in lieu of taxes from the water, sewer, and telecommunications utilities to the general fund. The debt service fund transferred property tax levies to the TIF funds for shortfalls between the tax increments and their debt payments. TIF District No. 4 is a donor to TIF District No. 8. TIF District No. 6 is a donor to TIF District No. 3 and 5. A transfer of positive tax increment after satisfying current year debt service and project costs was made to TIF District No. 3 and 5 in the amount of \$114,967 and \$110,655, respectively.

N. Encumbrances

Encumbrances outstanding represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year-end are fulfilled. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not represent liabilities or expenditures. Encumbrance accounting applies only to governmental fund types. The City does not use encumbrance accounting.

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NOTE 1                    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Risk Management

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

P. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances.

Q. Regulation of Municipal Utilities

The Waupaca Water Utility operates under service rules which are established by the Public Service Commission of Wisconsin. Rates charged are regulated by the Commission. The accounting records of the utility are maintained in accordance with the Uniform System of Accounts prescribed by the Public Service Commission. The Sewer and Telecommunications Utilities are not regulated.

R. State and Federal Aids

State general and categorical aids are recognized as revenue in the entitlement year. Federal aids and certain state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred inflows of resources.

S. Interfund Transactions

Quasi-external transactions are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expense in the reimbursing fund and as revenue in the fund that is reimbursed.

T. Discount on Long-Term Notes Receivable

A long-term receivable is discounted at a rate of 3%. The discount is recognized and being amortized to interest income in the statement of activities over the course of the loan using the effective interest method.

U. Debt Policy

The City's General Guidelines per Debt Policy:

- a. The City shall assess the fiscal impact of the debt prior to issuance.
- b. Tax supported general obligation debt of the City will not exceed 2.5 percent (2.5%) of the equalized valuation, including tax incremental value, of the taxable property of the City ("TID-In"). Total general obligation debt for the City shall not exceed 3.75 percent (3.75%) of TID-In equalized valuation.
- c. Total annual debt service payments on tax-supported debt, excluding tax increment finance debt, of the City will not exceed 25 percent (25%) of total general government operating revenue.
- d. The City's debt policy will be comprehensive and the City will not knowingly enter into any contracts creating significant unfunded liabilities.

The City is in compliance with these general guidelines of the debt policy.

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V. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pensions, 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 for WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

W. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expenditure) until then. The City has two items that qualifies for reporting in this category. The deferred outflows of resources were derived from the WRS pension system and Wisconsin Public Service Commission. The deferred outflows of resources for the WRS pension system are discussed in Note 6. Costs of \$36,527 for the rehabilitation of two wells are being amortized by the Wisconsin Public Service Commission. The balance at December 31, 2016 was \$24,351.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resource (revenue) until then. The City has two items that qualifies for reporting in the category. Deferred inflows of resources related to the WRS pension system are discussed in Note 6 and the remaining deferred inflows of resources are discussed in Note 14.

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NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS  
 AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and government-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

**Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities**

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

NOTE 3 CASH AND INVESTMENTS

At December 31, 2016, cash and investments included the following:

Petty cash/cash on hand	\$ 1,190
Deposits with financial institutions	5,669,242
Certificate of deposit	89,006
Mutual Fund	13,869
Municipal Bonds	<u>51,557</u>
Total cash and investments	<u><u>\$ 5,824,864</u></u>

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments	4,885,806
Cash and investments-restricted	<u>939,058</u>
Total cash and investments	<u><u>\$ 5,824,864</u></u>

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

Investment of City funds is restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
- Bonds are securities of any county, city, drainage district, technical college district, village, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district.
- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority.
- Bonds issued by a local football stadium district.
- Bonds issued by a local arts district.
- Bonds issued by the Wisconsin Aerospace Authority.

Income Allocation – Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment.

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.

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

Investment Type	12 months Amount or less	
Certificates of deposit	\$ 89,006	\$ 89,006
Mutual Fund	13,869	13,869
Total	\$ 102,875	\$ 102,875

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. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City’s investment policy limits investments to those authorized by State Statutes. At December 31, 2016 the City’s investments were rated as follows:

	<u>Amount</u>	<u>Rating</u>
Waunakee Wis Taxable Community Bond	\$ 51,557	Aa 2 (Moody’s)
Mutual Fund	\$ 13,869	(4) Stars (Morningstar)

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City would 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 risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the City would not be able to recover the value of its investment of collateral securities that are in possession of another party.

*Federal Deposit Insurance Corporation (FDIC) Insurance*

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal. The insurance coverage of accounts held by government depositors is different if the depository institution is located outside the State in which the public unit is located. In that case, all deposits, both time and savings deposits and demand deposits, owned by the public unit and held by the public unit's official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits.

*Collateralization of Public Unit Deposits*

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the unlikely event of the failure of an insured bank.

Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

The City's investment policy requires all certificates of deposits and other time deposits be collateralized in an amount equal to 102% of the investment less the amount insured by the State of Wisconsin and the FDIC.

As of December 31, 2016, \$3,798,579 of the City's deposits were insured by collateral at financial institutions, \$820,518 were insured by the FDIC and \$1,174,898 of the City's deposits with financial institutions in excess of federal depository insurance limits and pledged collateral were exposed to custodial credit risk. The State of Wisconsin Guarantee Fund would provide an additional \$400,000 of coverage, provided funds are available at the time of any potential loss.

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in temporary balances during the year significantly exceeding uninsured amounts at the balance sheet date.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

Financial assets required to be measured on a recurring basis are classified under a three-tier hierarchy for fair value investments. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurements date.

Fair Value Measurement

The City uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the City’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The City uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the City measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

	Assets at Fair Value as of June 30, 2016		
	Fair Value	Level 1	Level 2
Mutual Fund	\$ 13,869	\$ 13,869	\$
Municipal Bonds	51,557		51,557
Totals	\$ 65,426	\$ 13,869	\$ 51,557

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NOTE 4

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Removals	Ending Balance
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Construction work in progress	\$	\$ 152,654	\$	\$ 152,654
Land	4,376,896		(7,200)	4,369,696
Total capital assets not being depreciated	4,376,896	152,654	(7,200)	4,522,350
 <i>Capital assets, being depreciated:</i>				
Building	12,022,874			12,022,874
Infrastructure	13,737,577	112,165		13,849,742
Improvements other than buildings	871,828	284,215		1,156,043
Machinery and equipment	1,197,458	10,378	(9,475)	1,198,361
Vehicles	1,454,774	39,248		1,494,022
Total capital assets, being depreciated	29,284,511	446,006	(9,475)	29,721,042
Total capital assets	33,661,407	598,660	(16,675)	34,243,392
 <i>Less accumulated depreciation:</i>				
Building	2,512,700	134,107		2,646,807
Infrastructure	5,064,915	406,694		5,471,609
Improvements other than buildings	326,672	48,529		375,201
Machinery and equipment	725,645	41,566	(6,586)	760,625
Vehicles	685,945	103,776		789,721
Total accumulated depreciation	9,315,877	734,672	(6,586)	10,043,963
Total net capital assets	\$ 24,345,530	\$ (136,012)	\$ (10,089)	\$ 24,199,429

Depreciation expense for governmental activities was charged to functions as follows:

Governmental activities	
General government	\$ 40,705
Public safety	72,337
Public works	507,931
Culture, recreation and education	112,112
Health and human services	1,587
Total governmental activities depreciation expense	\$ 734,672

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NOTE 4

CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Removals	Ending Balance
<i>Business-type Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 72,639	\$	\$	\$ 72,639
Non-utility property	13,563			13,563
Property held for future use	100,000			100,000
Total capital assets not being depreciated	186,202			186,202
 <i>Capital assets, being depreciated:</i>				
Building	6,447,089			6,447,089
Infrastructure/systems/equipment	29,933,245	513,013	(94,236)	30,352,022
Total capital assets, being depreciated	36,380,334	513,013	(94,236)	36,799,111
Total capital assets	36,566,536	513,013	(94,236)	36,985,313
 <i>Less accumulated depreciation:</i>				
Building	4,173,535	275,676	(40,000)	4,409,211
Infrastructure/systems/equipment	12,429,155	634,722	(54,236)	13,009,641
Total accumulated depreciation	16,602,690	910,398	(94,236)	17,418,852
Total net capital assets	\$ 19,963,846	\$ (397,385)	\$	\$ 19,566,461

Depreciation expense for business-type activities was charged to functions as follows:

Business-type activities	
Water	\$ 210,350
Wastewater	686,558
Telecommunications	13,490
Total depreciation expense per exhibit A-8	\$ 910,398

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NOTE 5

LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the City for the year ended December 31, 2016.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b><u>Governmental Activities</u></b>					
General obligation debt:					
Bonds payable	\$ 8,360,000	\$	\$ (1,100,000)	\$ 7,260,000	\$ 1,130,000
Notes payable	1,530,130	2,835,632	(293,229)	4,072,533	326,792
Total general obligation debt	9,890,130	2,835,632	(1,393,229)	11,332,533	1,456,792
CDA revenue bonds	4,205,000		(4,205,000)		
Other long-term obligations:					
Compensated absences	724,932	69,412	(17,383)	776,961	
Total governmental activities					
Long-term liabilities	\$ 14,820,062	\$ 2,905,044	\$ (5,615,612)	\$ 12,109,494	\$ 1,456,792

Interest costs incurred during the year totaled \$502,933. Total interest paid during the year aggregated \$535,414.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b><u>Business-type Activities</u></b>					
Mortgage revenue bonds	\$ 6,538,766	\$	\$ (682,028)	\$ 5,856,738	\$ 707,653
Other long-term obligations:					
Compensated absences	104,918	16,641	(223)	121,336	
Total business-type activities					
Long-term liabilities	\$ 6,643,684	\$ 16,641	\$ (682,251)	\$ 5,978,074	\$ 707,653

Interest costs incurred during the year totaled \$239,377. Total interest paid during the year aggregated \$243,523.

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NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

**General Obligation Debt**

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the City. The general obligation debt is expected to be repaid with general property taxes, special assessments, and tax increments. General obligation debt at December 31, 2016, is comprised of the following issues:

Description	Issue Dates	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/16
<u>Notes payable</u>					
State trust fund loan	05/27/15	03/15/25	3.25%	841,200	761,895
State trust fund loan-WRS payoff	01/22/13	03/15/17	2.50%	188,200	48,978
State trust fund loan	01/09/12	03/15/21	3.75%	710,000	426,028
State trust fund loan	04/26/16	03/15/17	2.50%	35,000	35,000
State trust fund loan	07/05/16	03/15/22	3.00%	545,000	545,000
State trust fund loan	09/30/16	03/15/18	2.50%	170,034	170,034
State trust fund loan	09/30/16	03/15/22	3.00%	278,926	278,926
State trust fund loan	09/30/16	03/15/23	3.00%	923,644	923,644
State trust fund loan	09/30/16	03/15/19	2.50%	883,028	883,028
					<u>\$ 4,072,533</u>
<u>Refunding bonds</u>					
G.O. promissory bonds-TIF #3	01/06/07	04/01/21	4.00%	\$ 2,640,000	\$ 1,410,000
G.O. promissory bonds-TIF #5	01/06/07	04/01/21	4.00%	275,000	140,000
G.O. promissory bonds-TIF #4	04/01/08	10/01/27	3.25%	575,000	390,000
G.O. promissory bonds-TIF #6	04/01/08	10/01/27	3.05%	95,000	60,000
G.O. promissory bonds-TIF #8	04/01/08	10/01/24	3.25%	1,580,000	930,000
G.O. promissory bonds	04/01/08	04/01/23	3.25%	1,790,000	1,135,000
G.O. promissory bonds	11/09/10	04/01/30	3.0-4.7%	6,670,000	2,865,000
G.O. promissory bonds	04/05/11	10/01/20	3.5-4.0%	1,040,000	330,000
					<u>\$ 7,260,000</u>
Total governmental activities - general obligation debt					<u>\$ 11,332,533</u>

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NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Enterprise Fund debt is expected to be repaid with Enterprise Fund revenue. The mortgage revenue bonds are expected to be repaid with water and wastewater revenue. Enterprise Fund debt at December 31, 2016, is comprised of the following:

Description	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/16
<u>Revenue bonds</u>					
Sewerage system revenue bond	04/08/98	05/01/17	2.64%	\$ 717,567	\$ 47,266
Sewerage system revenue bond	07/24/02	05/01/22	2.84%	1,135,476	425,651
Sewerage system revenue bond	11/01/04	05/01/24	2.37%	454,008	231,275
Sewerage system revenue bond	01/01/05	05/01/25	2.37%	437,107	222,612
Sewerage system revenue bond	07/11/07	05/01/27	2.48%	502,814	324,017
Sewerage system revenue bond	04/01/08	11/01/24	4.40%	4,125,000	3,060,000
Water system revenue bond	11/01/99	05/01/18	1.58%	760,310	91,136
Water system revenue bond	04/01/08	11/01/24	3.40%	2,210,000	1,295,000
Water system revenue bond	06/13/12	05/01/32	1.32%	194,758	159,781
Total business-type activities revenue debt					<u>\$ 5,856,738</u>

The sewerage system and water system revenue bonds require that the following requirements:

**Debt Service Fund Requirement:** The Bond covenants require the utility to establish and maintain a Debt Service Fund Account, deposits to be made monthly equal to one-sixth (1/6) of the next installment of interest coming due on the Prior Bonds, the Bonds and any Parity Bonds then outstanding and an amount equal to one-twelfth (1/12) of the installment of principal of the Prior Bonds, the Bonds and any Parity Bonds coming due during such Bond Year (after giving effect to available amounts in said Fund from accrued interest, any premium or any other source). This requirement was for both the sewer utility and the water utility for the year ended December 31, 2016. The debt service fund requirement for the sewer utility is \$370,062 and the Debt Service Fund Account had a balance of \$370,062 at December 31, 2016. The debt service fund requirement for the water utility is \$133,496 and the Debt Service Fund Account had a balance of \$133,496 at December 31, 2016.

**Bond Reserve Requirement:** The City covenants to establish and maintain a Reserve Account in an amount equal to the least of (a) 10% of the principal of the Bonds and the Parity Bonds; (b) maximum amount of principal and interest due on the outstanding Bonds and Parity Bonds in any Fiscal Year; or (c) 125% of average annual debt service on the outstanding Bonds and the Parity Bonds requirement will be deposited in the Reserve Account. This requirement was met for both the sewer utility and the water utility for the year ended December 31, 2016. The reserve requirement for the sewer utility is \$306,000 and the Bond Reserve Account had a balance of \$306,000 at December 31, 2016. The reserve requirement for the water utility is \$129,500 and the Bond Reserve Account had a balance of \$129,500 at December 31, 2016.

**Annual Debt Service Requirement:** The City covenants to establish, charge and collect such lawfully established rates and charges for the services provided by the Sewerage and Water System so that net revenues (i.e. gross revenues less all costs of operation and maintenance, exclusive of debt service, depreciation, or local tax equivalents) will be at least 1.10 times the amount of principal and interest coming due on all outstanding bonds payable from the income and revenues of the Sewerage and Water System each year. This requirement was met for the year ended December 31, 2016. The net earnings for the sewer utility were \$1,096,381 or 1.88 times the annual principal and interest amount of \$452,490. The net earnings for the water utility were \$267,739 or 1.37 times the annual principal and interest amount of \$195,680.

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NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt Limit Calculation

The 2016 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$395,248,800. The legal debt limit and margin of indebtedness as of December 31, 2016 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$395,248,800)	\$ 19,762,440
General obligation debt outstanding	<u>(11,332,533)</u>
Margin of indebtedness	<u>\$ 8,429,907</u>

Maturities of Long-Term Obligations

Maturities of the long-term debt to maturity, at December 31, 2016, are:

Years	Governmental Fund Debt		Enterprise Fund Debt	
	Principal	Interest	Principal	Interest
2017	\$ 1,456,792	\$ 325,840	\$ 707,653	\$ 212,925
2018	1,782,609	378,396	684,904	186,863
2019	1,698,402	291,111	662,877	160,512
2020	1,295,855	226,846	691,876	133,406
2021	1,246,001	193,525	720,978	104,850
2022-2026	2,407,874	541,960	2,291,588	141,276
2027-2031	1,445,000	132,925	86,066	2,900
2032			10,796	73
Totals	<u>\$ 11,332,533</u>	<u>\$ 2,090,603</u>	<u>\$ 5,856,738</u>	<u>\$ 942,805</u>

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NOTE 6

DEFINED BENEFIT PENSION PLAN

**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>.

**Accounting Changes.** The WRS adopted GASB Statement No. 82, Pension Issues, an amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions.

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

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

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NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

**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. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$233,643 in contributions from the employer.

Contribution rates as of December 31, 2016 are:

	<u>2016</u>	
	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.60%	6.60%
Executive & elected officials	6.60%	6.60%
Protective with social security	6.60%	9.40%
Protective without social security	6.60%	13.20%

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NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At December 31, 2016, the City reported a liability of \$388,576 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the City's proportion was 0.02391266%, which was an increase of 0.00019988% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$465,024.

Pension amounts have been allocated to the proprietary funds and business-type activities. Allocations were based on the proportionate share of current year contributions to the pension plan made by the proprietary funds and business-type activities relative to the total contributions made by the City.

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 65,736	\$ 817,752
Changes of assumptions	271,865	
Net differences between projected and actual earnings on pension plan investments	1,590,942	
Changes in proportion and differences between employer contributions and proportionate share of contributions		12,556
Employer contributions subsequent to the measurement date	259,551	
Total	\$ 2,188,094	\$ 830,308

\$259,551 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Year ended December 31:	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2017	\$ 500,725	\$ 201,358
2018	500,725	201,358
2019	500,725	201,358
2020	417,670	199,924
2021	8,698	26,310
Total	\$ 1,928,543	\$ 830,308

**Actuarial assumptions.** The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

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

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NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

<b>Retirement Funds</b>								
<b>Asset Allocation Targets and Expected Returns</b>								
As of December 31, 2015								
Core Fund Asset Class	Current Asset Allocation %		Destination Target Asset Allocation %		Long-Term Expected Nominal Rate of Return %		Long-Term Expected Real Rate of Return %	
U.S. Equities	27	%	23	%	7.6	%	4.7	%
International Equities	24.5		22		8.5		5.6	
Fixed Income	27.5		37		4.4		1.6	
Inflation Sensitive Assets	10		20		4.2		1.4	
Real Estate	7		7		6.5		3.6	
Private Equity/Debt	7		7		9.4		6.5	
Multi-Asset	4		4		6.7		3.8	
<b>Total Core Fund</b>	<b>107</b>	<b>%</b>	<b>120</b>	<b>%</b>	<b>7.4</b>	<b>%</b>	<b>4.5</b>	<b>%</b>
Variable Fund Asset Class								
U.S. Equities	70	%	70	%	7.6	%	4.7	%
International Equities	30		30		8.5		5.6	
<b>Total Variable Fund</b>	<b>100</b>	<b>%</b>	<b>100</b>	<b>%</b>	<b>7.9</b>	<b>%</b>	<b>5.0</b>	<b>%</b>
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%								
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations								

*Single Discount rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
City's proportionate share of the net pension liability (asset)	\$2,725,480	\$388,576	\$(1,436,588)

*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>.

NOTE 7

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables as of December 31, 2016 were as follows:

Receivable Fund	Payable Fund	Amount
<b>Government Funds:</b>		
General	Water utility	\$ 164,276
General	Transit system	169,393
General	TIF #8	508,270
TIF #4	TIF #8	487,319
TIF #4	TIF #5	57,942
TIF #4	TIF #	127,743
	<b>Total</b>	<b>\$ 1,514,943</b>
Receivable Fund	Payable Fund	Amount
<b>Enterprise Funds:</b>		
Water utility	Sewer utility	\$ 171,876
Water utility	Debt service	64,326
Sewer utility	General	167,143
	<b>Total</b>	<b>\$ 403,345</b>

The following is a schedule of interfund advances at December 31, 2016:

Receivable Fund	Payable Fund	Amount
Water utility	TIF #8	\$ 2,942,888
Water utility	TIF #3	36,236
Sewer utility	TIF #8	3,660,000
Sewer utility	TIF #3	38,764
	<b>Total</b>	<b>\$ 6,677,888</b>

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NOTE 7                    INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

No repayment schedule has been prepared for the advance to the TIF District's and no interest is being charged on the advance.

For the statement of net assets, interfund balances which are owned within the government activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

<u>Fund Transfer To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Government Funds:		
General	Water utility-tax equivalent	\$ 242,509
General	Sewer utility	250,008
TIF #3	Debt service fund	53,733
TIF #5	Debt service fund	227,919
General	Hotel/Motel revenue	65,635
General	Debt service fund	65,989
Donations/Grants	General	25,998
Donations/Grants	Capital improvements	1,704
Airport	General	65,800
Transit system	General	8,000
Library	General	353,301
Debt service fund	General	1,346,227
TIF #3	TIF #6	114,638
TIF #5	TIF #6	37,117
	<u>Total</u>	<u>\$ 2,858,578</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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NOTE 7                    INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Cumulative transfers from the Debt Service fund to the TIF Districts due to a shortfall of the increment versus the required debt payments are:

TIF #3	\$	838,493
TIF #5		553,119
TIF #6		640,639
TIF #7		6,752
TIF #8		1,647,546
TIF #10		36,063
	\$	<u>3,722,612</u>

Repayment by the TIF Districts was determined to be unlikely, and as such, a transfer has been recorded.

NOTE 8                    GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES

Governmental activities net position reported on the government wide statement of net position at December 31, 2016 includes the following:

**GOVERNMENTAL ACTIVITIES**

Net investment in capital assets		
Land	\$	4,369,696
Other capital assets, net of accumulated depreciation		19,829,733
Less: related long-term debt outstanding		<u>(7,094,929)</u>
Total net investment in capital assets		<u>17,104,500</u>
Restricted:		
Debt service		205,779
TIF #4		673,099
Inland Lakes		8,358
Hotel/motel tax		115,479
Revolving loans		486,014
Adult Recreation Center		32,369
Airport		134,417
TIF #9		198,108
Donation and Grants		69,507
Library		31,087
Perpetual care-expendable		117,762
Total restricted		<u>2,071,979</u>
Unrestricted		<u>(9,920,093)</u>
Total governmental activities net assets	\$	<u>9,256,386</u>

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NOTE 8            GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (CONTINUED)

**GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2016 includes the following:

**Major Funds**

**General Fund:**

**Nonspendable:**

Prepays	\$ 50,427
Long-term receivable	97,790
Total	<u>\$ 148,217</u>

**Unassigned:** \$ 1,327,377

**Debt Service Fund:**

**Restricted:**

Restricted for future debt payments	<u>\$ 337,342</u>
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**TIF District #4 Fund:**

**Restricted:**

Restricted for TIF purposes	<u>\$ 673,099</u>
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**Other Non-major Governmental Funds:**

**Nonspendable:**

Airport fund:

Inventories	<u>\$ 23,419</u>
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NOTE 8

GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (CONTINUED)

**Restricted:**

Inland Lakes fund:	
Restricted for future expenditures	\$ 8,358
Hotel/motel tax fund:	
Restricted for economic development	115,479
Revolving loan fund:	
Restricted for economic development	15,808
Adult Recreation Center:	
Restricted for future expenditures	32,369
Airport fund:	
Restricted for future expenditures	110,998
Donations and Grants fund:	
Restricted for future expenditures	69,507
Library fund:	
Restricted for future expenditures	31,087
TIF Districts fund:	
Restricted for future TIF expenditures	
TIF #7	16,524
TIF #9	198,108
TIF #10	104,609
Perpetual care fund:	
Restricted for future cemetery expenditures	117,762
Total restricted non-major funds	<u>\$ 820,609</u>

**Assigned:**

Capital Improvements Fund:	
Assigned for future capital projects	<u>\$ 189,918</u>

The following non-major funds had deficit balances as of December 31, 2016:

<b>Unassigned fund balance (deficit)</b>	
Transit System Fund	\$ (107,929)
TIF Districts Fund:	
TIF #5	(57,942)
	<u>\$ (165,871)</u>

City of Waupaca, Wisconsin  
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December 31, 2016

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NOTE 9 NET POSITION RESTRICTION – PROPRIETARY FUNDS

Portions of net position are restricted and are not available for current expenses as follows:

<u>Proprietary Funds</u>	
Water Utility:	
Restricted for:	
Debt reserves	<u>\$ 252,622</u>
Sewer Utility:	
Restricted for:	
Debt reserves	<u>\$ 676,062</u>

DNR Replacement Account: The Wisconsin Department of Natural Resources requires that a replacement fund be established and funded on an annual basis. The balance in this account at December 31, 2015 was \$349,403.

NOTE 10 JOINT VENTURES

The Waupaca Area Fire District was established in 1991 for the purpose of furnishing firefighting services to the territory included within the district. The municipalities participating in the fire district and their percentage shares are as follows: City of Waupaca – 34.637%; Town of Waupaca – 6.884%; Town of Dayton – 21.576%; Town of Farmington – 31.102%; and Town of Lind – 5.801%.

The percentage shares of each municipality is based on their 1999 share of equalized value within the district. The governing body consists of five voting members, those being the four town chairpersons and the chairperson of the Police and Fire Committee of the City of Waupaca. Budgets and expenditures must be approved by at least 80% of the shares. Fire district dues are based on the percentages above, and all shortfalls in revenue are allocated to each participating municipality in the same percentage. The Fire District does not have authority to borrow funds and participating municipalities do not have any equity interest in the assets of the district. The City accounts for its share of the operation in the general fund. The City believes that the district will continue to provide services in the future at similar rates.

Summary unaudited financial information of the Waupaca Area Fire District may be obtained at City Clerk’s Office, 111 South Main Street, Waupaca, WI 54981.

The Waupaca Regional Recycling/Composting Center was established in July of 1990 for the purpose of joining together in the recycling of items in the waste stream that can be recycled. Additionally, the other purposes of the center are to protect the interests of the taxpayers and to insure that solid wastes generate within the district are properly recycled or disposed of in accordance with the applicable laws. The municipalities currently participating in the recycling district and their percentage shares are as follows: City of Waupaca – 38.86%; Town of Farmington – 25.64%; Town of Dayton – 17.73%; Town of Waupaca – 7.57%; and Town of Lind – 10.19%.

City of Waupaca, Wisconsin  
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December 31, 2016

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NOTE 10

JOINT VENTURES (CONTINUED)

The percentage shares of each municipality are based on the 2000 census of all municipalities of Waupaca County. The budgeted costs are paid by each municipality in proportion to their share of ownership. The governing body consists of two delegates appointed from each municipality included in the center. The chairman of the center will be elected from the two delegates of the municipality having the largest population. Budgets and expenditures must be approved by two-thirds of the members present. Shortfalls in revenues or deficits will be paid pro-rata by all participating municipalities. The Center does not have the authority to borrow funds and participating municipalities do not have any equity interest assets of the Center. The City accounts for its share of the operation in the general fund. The City believes that the Center will continue to provide services in the future at similar rates.

Summary unaudited financial information of the Waupaca Regional Recycling/Compositing Center may be obtained at the City Clerk's Office, 111 South Main Street, Waupaca, WI 54981.

NOTE 11

LANDFILL POST CLOSURE CARE COST

The City of Waupaca has an old landfill that is no longer accepting waste and is being monitored. State and federal laws and regulations require the City to monitor, document and report the condition of the City's closed landfill site in perpetuity. City officials are unable to estimate the total cost of closing the landfill and post closure monitoring at this time. \$703,170, including current year costs of \$5,180 have been incurred to date in closing and monitoring the landfill. The City has received a grant from the Wisconsin Department of Natural Resources, which will finance approximately 50% of the original costs of the landfill over a period of years beginning in 1992. The City received \$27,559 from the DNR in 2000. Actual post closure care costs will be paid as incurred. No escrow accounts are required as a part of the current closure agreement and annual costs are paid from property tax revenues.

NOTE 12

TAX INCREMENTAL FINANCE DISTRICTS

Tax increment financing, as authorized by Section 66.46 of the Wisconsin Statutes, is a method by which the City can recover its development and public improvement costs in Tax Incremental Finance District (TIF) designated areas. These costs are recovered from the increased valuation in the designated area. The City has financed development and public improvement costs in its TIF primary through the issuance of long-term debt. Project costs have been reported primarily as Capital Projects Funds expenditures. Tax increments will be used to meet maturing debt obligations incurred to provide financing for development and public improvement costs within the tax incremental district. The District is allowed to collect tax increments until its termination date. Any over collections are returned to the various taxing entities of the District. The City becomes liable for any cost not recovered by the termination date.

During 2010, the City declared TIF District Numbers 3, 5 and 8 to be distressed Districts and TIF District Number 4 to be a Donor to TIF District Number 8 and TIF District Number 6 to be the donor to TIF Districts Number 3 and 5. As such, the donor Districts can use cumulative excess revenues over expenditures to aid in paying the costs of the distressed Districts. This could potentially add ten years to the life of the distressed Districts.

The City has eight active Tax Incremental Financing Districts. Project summaries of the activity and status of the districts through December 31, 2016 are provided as supplemental financial information.

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 December 31, 2016

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NOTE 13                      WASTEWATER REVENUE CONTRIBUTIONS - OTHER GOVERNMENTS

The Wastewater Utility provides treatment services to the Chain O'Lakes Sanitary District. During 2016, the following amounts were received:

Contributed capital:	
Replacement component	\$ 28,215
Customer charges:	
Flow component (net of overcharge)	<u>141,359</u>
Total	<u><u>\$ 169,574</u></u>

NOTE 14    CONTINGENCIES

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

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 15    DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2016 the various components of deferred inflows of resources were as follows:

Property tax receivable	\$ 5,296,863
Special assessments	138,375
Long-term notes receivable – CDBG	470,206
Long-term notes receivable – Townhouse Land	<u>97,790</u>
Total deferred inflows of resources for government funds	<u><u>\$ 6,003,234</u></u>

Postponed special assessments are generally collectible in annual installments over five years while the CDBG notes receivable have been deferred until the property is sold or homeowner becomes deceased.

The long-term notes receivable for the townhouse land is for a principal sum of \$200,000, payable in one installment on March 15, 2041. The note carries an interest rate of 0%. The note has been discounted at a rate of 3% in these financial statements. The discount as of December 31, 2016 was \$105,059.

City of Waupaca, Wisconsin  
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NOTE 16

CONCENTRATION OF RISK

Approximately 21% of the water utility operating revenues and approximately 7% of the sewer utility operating revenues are provided by one customer.

NOTE 17

TAX LEVY LIMIT

As part of Wisconsin's Act 32 (2011), legislation was passed that limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount, increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

In addition, as part of Wisconsin's Act 20 (2013), legislation was passed that further limits future tax levies. If the City adopts a new fee or a fee increase for covered services (which were partly or wholly funded by property tax levy), the City must reduce its levy limit in the current year by the amount of the new fee or fee increase, less any previous reductions. Covered services include garbage collection, fire protection, snow plowing, street sweeping and stormwater management.

NOTE 18

COMMITMENT

As of December 31, 2016, the City approved a Main Street Reconstruction Project for approximately \$485,000.

NOTE 19

SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the City approved equipment purchases of approximately \$120,000 with funds to be provided through the Capital Fund.

Subsequent to December 31, 2016, the City also approved a street reconstruction bid for approximately \$290,000.

## Required Supplementary Information

Exhibit B-1  
Required Supplementary Information  
City of Waupaca, Wisconsin  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>REVENUES</b>					
Taxes	\$ 1,829,840	\$ 3,515,850	\$ 3,512,205	\$ 1,682,365	\$ (3,645)
Licenses and permits	166,905	168,505	201,366	34,461	32,861
Fines, forfeits and penalties	70,000	70,000	63,481	(6,519)	(6,519)
Public charges for services	204,820	210,250	216,259	11,439	6,009
Intergovernmental	1,609,804	1,609,804	1,607,661	(2,143)	(2,143)
Interest	2,300	2,300	3,803	1,503	1,503
Miscellaneous	155,165	174,965	171,311	16,146	(3,654)
<b>Total revenues</b>	<b>4,038,834</b>	<b>5,751,674</b>	<b>5,776,086</b>	<b>1,737,252</b>	<b>24,412</b>
<b>EXPENDITURES</b>					
General government	933,324	875,263	832,641	100,683	42,622
Public safety	1,716,088	1,724,118	1,740,721	(24,633)	(16,603)
Health and social services	165,123	153,436	133,922	31,201	19,514
Public works	1,137,178	1,205,776	1,030,219	106,959	175,557
Culture, recreation and education	875,095	916,389	854,130	20,965	62,259
<b>Total expenditures</b>	<b>4,826,808</b>	<b>4,874,982</b>	<b>4,591,633</b>	<b>235,175</b>	<b>283,349</b>
Excess of revenues over (under) expenditures	(787,974)	876,692	1,184,453	1,972,427	307,761
<b>OTHER FINANCIAL SOURCES (USES)</b>					
Proceeds from sale of capital assets	11,000	11,000	1,747	(9,253)	(9,253)
Transfers in	526,974	646,715	624,141	97,167	(22,574)
Transfers out		(1,773,328)	(1,799,326)	(1,799,326)	(25,998)
<b>Total other financing sources (uses)</b>	<b>537,974</b>	<b>(1,115,613)</b>	<b>(1,173,438)</b>	<b>(1,711,412)</b>	<b>(57,825)</b>
<b>Net change in fund balance</b>	<b>(250,000)</b>	<b>(238,921)</b>	<b>11,015</b>	<b>261,015</b>	<b>249,936</b>
Fund balance - beginning	1,464,579	1,464,579	1,464,579		
Fund balance - ending	<u>\$ 1,214,579</u>	<u>\$ 1,225,658</u>	<u>\$ 1,475,594</u>	<u>\$ 261,015</u>	<u>\$ 249,936</u>

Exhibit B-2  
City of Waupaca, Wisconsin  
Wisconsin Retirement System Schedules  
December 31, 2016

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**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
Last 10 Calendar Years\*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2015	0.02391266%	\$ 388,576	\$ 3,068,385	12.66%	98.20%
2014	(0.02371278%)	(582,291)	2,935,377	(19.84%)	102.74%

\*The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 12 months prior to the financial reporting period.

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Calendar Years\*\*

Year ended December 31,	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
2016	\$ 259,551	\$ (259,551)		\$ 3,042,669	8.53%
2015	269,909	(269,909)		2,937,144	9.19%

\*\*The contribution and other amounts presented above for each calendar year are based on information that occurred during that calendar year.

City of Waupaca, Wisconsin  
Notes to Required Supplementary Information  
December 31, 2016

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NOTE 1

BUDGET SCHEDULE

**General Policies** – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.C to the financial statements.

The City budget is adopted in accordance with state law. Budget amounts in the financial statements include appropriations authorized in the original budget resolution, designated carryovers from prior years, and subsequent revisions authorized by the City Council. Such revisions are required by a statutory provision, which states that no expenditures can be made from an expired appropriation. The statutes also require publication of the budget revisions. Revisions require a majority vote of the Common Council. Appropriations for the general fund lapse at year end unless specifically carried forward by council action.

Annual budgets, as required by state statutes, are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. Budgets have not been formally adopted for certain special revenue and capital projects funds, since effective control is achieved through alternative means.

The budgeted amounts presented include both the original and amended budgets. The City council may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. There were no supplemental appropriations during the year. Appropriations lapse at year-end unless assigned. Budgets are adopted at the broad functional category level of expenditures in the general fund and total expenditures level for other funds.

Although there are adopted budgets for the enterprise funds, budget to actual data is not shown since there is no requirement under U.S. generally accepted accounting principles to present budget to actual comparisons for enterprise funds as part of the financial statements, even if annual budgets are legally adopted for these funds.

**Encumbrances** – Encumbrance accounting is not used.

**Excess of Expenditures Over Appropriations** – For the year ended December 31, 2016, expenditures exceeded budgeted amounts for the following:

Public safety	\$	16,603
Transfers Out		25,998

NOTE 2

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively; therefore, the illustrations do not present similar information for the 8 preceding years.

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

*Changes of assumptions.* Rates used in mortality tables were updated based on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%). The mortality table was adopted by the Board in connection with the 2012-2014 Experience Study. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

## Supplementary Information

Exhibit C-1  
City of Waupaca, Wisconsin  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016

	Inland Lakes	Hotel/Motel Tax	Transit System	Revolving Loans	Adult Recreation Center	Airport	Capital Improvements	Donations and Grants	Library	TIF Districts	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
<b>ASSETS</b>												
Cash and investments	\$ 8,619	\$ 217,683	\$	\$ 15,808	\$ 33,509	\$ 118,670	\$ 56,786	\$ 70,405	\$ 46,913	\$ 319,241	\$ 117,762	\$ 1,005,396
Receivables:												
Taxes										869,798		869,798
Special assessments							135,359					135,359
Notes				470,206								470,206
Due from other governments			88,555									88,555
Other		22,431					157,628		135			180,194
Due from other funds												
Inventory						23,419						23,419
<b>Total assets</b>	<b>\$ 8,619</b>	<b>\$ 240,114</b>	<b>\$ 88,555</b>	<b>\$ 486,014</b>	<b>\$ 33,509</b>	<b>\$ 142,089</b>	<b>\$ 349,773</b>	<b>\$ 70,405</b>	<b>\$ 47,048</b>	<b>\$ 1,189,039</b>	<b>\$ 117,762</b>	<b>\$ 2,772,927</b>
<b>LIABILITIES</b>												
Accounts payable	\$ 261	\$ 124,635	\$ 27,091	\$	\$ 1,140	\$ 7,672	\$ 21,480	\$ 898	\$ 4,209	\$	\$	\$ 187,386
Developer payables												
Accrued liabilities									11,752			11,752
Due to other funds			169,393							185,685		355,078
Advances due from other funds												
<b>Total liabilities</b>	<b>261</b>	<b>124,635</b>	<b>196,484</b>		<b>1,140</b>	<b>7,672</b>	<b>21,480</b>	<b>898</b>	<b>15,961</b>	<b>185,685</b>		<b>554,216</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>												
Deferred revenue				470,206			138,375			742,055		1,350,636
<b>Total deferred inflows of resources</b>				<b>470,206</b>			<b>138,375</b>			<b>742,055</b>		<b>1,350,636</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>261</b>	<b>124,635</b>	<b>196,484</b>	<b>470,206</b>	<b>1,140</b>	<b>7,672</b>	<b>159,855</b>	<b>898</b>	<b>15,961</b>	<b>927,740</b>		<b>1,904,852</b>
<b>FUND BALANCES</b>												
Nonspendable						23,419						23,419
Restricted	8,358	115,479		15,808	32,369	110,998		69,507	31,087	319,241	117,762	820,609
Assigned							189,918					189,918
Unassigned (deficit)			(107,929)							(57,942)		(165,871)
<b>Total fund balances</b>	<b>8,358</b>	<b>115,479</b>	<b>(107,929)</b>	<b>15,808</b>	<b>32,369</b>	<b>134,417</b>	<b>189,918</b>	<b>69,507</b>	<b>31,087</b>	<b>261,299</b>	<b>117,762</b>	<b>868,075</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,619</b>	<b>\$ 240,114</b>	<b>\$ 88,555</b>	<b>\$ 486,014</b>	<b>\$ 33,509</b>	<b>\$ 142,089</b>	<b>\$ 349,773</b>	<b>\$ 70,405</b>	<b>\$ 47,048</b>	<b>\$ 1,189,039</b>	<b>\$ 117,762</b>	<b>\$ 2,772,927</b>

Exhibit C-2  
City of Waupaca, Wisconsin  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2016

	Inland Lakes	Hotel/Motel Tax	Transit System	Revolving Loans	Adult Recreation Center	Airport	Capital Improvements	Donations and Grants	Library	TIF Districts	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
<b>REVENUES</b>												
Taxes	\$	\$ 233,053		\$	\$	\$	\$	\$	\$	\$ 748,990	\$	\$ 982,043
Intergovernmental			264,869				94,240		387,161	5,627		751,897
Public charges for services		10			16,913	106,076			20,909			143,908
Miscellaneous:												
Interest				2			11				413	426
Other			39,209			14,241	84,333	81,868	68,147	213,038		500,836
<b>Total revenues</b>		<b>233,063</b>	<b>304,078</b>	<b>2</b>	<b>16,913</b>	<b>120,317</b>	<b>178,584</b>	<b>81,868</b>	<b>476,217</b>	<b>967,655</b>	<b>413</b>	<b>2,379,110</b>
<b>EXPENDITURES</b>												
General government								292	798,431			798,723
Public safety								1,727				1,727
Health and social services								7,889				7,889
Public works			354,108			207,701						561,809
Culture, recreation and education					25,566			31,625				57,191
Conservation and development	1,539	264,150		21,784			135,652					423,125
Capital outlay:												
General government							256,805					256,805
Public safety							35,000					35,000
Public works							294,719					294,719
Culture, recreation and education					4,871		88,895					93,766
Conservation and development										24,141		24,141
Debt service:												
Principal retirement										765,073		765,073
Interest and fiscal charges										55,334		55,334
Debt issuance costs							578			367		945
<b>Total expenditures</b>	<b>1,539</b>	<b>264,150</b>	<b>354,108</b>	<b>21,784</b>	<b>30,437</b>	<b>207,701</b>	<b>811,649</b>	<b>41,533</b>	<b>798,431</b>	<b>844,915</b>		<b>3,376,247</b>
Excess of revenues over (under) expenditures	(1,539)	(31,087)	(50,030)	(21,782)	(13,524)	(87,384)	(633,065)	40,335	(322,214)	122,740	413	(997,137)
<b>OTHER FINANCIAL SOURCES (USES)</b>												
Transfers in			8,000			65,800		27,702	353,301	265,036		719,839
Transfers out		(65,634)					(1,704)			(296,348)		(363,686)
Proceeds from sale of capital assets			3,051		711		961					4,723
Debt proceeds							580,000			117,975		697,975
<b>Total other financing sources (uses)</b>		<b>(65,634)</b>	<b>11,051</b>		<b>711</b>	<b>65,800</b>	<b>579,257</b>	<b>27,702</b>	<b>353,301</b>	<b>86,663</b>		<b>1,058,851</b>
<b>Net change in fund balances</b>	<b>(1,539)</b>	<b>(96,721)</b>	<b>(38,979)</b>	<b>(21,782)</b>	<b>(12,813)</b>	<b>(21,584)</b>	<b>(53,808)</b>	<b>68,037</b>	<b>31,087</b>	<b>209,403</b>	<b>413</b>	<b>61,714</b>
<b>Fund balances - beginning</b>	<b>9,897</b>	<b>212,200</b>	<b>(68,950)</b>	<b>37,590</b>	<b>45,182</b>	<b>156,001</b>	<b>243,726</b>	<b>1,470</b>	<b>51,896</b>	<b>117,349</b>		<b>806,361</b>
<b>Fund balances - ending</b>	<b>\$ 8,358</b>	<b>\$ 115,479</b>	<b>\$ (107,929)</b>	<b>\$ 15,808</b>	<b>\$ 32,369</b>	<b>\$ 134,417</b>	<b>\$ 189,918</b>	<b>\$ 69,507</b>	<b>\$ 31,087</b>	<b>\$ 261,299</b>	<b>\$ 117,762</b>	<b>\$ 868,075</b>

Exhibit C-3  
City of Waupaca, Wisconsin  
Combining Balance Sheet  
TIF Districts  
December 31, 2016

	TIF #5	TIF #6	TIF #7	TIF #9	TIF #10	Total
<b>ASSETS</b>						
Cash and investments	\$	\$	\$ 16,524	\$ 198,108	\$ 104,609	\$ 319,241
Receivables:						
Other						
Taxes	21,103	677,215	84,919		86,561	869,798
Total assets	\$ 21,103	\$ 677,215	\$ 101,443	\$ 198,108	\$ 191,170	\$ 1,189,039
<b>LIABILITIES</b>						
Accounts payable	\$	\$	\$	\$	\$	\$
Developer payables						
Due to other funds	57,942	127,743				185,685
Advances due from other funds						
Total liabilities	57,942	127,743				185,685
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue	21,103	549,472	84,919		86,561	742,055
Total deferred inflows of resources	21,103	549,472	84,919		86,561	742,055
Total liabilities and deferred inflows of resources	79,045	677,215	84,919		86,561	927,740
<b>FUND BALANCES</b>						
Restricted for TIF expenditures			16,524	198,108	104,609	319,241
Unassigned (deficit)	(57,942)					(57,942)
Total fund balances	(57,942)		16,524	198,108	104,609	261,299
Total liabilities, deferred inflows of resources and fund balances	\$ 21,103	\$ 677,215	\$ 101,443	\$ 198,108	\$ 191,170	\$ 1,189,039

Exhibit C-4  
City of Waupaca, Wisconsin  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
TIF Districts  
For the Year Ended December 31, 2016

	TIF #5	TIF #6	TIF #7	TIF #9	TIF #10	Total
<b>REVENUES</b>						
Taxes	\$ 22,438	\$ 576,760	\$ 59,729	\$	\$ 90,063	\$ 748,990
Intergovernmental	3	1,069	1,228	3,277	50	5,627
Miscellaneous:						
Other	5,368	56,742			150,928	213,038
Total revenues	27,809	634,571	60,957	3,277	241,041	967,655
<b>EXPENDITURES</b>						
Conservation and development						
Capital outlay:						
Conservation and development	7,229	4,734	5,982	2,133	4,063	24,141
Debt service:						
Principal retirement	275,073	370,000	20,000		100,000	765,073
Interest and fiscal charges	17,729	18,650	875		18,080	55,334
Debt issuance costs	242	125				367
Total expenditures	300,273	393,509	26,857	2,133	122,143	844,915
<b>OTHER FINANCIAL SOURCES (USES)</b>						
Transfers in	265,036					265,036
Transfers out	(37,009)	(241,062)	(8,250)	(1,777)	(8,250)	(296,348)
Debt proceeds	117,975					117,975
Proceeds from sale of capital assets						
Total other financing sources (uses)	346,002	(241,062)	(8,250)	(1,777)	(8,250)	86,663
Net change in fund balance	73,538		25,850	(633)	110,648	209,403
Fund balances - beginning	(131,480)		(9,326)	198,741	(6,039)	51,896
Fund balances - ending	\$ (57,942)	\$	\$ 16,524	\$ 198,108	\$ 104,609	\$ 261,299

## Miscellaneous Financial Data

City of Waupaca, Wisconsin  
Historical Sources, Uses and Status of Funds - Tax Incremental Financing Districts  
From Dates of Creation Through December 31, 2016

	TIF #3	TIF #4	TIF #5	TIF #6	TIF #7	TIF #8	TIF #9	TIF #10	Totals
<b>SOURCES OF FUNDS</b>									
Taxes	\$ 3,169,316	\$ 7,754,728	\$ 260,293	\$ 6,726,324	\$ 432,966	\$ 691,020	\$ 57,655	\$ 772,791	\$ 19,865,093
Intergovernmental	231,605	58,661	3,160	28,312	15,801	518,525	235,783	126	1,091,973
Other revenue	971,461	1,050,595	146,607	972,625	58,448	848,306	5,600	347,056	4,400,698
Sale of capital assets	414,434					17,600			432,034
Proceeds of long-term debt	7,883,644	8,230,985	1,187,975	9,915,000	690,000	20,705,000		1,895,000	50,507,604
Transfers	1,846,656		624,495	640,639	74,388	2,735,150		186,063	6,107,391
<b>Total sources</b>	<b>14,517,116</b>	<b>17,094,969</b>	<b>2,222,530</b>	<b>18,282,900</b>	<b>1,271,603</b>	<b>25,515,601</b>	<b>299,038</b>	<b>3,201,036</b>	<b>82,404,793</b>
<b>USES OF FUNDS</b>									
Capital expenditures	5,333,363	5,409,020	697,382	7,684,325	421,646	11,006,696	31,517	978,180	31,562,129
Debt service:									
Principal retirement	3,345,000	4,662,869	627,135	7,954,793	344,578	3,800,190		1,562,489	22,297,054
Interest and fiscal charges	2,003,884	1,888,108	326,540	1,336,085	84,985	1,580,480		230,430	7,450,512
Transfers	3,834,869	4,461,873	629,415	1,307,697	403,870	16,732,229	69,413	325,328	27,764,694
<b>Total uses</b>	<b>14,517,116</b>	<b>16,421,870</b>	<b>2,280,472</b>	<b>18,282,900</b>	<b>1,255,079</b>	<b>33,119,595</b>	<b>100,930</b>	<b>3,096,427</b>	<b>89,074,389</b>
Fund balance at December 31	\$	\$ 673,099	\$ (57,942)	\$	\$ 16,524	\$ (7,603,994)	\$ 198,108	\$ 104,609	\$ (6,669,596)
Cash	\$ (71,564)	\$ (673,004)	\$	\$	\$ (16,524)	\$	\$ (198,108)	\$ (104,609)	\$ (1,063,809)
Taxes receivable				(127,743)					(127,743)
Other receivable	(4,481)	(343)							(4,824)
Accounts payable	22	248				5,517			5,787
Developer payables	1,023								1,023
Debt outstanding	2,333,644	720,985	257,975	430,000	20,000	2,925,000		3,715,000	10,402,604
Due to other funds	75,000		57,942	127,743		7,598,477			7,859,162
Balance to be collected (surplus) at December 31	\$ 2,333,644	\$ 47,886	\$ 315,917	\$ 430,000	\$ 3,476	\$ 10,528,994	\$ (198,108)	\$ 3,610,391	\$ 17,072,200



**Certified Public Accountants**

2500 Business Park Road ▲ Mineral Point, Wisconsin 53565 ▲ TEL 608-987-2206 ▲ FAX 608-987-3391

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the City Council  
City of Waupaca, Wisconsin

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waupaca, Wisconsin ("City") as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 following deficiency in internal control to be a significant deficiency:

## Preparation of Financial Statements

The specific expertise of your accounting and financial reporting department, is that management has elected to rely on the knowledge of its auditors to prepare its annual financial statements and related disclosures. Your City, like many others, has made the determination that because of the ever changing and numerous reporting requirements associated with preparing financial statements that are in conformity with accounting principles generally accepted in the United States of America, it is more cost advantageous to rely on the expertise of its outside auditors to assist in the preparation of its financial statements.

However, since the financials statement are the responsibility of the City's management, the control over the financial statements being prepared in conformity with accounting principles generally accepted in the United States of America, lies with management. Currently, the City has elected not to dedicate its resources to providing sufficient internal control over the preparation of its financial statements in conformity with accounting principles generally accepted in the Unites States of America, resulting in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

This communication is intended solely for the information and use of management, the City Council, and others within the administration, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Johnson Block & Company, Inc.*

Johnson Block and Company, Inc.  
May 11, 2017  
Mineral Point, WI



Certified Public Accountants

2500 Business Park Road ▲ Mineral Point, Wisconsin 53565 ▲ TEL 608-987-2206 ▲ FAX 608-987-3391

The City Council  
City of Waupaca, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waupaca, Wisconsin (“City”) for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 9, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

1. Management's estimate of the interest rate used to discount long-term notes receivable is based on knowledge of the current interest rates available to similar notes receivable. We evaluated the key factors and assumptions used to develop the interest rate estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
2. Management's estimate of the pension liability and deferred outflows and inflows of resources are based on various factors. These estimates were computed by the pension plan administrator. We evaluated the key factors and assumptions used to develop these amounts in determining that they are reasonable in relation to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The following material misstatements detected as a result of audit procedures were corrected by management:

- Record additional accounts receivable
- Adjust payroll liabilities
- Record utility fixed asset removals
- Record transfer of excess increment to distressed TIF
- Transfer debt service levy for TIF districts

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 11, 2017.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Other Matters

We applied certain limited procedures to the budgetary comparison information and the Wisconsin Retirement System schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on miscellaneous financial data, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Attached are recommendations and informational points to management that are not material weaknesses or significant deficiencies.

## Restriction on Use

This information is intended solely for the information and use of the City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Johnson Block & Company, Inc.*

Johnson Block and Company, Inc.  
May 11, 2017  
Mineral Point, WI

Client: **WAUPCITY - City of Waupaca**  
 Engagement: **2016 City of Waupaca Audit**  
 Period Ending: **12/31/2016**  
 Trial Balance: **TB**  
 Workpaper: **PJE - Proposed JE Report**

Account	Description	W/P Ref	Debit	Credit
<b>Proposed JE # 6001</b>				
Record additional accounts receivable at 12/31/16.				
225-13998-000-000	REVENUES RECEIVABLE	D-15	29,242.00	
225-47961-000-000	FEEES: VETS HOME DELIVERY SERV			29,242.00
<b>Total</b>			<b><u>29,242.00</u></b>	<b><u>29,242.00</u></b>

RECOMMENDATIONS AND INFORMATIONAL POINTS TO MANAGEMENT  
THAT ARE NOT MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES

## Sick Leave Policy

Currently, upon retirement, an employee can apply unused sick leave hours towards future health insurance premiums or an employee may take a cash payout depending on their years of employment of their accumulated sick leave up to a maximum of 90 days.

If an employee is offered the option to receive a taxable benefit (e.g., cash) or a nontaxable benefit (e.g., health plan coverage), the employee will generally be taxed as though he/she elected the taxable benefit regardless of the benefit he/she actually elects. This tax principle is referred to as the doctrine of “constructive receipt.”

Eliminate the Employee’s Ability to Elect Taxable or Nontaxable Benefits. An employee will not be in constructive receipt of a taxable benefit if he/she does not have the ability to choose between taxable and nontaxable benefits.

- a) Option Limited to Nontaxable Benefits. If an employee is only given the option to choose between two nontaxable benefits, the employee would not be subject to tax on his/her election. For example, if a terminating/retiring employee would be given the option to elect to have the value of unused sick leave applied to provide continued health plan coverage or to acquire long-term care insurance, there would not be a taxable event because group health coverage and long-term care insurance are both nontaxable benefits.
- b) No Election Made By Employee. Constructive receipt will not apply if the employee does not have the authority to elect between the benefits offered.
  - I. Election by Employer. Under an arrangement described in Private Letter Ruling 200302032, the employer would apply an amount equal to the retiree’s unused sick leave to (a) purchase additional retiree health insurance coverage, or (b) make a contribution to a Code section 403(b) account in the employee’s name. The employer would decide where the money would be applied based upon several factors, including the retiree’s access to other health coverage, the value of the retiring employee’s unused sick leave, and the willingness of the employer’s health insurer to cover the retiree. Because the employer decided where contributions would be made, constructive receipt issues were avoided.
  - II. Automatic Triggers. Constructive receipt would be avoided if the determination of whether a terminating/retiring employee would receive the value of unused sick leave in cash or in the form of continued health plan coverage were made automatically based upon objective criteria. For example, there would be no constructive receipt issue if the arrangement provided that unused sick leave would automatically be applied to purchase continued health plan coverage if the value were \$1,000 and would be distributed to the employee in cash if the value were \$1,000 or less. If the value of a terminating employee’s leave exceeded \$1,000, the employee should not be subject to tax on his/her continued health coverage. If other criteria were established, care would need to be taken to avoid potential discrimination concerns (e.g., the unavailability of a benefit based on age) and to avoid indirect employee control over the option selected.

## Payroll Liability Reconciliation

Payroll liabilities at year-end were not reconciled. Adjustments totaling approximately \$46,000 were required to adjust the balances to the correct ending balances. We recommend that the City personnel reconcile these accounts to the general ledger on a monthly basis.

## Water Net Loss

The Water Utility experienced a net loss of (\$7,428) for 2016. We recommend that the City review the Utility rates for adequacy and consider a simplified rate increase or a full rate case if major capital projects are planned in the next year or two. We are able to assist the City with establishing new rates.

## **APPENDIX C**

### **FORM OF CONTINUING DISCLOSURE**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Waupaca, Waupaca County, Wisconsin (the "Issuer") in connection with the issuance of \$2,740,000 Sewerage System Revenue Bonds, Series 2018, dated March 5, 2018 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on February 6, 2018 (the "Resolution") and delivered to Robert W. Baird & Co. Incorporated (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated February 6, 2018 delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of Waupaca, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Administrator/Clerk of the Issuer who can be contacted at 111 South Main Street, Waupaca, Wisconsin 54981, phone (715) 258-4411, fax (715) 258-4426.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year ended December 31, 2017, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements, adopted annual budget and/or current general fund budget summary and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. TAX LEVIES, RATES AND COLLECTIONS
2. ASSESSED AND EQUALIZED VALUATIONS
3. INDEBTEDNESS OF THE CITY - Direct Indebtedness

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 5th day of March, 2018.

(SEAL)

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Brian R. Smith  
Mayor

---

Henry B. Veleker  
City Clerk

**APPENDIX D**

**FORM OF LEGAL OPINION**

Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202

March 5, 2018

Re: City of Waupaca, Wisconsin ("Issuer")  
\$2,740,000 Sewerage System Revenue Bonds, Series 2018,  
dated March 5, 2018 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to Section 66.0621, Wisconsin Statutes, and a resolution adopted by the Common Council of the Issuer on February 6, 2018 (the "Bond Resolution"). Pursuant to the Bond Resolution, the Bonds are issued on a parity with the Issuer's outstanding Sewerage System Revenue Bonds, Series 2002, dated July 24, 2002; Sewerage System Revenue Bonds, Series 2004, dated August 25, 2004; Sewerage System Revenue Bonds, Series 2005, dated November 9, 2005; and Sewerage System Revenue Bonds, Series 2007, dated July 11, 2007 (collectively, the "Prior Bonds"). The Issuer covenanted in the Bond Resolution that revenues derived from the operation of the Sewerage System (the "System") of the Issuer which are deposited in the Debt Service Fund provided by the Bond Resolution (the "Revenues") shall at all times be sufficient to pay the principal of and interest on the Prior Bonds and the Bonds as the same falls due.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on May 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$395,000	3.00%
2020	410,000	3.00
2021	420,000	3.00
2022	435,000	3.00
2023	445,000	3.00
2024	460,000	3.00
2025	40,000	4.00
2028	135,000	3.375

Interest is payable semi-annually on May 1 and November 1 of each year commencing on November 1, 2018.

The Bonds maturing on May 1, 2028 are subject to redemption prior to maturity, at the option of the Issuer, on May 1, 2025 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

The Bonds maturing in the year 2028 are subject to mandatory redemption by lot as provided in the Bond Resolution, at the redemption price of par plus accrued interest to the date of redemption and without premium.

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Issuer is duly created and validly existing under the Constitution and laws of the State of Wisconsin with the power to adopt the Bond Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Bond Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. The Bonds have been lawfully authorized and issued by the Issuer pursuant to the laws of the State of Wisconsin now in force and are valid and binding special obligations of the Issuer in accordance with their terms payable solely from the Revenues of the System. The Bonds, together with interest thereon, do not constitute an indebtedness of the Issuer nor a charge against its general credit or taxing power.
4. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

We express no opinion regarding the creation, perfection or priority of any security interest in the Revenues or other funds created by the Bond Resolution or on the sufficiency of the Revenues.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP