

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 13, 2018

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. 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.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, 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.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF LAKE MILLS, WISCONSIN (Jefferson County)

\$1,805,000* SEWERAGE SYSTEM AND LIGHT AND WATER UTILITY MORTGAGE REVENUE BONDS, SERIES 2018B

BID OPENING: June 19, 2018, 11:00 A.M., C.T.

CONSIDERATION: June 19, 2018, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,805,000* Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2018B (the "Bonds") of the City of Lake Mills, Wisconsin (the "City") are being issued pursuant to Section 66.0621, Wisconsin Statutes, to provide funds for the public purpose of financing improvements and extensions to the City's Electric Utility, which is a part of the combined utility system consisting of the Sewerage System and Light and Water Utility (collectively, the "Utility System"), and to refund certain obligations of the City. The Bonds are not general obligations of the City but are secured by a pledge of Net Revenues (defined herein) of the Utility System, which pledge is on a parity with that granted the owners of the outstanding bonds payable from Net Revenues. See "THE BONDS - SECURITY - Source of Payment" herein. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF BONDS: July 11, 2018

MATURITY: May 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$80,000	2026	\$80,000	2033	\$100,000
2020	70,000	2027	80,000	2034	105,000
2021	70,000	2028	85,000	2035	110,000
2022	70,000	2029	85,000	2036	115,000
2023	70,000	2030	95,000	2037	115,000
2024	80,000	2031	95,000	2038	120,000
2025	80,000	2032	100,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: November 1, 2018 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing May 1, 2029 and thereafter are subject to call for prior redemption on May 1, 2028 and any date thereafter, at a price of par plus accrued interest.

MINIMUM BID: \$1,782,438.

MAXIMUM BID: \$1,913,300.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$36,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: To be named by the City.

BOND COUNSEL: Quarles & Brady LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the issue.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Bonds are exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF LAKE MILLS COMMON COUNCIL

		<u>Term Expires</u>
Diann Hosp Fritsch	Council President	April 2020
Steve Fields	Councilperson	April 2019
Mike Foster	Council Vice-President	April 2021
Doug Fritsch	Councilperson	April 2019
Vickie Schmidt	Councilperson	April 2020

ADMINISTRATION

Steven Wilke, City Manager
Elizabeth Milbrath, Treasurer/Finance Director
Misty Quest, Clerk

PROFESSIONAL SERVICES

Daniel Drescher, City Attorney, Lake Mills, Wisconsin

Quarles & Brady LLP, Bond Counsel, Milwaukee, Wisconsin

Ehlers & Associates, Inc., Municipal Advisors, Waukesha, Wisconsin
(Other offices located in Roseville, Minnesota, Chicago, Illinois and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Lake Mills, Wisconsin (the "City") and the issuance of its \$1,805,000* Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2018B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Award Resolution") to be adopted by the Common Council on June 19, 2018.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the link to the Bond Sales and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of July 11, 2018. The Bonds will mature on May 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on May 1 and November 1 of each year, commencing November 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City may select a bank or trust company to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after May 1, 2029 shall be subject to optional redemption prior to maturity on May 1, 2028 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City.

* Preliminary, subject to change.

If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 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.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Section 66.0621, Wisconsin Statutes, to provide funds for the public purpose of financing improvements and extensions to the City’s Utility System (the "Utility System") and to refund certain obligations of the City as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded
\$484,000 Promissory Note	9/20/17	7/20/18	100%	2018	2.990%	<u>\$484,000</u>
Total Principal						\$484,000

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	\$1,805,000
Transfers from Prior Issue DSR Funds	845,674
Est. Int Earnings	<u>4,115</u>
Total Sources	\$2,654,789

Uses

Total Underwriter's Discount	\$22,563
Costs of Issuance	60,250
Deposit to Debt Service Reserve Fund	923,865
Deposit to Project Construction Fund	1,150,000
Deposit to Current Refunding Fund	496,013
Rounding Amount	<u>2,099</u>
Total Uses	\$2,654,789

* Preliminary, subject to change.

SECURITY

This section is a summary of security provisions. A detailed explanation of the security provisions is contained in the Award Resolution, which is available upon request from Ehlers.

Source of Payment: THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE City but are payable only out of "Net Revenues" that are pledged to the Special Redemption Fund provided for in the Award Resolution (the "Special Redemption Fund"). Net Revenues are defined as all revenues of the Utility System derived from any source less current expenses, excluding depreciation, debt service, tax equivalents, replacements and capital expenditures. In the Award Resolution, the City will covenant to deposit Net Revenues in an amount sufficient to pay principal of and interest on the Bonds, the Sewerage System and Light and Water Utility Revenue Bonds, Series 2001, dated October 24, 2001 (the "2001 Bonds"), the Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2014A, dated September 4, 2014 (the "2014 Bonds"), the Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2016A Bonds, dated July 13, 2016 (the "2016A Bonds"), and the Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2017C, dated April 6, 2017 (collectively, the "Prior Bonds") in the Special Redemption Fund and to use the funds in the Special Redemption Fund only for the purpose of paying principal of and interest on the Bonds and the Prior Bonds.

The claim of the owners of the Bonds with respect to the Special Redemption Fund is on a parity with the claim granted to the owners of the Prior Bonds (except as to the Reserve Account referred to below which is not pledged to the 2001 Bonds).

Rate Covenant: In the Award Resolution, the City will covenant to maintain the Utility System in reasonably good condition and operate the Utility System, and to establish, charge and collect such lawfully established rates and charges for the service rendered by the Utility System, so that in each fiscal year Net Revenues shall not be less than 125% of the debt service requirement on all outstanding bonds payable from the revenues of the Utility System, including the Bonds and the Prior Bonds.

Additional Bonds Test: The City reserves the right to issue additional bonds payable from the Net Revenues of the Utility System on a parity with the outstanding bonds payable from the Net Revenues of the Utility System ("Parity Bonds"), including the Bonds and the Prior Bonds. No bonds or obligations payable from the Net Revenues of the Utility System may be issued in such a manner as to enjoy priority over the Bonds.

While the 2001 Bonds are outstanding, before issuing Parity Bonds, the City must meet the following condition provided for in the resolution authorizing the 2001 Bonds with respect to Net Revenues of the Utility System:

The Net Revenues of the Utility System for the fiscal year immediately preceding the issuance of such Parity Bonds must have been equal to at least 1.25 times the maximum annual interest and principal requirement on all bonds outstanding payable from revenues of the Utility System and on the Parity Bonds. Should an increase in permanent rates and charges, including those made to the City, be properly ordered and made effective during the fiscal year immediately prior to the issuance of such Parity Bonds or during that part of the fiscal year of issuance prior to such issuance, then Net Revenues shall include such additional revenues as an independent certified public accountant, consulting professional engineer or the Wisconsin Public Service Commission may certify would have accrued during the prior fiscal year had the new rates been in effect during that entire immediately prior fiscal year.

After the 2001 Bonds are discharged, before issuing Parity Bonds, the City must meet conditions provided for in the resolutions authorizing the Prior Bonds. The Award Resolution requires the City to meet one of the following tests with respect to Net Revenues of the Utility System:

(1) The Net Revenues of the Utility System for the fiscal year immediately preceding the issuance of such Parity Bonds must have been equal to at least 1.25 times the average combined annual interest and principal requirements on all bonds outstanding payable from revenues of the Utility System and on the Parity Bonds. Should an increase in permanent rates and charges, including those made to the City, be properly ordered and made effective during the fiscal year immediately prior to the issuance of such Parity Bonds or during that part of the fiscal year of issuance prior to such issuance, then Net Revenues shall include such additional revenues as an independent certified public accountant, consulting professional engineer or the Wisconsin Public Service Commission may certify would have accrued during the prior fiscal year had the new rates been in effect during that entire immediately prior fiscal year; or

(2) An independent certified public accountant or consulting professional engineer provides a certificate setting forth for each of the three fiscal years commencing with the fiscal year following that in which the projects financed by such Parity Bonds are to be completed, the projected Net Revenues and the maximum annual interest and principal requirements on all bonds outstanding payable from the Net Revenues of the Utility System and on the Parity Bonds then to be issued (the "Maximum Annual Debt Service Requirement"); and demonstrating that for each such fiscal year the projected Net Revenues will be in an amount not less than 125% of such Maximum Annual Debt Service Requirement.

If the City cannot meet the conditions required to issue Parity Bonds, any obligations issued in the future payable from the Net Revenues of the Utility System must be issued on a basis junior and subordinate with respect to the pledge granted to the owners of the bonds then outstanding that are payable from Net Revenues of the Utility System.

Service to the City: The reasonable cost and value of any service rendered to the City by the Utility System by furnishing sewer, water and electrical services for public purposes, including reasonable health protection charges, shall be charged against the City and shall be paid by it in monthly installments as the service accrues, out of the current revenues of the City collected or in the process of collection, exclusive of the revenues, and out of the tax levy of the City made by it to raise money to meet its necessary current expenses. The reasonable cost and value of such service to the City in each year shall be in an amount which, together with revenues of the Utility System, will produce Net Revenues equivalent to not less than 1.25 times the annual debt service due. Such compensation for such service rendered to the City shall, in the manner provided herein above, be paid into the separate and special funds described in the Award Resolution. However, such payment is subject to (a) annual appropriations by the City Council therefor, (b) approval of the Wisconsin Public Service Commission, or successors to its function, if necessary, and (c) applicable levy limits, if any; and neither this covenant 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 to make any subsequent payment over and above such reasonable cost and value.

Bond Reserve Account: In the Award Resolution, the City will covenant and agree that upon the issuance of the Bonds an amount equal to the "Reserve Requirement" will be on deposit in the Reserve Account and will be maintained therein as additional security for the payment of principal of and interest on the Bonds, the 2014 Bonds, the 2016A Bonds and the 2017C Bonds. Reserve Requirement is defined as an amount, determined as of the date of issuance of the Bonds, equal to the least of (a) the amount on deposit in the Reserve Account prior to the issuance of the Bonds plus the amount permitted to be deposited in the Reserve Account from proceeds of the Bonds pursuant to Section 148(d)(1) of the Code, (b) the maximum amount of principal and interest due on the Bonds and the outstanding 2014 Bonds, 2016A Bonds and 2017C Bonds in any Bond Year or (c) 125% of average annual debt service on the Bonds and the outstanding 2007 Bonds, 2009 Bonds, 2014 Bonds, 2016A Bonds and 2017C Bonds. The Reserve Account does not secure the principal of and interest on the 2001 Bonds.

Mortgage on the Utility System: For the further protection of the owners of the Bonds, the City will grant a mortgage lien upon the Utility System to and in favor of the owner or owners of the Bonds in the Award Resolution, which lien is recognized by the City as valid and binding upon the City and as a valid and binding lien upon the Utility System and any additions and improvements to be made thereto on a parity with the mortgage lien granted to the owners of the Bonds and the 2014 Bonds, the 2016A Bonds and the 2017C Bonds. The City Clerk will perfect said mortgage lien by recording the Award Resolution in the records of the City. The 2001 Bonds are not secured by a mortgage lien.

UTILITY SYSTEM REVENUE DEBT OUTSTANDING

All outstanding Utility System Revenue debt of the City is listed on the following page.

HISTORIC/PROJECTED UTILITY SYSTEM DEBT SERVICE COVERAGES

The exhibit on the Page 7 presents the three-year historic and projected debt service coverages of the Utility System.

City of Lake Mills, Wisconsin

HISTORIC STATEMENT OF REVENUES AND EXPENSES

The following table shows the historic comparison of Net Revenues and debt service secured by revenues of the utility system for the four-year period ending December 31 of each year.

	Audited	Audited	Audited	Draft Audited
	2014	2015	2016	2017
Operating Revenues				
Water, Sewer & Electric Service Fees	\$ 9,836,049	\$ 10,655,570	\$ 10,714,543	\$ 10,666,450
Total Operating Revenues	9,836,049	10,655,570	10,714,543	10,666,450
Operating Expenses				
Operation and Maintenance	7,094,349	6,910,848	6,435,363	6,702,596
Depreciation and Amortization	1,081,839	1,223,837	1,359,350	1,398,140
General & Administrative	1,215,142	1,574,783	1,787,682	1,545,415
Taxes - Payroll & Other	110,245	114,819	120,674	119,648
Total Operating Expenses	9,501,575	9,824,287	9,703,069	9,765,799
Operating Income	334,474	831,283	1,011,474	900,651
Plus:				
Depreciation and Amortization	1,081,839	1,223,837	1,359,350	1,398,140
Interest Income	21,632	17,356	21,475	18,299
Net Revenues Available for Debt Service	\$ 1,437,945	\$ 2,072,476	\$ 2,392,299	\$ 2,317,090
Additional revenues per the test year attributable to rate increase approved 12/16/15	-	91,264	-	-
Net Revenues Available for Debt Service	\$ 1,437,945	\$ 2,163,740	\$ 2,392,299	\$ 2,317,090
Debt Service				
2001 CWF Loan	\$ 77,846	\$ 77,817	\$ 77,787	\$ -
2007 Util Mtg Rev Ref Bonds	\$ 171,994	\$ 165,788	\$ 159,525	\$ 153,188
2009 Util Mtg Rev Ref Bonds	\$ 348,421	\$ 348,315	\$ 357,446	\$ 212,619
2014 Util Mg. Rev Ref Bonds	\$ 23,816	\$ 199,669	\$ 196,669	\$ 123,709
2016 Util Mg. Rev Bonds	\$ -	\$ -	\$ 27,396	\$ 150,660
2017 Util Mg. Rev Bonds	\$ -	\$ -	\$ -	\$ 21,525
2017 Util Prom Note	\$ -	\$ -	\$ -	\$ 20,167
Total Debt Service	\$ 622,077	\$ 791,589	\$ 818,823	\$ 681,868
Debt Service Coverage	2.31	2.73	2.92	3.40

DESCRIPTION OF THE SEWERAGE SYSTEM

The City's Sewerage System, established in 1920s, is owned and operated by the City and consists of a wastewater treatment facility and approximately 42 miles of various sized sewer lines. The treatment facility has an average daily flow capacity of 2.42 M gallons per day and a current usage of .74 M gallons per day. The treatment facility has a current projected design life to handle current and future development to at least the year 2041. The System provides sewer service to the customers located within the City and the Towns of Lake Mills, Milford and Waterloo.

The Sewerage System is operated by the Public Works Board which consists of six members appointed by the President, subject to approval of the Governing Body. The Public Works Board is the policy making body of the Sewerage System, overseeing all projects and programs, reviewing and approving the budget, and determining Sewerage System projects. Utility operations are directed by the Public Works Director.

History of Usage and Total Billings

<u>Year</u>	<u>Total Gallons (in 000s)</u>	<u>Total Billings</u>
2013	154,229	\$1,488,251
2014	159,444	1,510,294
2015	158,339	1,516,773
2016	154,265	1,502,679
2017	163,496	1,541,356

History of Sewer Connections by Customer Type

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Public Authority</u>	<u>Total</u>
2013	2,634	223	22	16	2,895
2014	2,670	190	25	20	2,905
2015	2,645	205	30	18	2,898
2016	2,814	190	32	18	3,054
2017	2,702	192	32	64	2,990

Larger Sewer Customers

Total 2017 Sewer Billings \$1,541,356

<u>Customer</u>	<u>2017 Gallons (000s)</u>	<u>2017 Total Billings</u>	<u>Percent of Total Sewer Billings</u>
Lakeland Mobile Home Park	3,107,582	25,471	1.68%
Crystal Farms Packaging	1,609,578	15,302	1.01%
Main Street Auto Center LLC	1,706,328	14,799	0.98%
Marric & Associates	1,019,226	8,934	0.59%
Lake Mills Cleaners	1,014,954	8,202	0.54%
Lake Mills Housing Authority	825,158	8,019	0.53%
MD Hotels LLC	813,134	7,113	0.47%
Tyranena Brewery	727,175	6,773	0.45%
Wisconsin Dept. Of Transportation	701,130	6,351	0.42%

Sewer Rates

The Sewer rates are not subject to approval by the Wisconsin Public Service Commission. The City annually reviews rates as required under City sewer ordinances to determine if adjustments are required, and the Public Works Board recommends and rate adjustments to the City Council for their approval. The sewer service charge for any lot, parcel of land, building or premise is based on the quantity and quality of wastewater generated, on debt service related to the Sewerage System, and operation, maintenance and replacement costs of the Sewerage System. The following sewer rates have been in effect since July 2017:

General Service - Metered

<u>Monthly Volume Charge</u>		<u>Monthly Service Charge</u>	
		<u>Meter Size</u>	<u>Charge</u>
Domestic Strength Rates		5/8"	15.63
		3/4"	15.63
Volume Charge	\$7.15/1,000 gallons	1"	27.02
BOD	\$.77/lb	1-1/4"	34.61
TSS	\$.68/lb	1-1/2"	45.99
Phosphorus	\$11.09/lb		
		2"	68.77
Miscellaneous		3"	129.49
Holding Tank Wastes	\$31.43/1,000 gallons	4"	197.80
		6"	387.56
Additional High Strength Rates			
Septage	\$142.03/1,000 gallons		

DESCRIPTION OF THE ELECTRIC UTILITY

The City owns and operates the Electric Utility consisting of 4 substations and a distribution plant for its service area which includes the City and the Townships of Lake Mills, Waterloo and Milford. The Electric Utility was established in 1911. The City purchases most of its power and energy requirements from Wisconsin Public Power Inc. under a contract that expires in 2037.

The Electric Utility is operated by the Public Works Board which consists of 6 members appointed by the President, subject to approval of the Governing Body. The Public Works Board is the policy making body of the Electric Utility, overseeing all projects and programs, reviewing and approving the budget, and determining Electric Utility projects. Electric Utility operations are directed by the Public Works Director.

History of Electric Sales (excluding sales for resale)

Year	Total kWh (000s)	Total Billings
2013	54,252	7,155,744
2014	65,515	7,342,173
2015	66,874	8,186,541
2016	66,749	8,145,669
2017	62,139	7,922,695

History of Electric Meter Connections by Customer Type

	2013	2014	2015	2016	2017
Residential - RG-1	3,383	3,341	3,802	3,495	3,731
Rural - RG-2 and RW-1	95	85	0	0	2
Commercial & Industrial - CG-1	428	433	0	395	391
Commercial & Industrial - CP-1 & CP-2	40	49	580	90	58
Public Street & Highway Lighting	58	57	55	202	43
Industrial - CP-3	0	0	0	0	0
Interdepartmental Sales	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	4,004	3,965	4,437	4,182	4,225

History of Electric Billings by Customer Type

	2013	2014	2015	2016	2017
Residential - RG-1	\$3,270,863	\$3,257,381	\$3,573,881	\$3,721,554	\$3,660,058
Rural - RG-2 and RW-1	13,360	12,090	0	0	0
Commercial & Industrial - CG-1	1,260,116	1,195,952	0	1,084,280	990,270
Commercial & Industrial - CP-1 & 2	2,517,748	2,783,845	4,511,638	2,624,952	2,532,710
Public Street & Highway Lighting	93,657	92,905	101,022	714,883	739,657
Industrial - CP-3	0	0	0	0	0
Interdepartmental Sales	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$7,155,744	\$7,342,173	\$8,186,541	\$8,145,669	\$7,922,695

History of Electricity Produced, Purchased and Cost

Year	kWh Purchased (000's)	Cost of kWh Purchased
2013	67,236	5,413,625
2014	69,484	5,602,396
2015	70,036	5,577,956
2016	68,641	5,403,793
2017	64,928	5,175,590

History of Peak Demand

Year	Peak Demand (kW)
2013	16,291
2014	14,785
2015	15,039
2016	15,400
2017	14,808

2017 Larger Electric Customers

Total 2017 kWh Sold:	62,139,385
Total 2017 Billings:	\$7,922,695

Customer	kWh Sold (000s)	Billings	% of Total Billings
Selijan Tool	3,165,055	\$332,611	4.20%
Crystal Farms Packaging	1,750,676	184,207	2.33%
Wisco Farm Co-operative	1,726,876	182,439	2.30%
Lake Mills Market	1,530,197	152,603	1.93%
Lake Mills Foods LLC	1,258,543	133,145	1.68%
Aztalan Engineering	1,255,220	123,435	1.56%
Lakeside Lutheran High School	769,148	102,334	1.29%
Lake Mills Public Schools	772,989	97,638	1.23%
City of Lake Mills	906,624	93,884	1.19%
Lake Mills Public Schools	802,164	93,376	1.18%

Electric Rates and Charges

Electric rates are subject to approval by the Wisconsin Public Service Commission. The following Electric rates and charges became effective January 2015. Billings for all customers are rendered monthly. A charge of 3% but not less than 30 cents will be added to bills not paid within 20 days from date of issuance. A late payment charge shall be applied only once to any given amount outstanding.

Residential Service RG-1 (Residential single-phase customers for ordinary household purposes)

Customer Charge: Single-phase: \$10.00 per month urban (minimum charge)
 Triple-phase: \$17.00 per month urban (minimum charge)

Energy Charge: \$.1245 per kWh

General Service GS-1

Customer Charge: Single-phase: \$ 10.00 per month (minimum charge)
 Three-phase: \$17.00 per month (minimum charge)

Energy Charge: \$.1245 per kWh

Small Power Service CP-1 (Maximum Measured Demand in excess of 50 kW per month)

Customer Charge: \$55.00 per month

Demand Charge: \$7.40 per kW of billed demand

Energy Charge: \$.0883 per kWh

Large Power Service CP-2 (Maximum Measured Demand in excess of 200 kW per month)

Customer Charge: \$175.00 per month

Demand Charge: \$9.00 per kW of billed demand

Energy Charge: \$.0910 per kWh (on peak)

DESCRIPTION OF THE WATER UTILITY

The City owns, operates and maintains the municipal Water Utility and related appurtenances serving customers located within the City. The Water Utility was established in 1911.

The Water Utility is operated by the Public Works Board which consists of 6 members appointed by the President, subject to approval of the Governing Body. The Public Works Board is the policy making body of the Water Utility, overseeing all projects and programs, reviewing and approving the budget, and determining Water Utility projects. Water Utility operations are directed by the Director of Public Works.

History of Water Customers

Year	Residential	Commercial	Public Authority	Industrial	Other Services	Total
2013	2,145	241	27	21	3,370	5,804
2014	2,188	209	29	27	2,843	5,296
2015	2,781	236	30	33	2,843	5,923
2016	2,828	246	30	35	2,874	6,013
2017	2,872	190	32	36	2,908	6,038

History of Water Billings by Customer Type

Year	Residential	Commercial	Public Authority	Industrial	Other Services ¹	Total Billings
2013	407,499	140,715	21,741	26,485	293,335	889,775
2014	447,847	120,480	26,411	34,618	271,327	900,683
2015	468,754	79,369	21,871	49,949	261,849	881,792
2016	513,788	54,523	0	82,619	363,952	1,014,882
2017	625,828	64,405	27,129	44,156	373,788	1,135,306

History of Water Sales

Year	No. of Customers	Gallons Sold (in 000s)	Total Billings
2013	5,804	154,229	889,775
2014	5,296	158,603	900,683
2015	5,923	157,043	881,792
2016	6,013	154,030	1,014,882
2017	6,038	134,229	1,135,306

¹ Includes all charges, including fire protection services.

2017 Larger Water Customers

Total 2017 Gallons Sold:	134,229,000
Total 2017 Billings:	\$1,135,306

Customer	Gallons Sold	Billings ¹	% of Total Billings
Lakeland Mobile Home Park	3,107,582	\$13,879	1.22%
Crystal Farms Packaging	1,609,578	6,904	0.61%
City of Lake Mills	1,474,552	6,848	0.60%
City of Lake Mills	1,226,001	4,215	0.37%
Lake Mills Cleaners	1,014,954	3,944	0.35%
Main Street Auto Center LLC	1,003,197	4,096	0.36%
Lake Mills Housing Authority	825,158	4,311	0.38%
Lakeside Lutheran High School	756,228	4,704	0.41%
Tyranena Brewery	727,175	48,901	4.31%
Willowbrook Nursing & Rehab Center	703,131	3,124	0.28%

Water Rates and Charges

The following monthly water rates have been in effect since February 2017:

General Service - Metered

<u>Monthly Volume Charge</u>		<u>Monthly Service Charge</u>	
	<u>Charge per 1,000 gallons</u>	<u>Meter Size</u>	<u>Charge</u>
Flat fee:	\$3.85	5/8"	\$7.00
		3/4"	7.00
		1"	12.00
		1-1/4"	16.00
		1-1/2"	21.00
		2"	32.00
		3"	55.00
		4"	86.00
		6"	164.00
		8"	256.00
		10"	378.00
		12"	500.00

¹ Does not include charges for private fire protection services.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the City will be issuing approximately \$2,305,000* General Obligation Promissory Notes, Series 2018A (the "Concurrent Obligations") on July 11, 2018.

* Preliminary, subject to change.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A" by S&P Global Ratings ("S&P").

The City has requested a rating on this issue from S&P Global Ratings, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P Global Ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the City shall covenant to take certain actions pursuant to the Award Resolution adopted by the Common Council by entering into a Continuing Disclosure Certificate (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. Ehlers is currently engaged as disclosure dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding special obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

STATEMENT REGARDING COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for this Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B).

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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) 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.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2016, and the draft basic financial statements of the City for the fiscal year ended December 31, 2017 have been audited by Hawkins Ash CPAs, LLP, Manitowoc, Wisconsin, independent auditors (the "Auditor"). The reports of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

System Revenues: Should rates set be inadequate to cover expenses, an unusual number of delinquencies occur, or a major breakdown or other disaster cause the Utility System to be inoperable, a shortfall of revenues could result in a delay of debt payments.

Larger Users: Should larger users increase or decrease usage of the Utility System, service currently provided, the revenues of the Utility System will be affected proportionately.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government taxes all or a portion of the interest on municipal bonds or notes or if the State government increases its tax on interest on bonds and notes, directly or indirectly, or if there is a change in federal or state tax policy, then the value of these Bonds may fall for purposes of resale. Noncompliance by the City with the covenants in the Award Resolution relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for United States income tax purposes, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such 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. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Depository Risk: Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

Assessed Value

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

CURRENT PROPERTY VALUATIONS

2017 Equalized Value	\$543,381,000
2017 Equalized Value Reduced by Tax Increment Valuation	\$504,216,200
2017 Assessed Value	\$506,172,221

2017 EQUALIZED VALUE BY CLASSIFICATION

	2017 Equalized Value	Percent of Total Equalized Value
Residential	\$ 396,915,100	73.045%
Commercial	116,419,100	21.425%
Manufacturing	16,121,400	2.967%
Agricultural	119,600	0.022%
Undeveloped	108,000	0.020%
Ag Forest	26,300	0.005%
Forest	10,000	0.002%
Other	79,100	0.015%
Personal Property	13,582,400	2.500%
Total	<u>\$ 543,381,000</u>	<u>100.000%</u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2013	\$ 477,216,194	\$ 460,031,600	-0.34%
2014	484,792,288	488,728,900	6.24%
2015	491,692,765	490,855,800	0.44%
2016	496,894,855	511,900,300	4.29%
2017	506,172,221	543,381,000	6.15%

Source: Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

¹ Includes tax increment valuation.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2017 Equalized Value¹	Percent of City's Total Equalized Value
Ditch Witch International	Manufacturer	\$ 7,505,041	1.38%
Gundlach Properties	Leased property	6,749,153	1.24%
Crystal Farms Refrigerated Dist.	Food distribution	6,236,578	1.15%
Individual	Rental properties	3,744,371	0.69%
JM Mechler LLC	Manufacturing	3,592,217	0.66%
M&R Properties LLC	Rental properties	3,424,708	0.63%
Custom Pharmacy Leaseback LLC	Retail	3,170,295	0.58%
Individual	Rental properties	2,936,582	0.54%
Esser Properties LLC	Rental properties	2,673,323	0.49%
Tamarackpen LLC	Rental properties	2,612,416	0.48%
Total		\$42,644,684	7.85%

City's Total 2017 Equalized Value² \$543,381,000

Source: The City.

¹ Calculated by dividing the 2017 Assessed Values by the 2017 Aggregate Ratio of assessment for the City.

² Includes tax increment valuation.

DEBT

DIRECT DEBT¹ (includes the Bonds and the Concurrent Obligations, as defined herein)*

General Obligation Debt (see schedules following)

Total General Obligation Debt*	<u><u>\$19,096,494</u></u>
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Revenue Debt (see page 6)*

Total revenue debt secured by sewerage, light and water revenues*	<u><u>\$ 12,234,350</u></u>
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*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

CITY OF LAKE MILLS, WISCONSIN
Schedule of Bonded Indebtedness
General Obligation Debt
(As of July 11, 2018)

Fiscal Year Ending	STF Loan Series 2010A		STF Loan		STF Loan		GO Ref. Bonds Series 2012A		GO Note Bank Loan		GO Cor Pur Bonds Series 2014B	
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	9/1/2010 \$640,000	3/15			11/1/2011 \$52,160	3/15	11/1/2012 \$255,000	4/11/2012 \$5,015,000	8/23/2013 \$680,000	9/4/2014 \$3,530,000		
2019			81,865	7,106	6,294	735	30,556	540,000	144,156	90,000	53,013	
2020			85,334	3,627	6,529	500	31,695	570,000		140,000	104,225	
2021					6,775	254	32,890	560,000		140,000	101,425	
2022								325,000		240,000	98,625	
2023							260,000	10,740		240,000	93,825	
2024							270,000	3,713		275,000	84,225	
2025										270,000	73,225	
2026										415,000	62,425	
2027										445,000	45,825	
2028										445,000	32,475	
2029										100,000	19,125	
2030										100,000	16,125	
2031										100,000	13,125	
2032										100,000	10,000	
2033										100,000	6,750	
			167,199	10,733	19,597	1,489	95,142	2,525,000	144,156	3,300,000	817,788	

continued on next page

CITY OF LAKE MILLS, WISCONSIN
Schedule of Bonded Indebtedness
General Obligation Debt
(As of July 11, 2018)

Fiscal Year Ending	Tax GO Cor Pur Bds Series 2014C		GO Prom Notes		GO Prom Notes		GO Bonds Series 2015A		GO Prom Notes		GO Prom Notes		GO Cor Pur Bonds Series 2016B															
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest														
2018	9/4/2014 \$1,305,000	9/1	135,000	12,308	10/21/2014 \$80,000	4/15	16,000	487	12/23/2014 \$140,000	2/15	28,000	1,680	6/23/2015 \$3,495,000	6/1	305,000	42,444	8/20/2015 \$100,000	9/1	10,000	2,636	8/20/2015 \$176,000	9/1	8,800	5,220	7/13/2016 \$3,105,000	6/1	225,000	32,769
2019			135,000	22,455			16,000	487			28,000	840			10,000	2,307			10,000	4,930			8,800	4,350			270,000	60,588
2020			135,000	19,755							28,000				60,000	1,977			60,000				140,800				175,000	56,138
2021			135,000	16,718																							175,000	52,638
2022			150,000	13,275																							175,000	49,138
2023			150,000	9,150																							170,000	45,688
2024			150,000	4,650																							170,000	42,288
2025																											170,000	38,888
2026																											175,000	35,438
2027																											175,000	31,938
2028																											125,000	28,625
2029																											125,000	25,500
2030																											125,000	22,375
2031																											125,000	19,094
2032																											125,000	15,656
2033																											125,000	12,219
																											120,000	8,700
																											115,000	5,175
																											115,000	1,725
			990,000	98,310	16,000	487	56,000	2,520	3,100,000	466,988	80,000	6,920	158,400	14,499	2,980,000	584,575												

continued on next page

CITY OF LAKE MILLS, WISCONSIN
Schedule of Bonded Indebtedness
General Obligation Debt
(As of July 11, 2018)

Fiscal Year Ending	GO Cor Pur Bonds Series 2017A		GO Prom Notes Series 2017B		GO Prom Notes Series 2018A		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	Dated Amount	Maturity	Principal	Interest	Principal*	Interest*						
2018	4/6/2017 \$1,175,000	4/1	53,128	57,247	7/11/2018 \$2,305,000*	5/1	817,956	290,654	1,108,611	18,278,537	4.28%	2018
2019			75,000	35,806			1,891,515	491,571	2,383,086	16,387,023	14.19%	2019
2020			75,000	33,174			2,027,358	428,961	2,456,319	14,359,665	24.80%	2020
2021			75,000	30,110			1,999,665	376,685	2,376,350	12,360,000	35.28%	2021
2022			70,000	26,425			1,740,000	332,674	2,072,674	10,620,000	44.39%	2022
2023			75,000	25,775			1,680,000	288,168	1,968,168	8,940,000	53.19%	2023
2024			75,000	23,525			1,685,000	241,736	1,926,736	7,255,000	62.01%	2024
2025			65,000	21,425			1,400,000	197,758	1,597,758	5,855,000	69.34%	2025
2026			80,000	19,250			1,445,000	155,263	1,600,263	4,410,000	76.91%	2026
2027			85,000	16,775			1,420,000	115,285	1,535,285	2,990,000	84.34%	2027
2028			100,000	14,000			815,000	78,083	893,083	2,175,000	88.61%	2028
2029			100,000	11,000			475,000	59,375	534,375	1,700,000	91.10%	2029
2030			100,000	8,000			475,000	45,750	520,750	1,225,000	93.59%	2030
2031			100,000	4,875			325,000	33,969	358,969	900,000	95.29%	2031
2032			100,000	1,625			325,000	24,031	349,031	575,000	96.99%	2032
2033							225,000	15,594	240,594	350,000	98.17%	2033
							120,000	8,700	128,700	230,000	98.80%	2034
							115,000	5,175	120,175	115,000	99.40%	2035
							115,000	1,725	116,725	0	100.00%	2036
							0	0	0	0		
							0	0	0	0		
							19,096,494	3,191,156	22,287,649			

* Preliminary, subject to change.

DEBT LIMIT

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$ 543,381,000
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 27,169,050
Less: General Obligation Debt (Includes the Concurrent Obligations)*	<u>(19,096,494)</u>
Unused Debt Limit*	<u><u>\$ 8,072,556</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2017 Equalized Value	% In City	Total G.O. Debt²	City's Proportionate Share
Jefferson County	\$ 6,948,833,800	7.8197%	\$ 14,270,000	\$ 1,115,871
Lake Mills Area School District	1,000,936,365	54.2873%	27,990,000	15,195,015
Madison Area Technical College	83,702,047,239	0.6492%	158,495,000	<u>1,028,950</u>
City's Share of Total Overlapping Debt				<u><u>\$ 17,339,836</u></u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

² Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$543,381,000	Debt/ Per Capita 5,932¹
Total General Obligation Debt (includes the Concurrent Obligations)*	\$ 19,096,494	3.51%	\$ 3,219.23
City's Share of Total Overlapping Debt	<u>17,339,836</u>	<u>3.19%</u>	<u>2,923.10</u>
Total*	\$ 36,436,330	6.71%	\$ 6,142.33

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

Aside from the Concurrent Obligations, the City has no current plans for additional financing in the next 12 months.

¹ Estimated 2017 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$3,579,200	100%	\$8.16
2014/15	3,554,500	100%	7.64
2015/16	3,716,300	100%	8.00
2016/17	3,882,300	100%	8.39
2017/18	4,087,900	[In process]	8.11

Property tax statements are distributed to taxpayers by the town, village, and city clerks in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

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, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal 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. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. 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. Any 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 roll are collected from each taxing entity in the year following the levy year.

PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total
2013/14	\$12.60	\$4.44	\$8.16	\$0.18	\$25.38
2014/15	11.31	4.56	7.64	0.18	23.69
2015/16	11.47	4.48	8.00	0.18	24.13
2016/17	11.00	4.45	8.39	0.19	24.03
2017/18	10.46	4.31	8.11	0.00	22.88

Source: Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

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

¹ The Schools tax rate reflects the composite rate of all local school districts and technical college district.

² Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included. State property taxes were eliminated in the State's 2017 - 2019 budget act.

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.

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1905 and is governed by a City Council, which consists of five City Council members. Council Members are elected to staggered three-year terms. The appointed City Manager, Treasurer/Finance Director and City Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 61 full-time, 15 part-time, and 12 seasonal employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. 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 required to contribute half of the actuarially determined contributions, and the City may 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, 2016 ("Fiscal Year 2016") were \$463,629, and \$513,008 for the fiscal year ended December 31, 2017 ("Fiscal Year 2017"). During Fiscal Year 2016 and Fiscal Year 2017, the City's portion of contributions to WRS (not including any employee contributions) totaled \$229,783 and \$244,156, respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2016.

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, 2016, the total pension liability of the WRS was calculated as \$93.4 billion and the fiduciary net position of the WRS was calculated as \$92.6 billion, resulting in a net pension liability of \$0.8 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 2017, the City reported a liability of \$198,964 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2016 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 0.02413916% of the aggregate WRS net pension liability as of December 31, 2016.

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 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 "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

Recognized and Certified Bargaining Units

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 collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and 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 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.

The following bargaining units represent employees of the City:

Bargaining Unit	Expiration Date of Current Contract
Wisconsin Police Professional Association	December 31, 2018

OTHER POST EMPLOYMENT BENEFITS

The City does not provide any other post employment benefits.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity 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.

FUNDS ON HAND (as of April 30, 2018)

Fund	Total Cash and Investments
General Fund - Money Market	\$ 2,566,065
Special Assessments	442,857
Library Endowment	56,205
Library Expansion	18,015
Water Utility Bond Reserve	1,780,021
Water Utility P&I Account	2,960
Fire Department Fund	37,230
Revolving Loan	333,749
2015 Bond A Utility	51,673
2016 Bond B GO Bond	186,644
Now Account - All Utilities	1,485,529
Bond Reserve - Electric Utility	556,823
Bond P&I - Electric Utility	656,086
Bond P&I - Sewer Utility	197,260
Bond P&I - Water Utility	1,392
Park Reserves	2
Park Impact Fees	95,404
TID #2	438,522
TID #3	285,503
TID #4	452,675
TID #5	596
TID #6	433
Reserve Fund - City	90,144
Sewer Impact Fees	311,210
Water Impact Fees	2,742
2012 Bonds	342,092
Cemetery Perpetual Care	279,842
DNR Replacement	258,385
Bond Reserve Fund - Sewer	475,786
2014 Bond P&I	137,359
Tax Account	26
2015 Bond Funds	475,528
Budget Reserves	67
General Fund Checking	148,943
2017 Bond A	295,642
2017 Bond B	1,022,701
2017 C Electric Bond	773,268
DMV ACCT	<u>966</u>
Total Funds on Hand	<u><u>\$ 14,260,345</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2015	2016	Draft 2017
Water			
Total Operating Revenues	\$ 888,631	\$ 1,003,831	\$ 1,144,395
Less: Operating Expenses	<u>(806,851)</u>	<u>(860,411)</u>	<u>(975,872)</u>
Operating Income	\$ 81,780	\$ 143,420	\$ 168,523
Plus: Depreciation	180,361	207,592	215,757
Interest Income	<u>1,087</u>	<u>1,255</u>	<u>1,029</u>
Revenues Available for Debt Service	<u><u>\$ 263,228</u></u>	<u><u>\$ 352,267</u></u>	<u><u>\$ 385,309</u></u>
Sewer			
Total Operating Revenues	\$ 1,520,193	\$ 1,505,493	\$ 1,543,700
Less: Operating Expenses	<u>(1,782,400)</u>	<u>(1,800,778)</u>	<u>(1,867,360)</u>
Operating Income	\$ (262,207)	\$ (295,285)	\$ (323,660)
Plus: Depreciation	463,812	485,744	490,605
Interest Income	<u>9,313</u>	<u>13,572</u>	<u>9,243</u>
Revenues Available for Debt Service	<u><u>\$ 210,918</u></u>	<u><u>\$ 204,031</u></u>	<u><u>\$ 176,188</u></u>
Electric			
Total Operating Revenues	\$ 8,246,746	\$ 8,205,219	\$ 7,978,355
Less: Operating Expenses	<u>(7,235,036)</u>	<u>(7,041,880)</u>	<u>(6,922,567)</u>
Operating Income	\$ 1,011,710	\$ 1,163,339	\$ 1,055,788
Plus: Depreciation	579,664	666,014	691,778
Interest Income	<u>6,956</u>	<u>6,648</u>	<u>8,027</u>
Revenues Available for Debt Service	<u><u>\$ 1,598,330</u></u>	<u><u>\$ 1,836,001</u></u>	<u><u>\$ 1,755,593</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete audited financial statements are available upon request. See Appendix A for the City's 2016 audited financial statements and a draft of the City's 2017 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Draft Audited	2018 Adopted Budget ¹
Revenues					
Taxes and special assessments	\$ 3,685,359	\$ 3,675,255	\$ 3,838,900	\$ 4,000,799	\$ 4,597,900
Intergovernmental	958,294	812,623	1,118,365	1,694,839	362,400
Licenses and permits	173,361	154,700	154,250	148,573	141,900
Penalties and forfeitures	51,009	57,609	52,509	66,155	55,000
Public charges for services	152,296	152,014	159,331	154,636	419,200
Intergovernmental charges for services	283,559	287,022	306,082	340,994	3,139,700
Miscellaneous general revenues	304,379	330,494	318,463	367,240	195,000
Total Revenues	\$ 5,608,257	\$ 5,469,717	\$ 5,947,900	\$ 6,773,236	\$ 8,911,100
Expenditures					
Current:					
General government	\$ 927,981	\$ 978,793	\$ 1,021,451	\$ 1,017,146	\$ 996,900
Public safety	1,494,991	1,556,024	1,633,076	1,601,364	1,681,100
Public works	1,032,694	962,706	1,002,879	1,122,967	1,079,900
Health and social services	118,232	110,211	135,520	138,506	74,700
Culture and recreation	654,686	677,374	697,300	704,343	1,329,700
Conservation and development	764,962	111,831	107,921	273,588	0
Debt service	1,186,895	1,164,234	1,253,623	1,403,771	1,481,200
Capital outlay	1,664,977	1,807,094	4,631,023	2,964,307	2,267,600
Total Expenditures	\$ 7,845,418	\$ 7,368,267	\$ 10,482,793	\$ 9,225,992	\$ 8,911,100
Excess of revenues over (under) expenditures	\$ (2,237,161)	\$ (1,898,550)	\$ (4,534,893)	\$ (2,452,756)	\$ 0
Other Financing Sources (Uses)					
Premium on long-term debt	53,651	167,259	66,626	58,970	
Proceeds of long-term debt	1,705,000	3,495,000	2,050,000	3,160,000	
Operating transfers in	392,676	466,685	547,858	532,878	
Operating transfers out	0	0	0	0	
Total Other Financing Sources (Uses)	\$ 2,151,327	\$ 4,128,944	\$ 2,664,484	\$ 3,751,848	\$ 0
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ (85,834)	\$ 2,230,394	\$ (1,870,409)	\$ 1,299,092	\$ 0
General Fund Balance January 1	\$ 3,030,680	\$ 2,944,846	\$ 5,175,240	\$ 3,304,831	
General Fund Balance December 31	\$ 2,944,846	\$ 5,175,240	\$ 3,304,831	\$ 4,603,923	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	730,392	1,059,399	914,699	759,350	
Restricted	0	0	0	0	
Committed	0	0	0	0	
Assigned	0	0	0	0	
Unassigned	2,214,454	4,115,841	2,390,132	3,844,573	
Total	\$ 2,944,846	\$ 5,175,240	\$ 3,304,831	\$ 4,603,923	

¹ The 2018 budget was adopted in November 2017.

GENERAL INFORMATION

LOCATION

The City of Lake Mills, with a 2010 U.S. Census population of 5,708 and a current estimated population of 5,932 comprises an area of 32.75 square miles and is located approximately 20 miles east of the City of Madison, Wisconsin.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
School District of Lake Mills Area	Elementary and secondary education	243
Hamlin Inc.	Electronic equipment & supply manufacturer	130
Wisco Farm Co-op/Crystal Farms	Manufacturing - distribution	115
Hammerhead	Manufacturer, welding, fabrication	100
Seljan Tool Co., Inc.	Tool & die, plastic products	100
Fiberdome, Inc.	Mfg. fiberglass products, boat manufacturer	100
City of Lake Mills	Municipal government and services	88 ²
Aztalan Engineering Inc.	Mfg. precision machine components	78
Willowbrook Nursing Rehab Center	Health care	70
Daybreak Foods Inc.	Poultry processing plant	67
Horizon Polymer	Manufacturing	40

Source: *ReferenceUSA, written and telephone survey (May 2018), 2018 Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

² 61 full-time, 15 part-time and 12 seasonal employees.

BUILDING PERMITS

	2014	2015	2016	2017	2018 ¹
<u>New Single Family Homes</u>					
No. of building permits	15	25	25	14	2
Valuation	\$3,051,566	\$6,038,223	\$4,425,804	\$2,881,454	\$250,535
<u>New Multiple Family Buildings</u>					
No. of building permits	3	2	7	2	5
Valuation	\$1,280,000	\$700,000	\$2,800,000	\$500,000	\$3,491,900
<u>New Commercial/Industrial</u>					
No. of building permits	6	0	4	1	1
Valuation	\$7,055,042	\$0	\$1,062,000	\$620,000	\$65,000
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	143	155	146	316	155
Valuation	\$16,073,851	\$11,948,726	\$9,557,204	\$6,368,541	\$5,737,953

Source: The City.

¹ As of May 29, 2018.

U.S. CENSUS DATA

Population Trend: City of Lake Mills

2000 U.S. Census	4,843
2010 U.S. Census	5,708
2017 Estimated Population	5,932
Percent of Change 2000 - 2010	+ 17.86%

Income and Age Statistics

	City of Lake Mills	Jefferson County	State of Wisconsin	United States
2016 per capita income	\$27,150	\$27,272	\$29,253	\$29,829
2016 median household income	\$60,302	\$57,290	\$54,610	\$55,322
2016 median family income	\$69,533	\$70,998	\$69,925	\$67,871
2016 median gross rent	\$901	\$783	\$789	\$928
2016 median value owner occupied units	\$169,200	\$175,500	\$167,000	\$184,700
2016 median age	40.6 yrs.	40.4 yrs.	39.1 yrs.	37.7 yrs.

	State of Wisconsin	United States
City % of 2016 per capita income	92.81%	91.02%
City % of 2016 median family income	99.44%	102.45%

Housing Statistics

	<u>City of Lake Mills</u>		
	2000	2016	Percent of Change
All Housing Units	2,065	2,612	26.49%

Source: 2000 and 2010 Census of Population and Housing, and 2016 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Jefferson County	Jefferson County	State of Wisconsin	State of Wisconsin
2014	43,567	5.0%	5.4%	
2015	43,748	4.2%	4.5%	
2016	43,902	4.0%	4.0%	
2017	44,516	3.2%	3.3%	
2018, April	45,333	2.5%	2.7%	

Source: Wisconsin Department of Workforce Development.

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included 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 expects delivery of the draft basic financial statements for the fiscal year ended December 31, 2017 substantially in the form attached hereto, but such financial statements are subject to final review by the City. The City has not requested the Auditor to perform any additional examination, assessments 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 have 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.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF LAKE MILLS, WISCONSIN
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017

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CITY OF LAKE MILLS, WISCONSIN
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MEMBERS OF THE COMMON COUNCIL

<p>President Diann Fritsch</p> <p>Vice President Mike Foster</p> <p>Member Doug Fritsch</p> <p>Member Steve Fields</p> <p>Member Vickie Schmidt</p>	<p>City Manager Steve Wilke</p> <p>Treasurer/Finance Director Elizabeth Mlbraath</p> <p>City Attorney Daniel Drescher</p> <p>City Clerk Melissa Quest</p>
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INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Lake Mills, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Mills, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Lake Mills, Wisconsin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Lake Mills, Wisconsin, as of December 31, 2017, 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.

Emphasis of Matter

As discussed in Note 1, the City has implemented Governmental Accounting Standards Board Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, Wisconsin Retirement System schedules and supplemental pension defined benefit plan schedules, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Mills, Wisconsin's basic financial statements. The combining and individual nonmajor fund financial statements, the detailed statement of revenues and other financing sources - budget and actual - general fund and the detailed statement of expenditures and other financing uses - budget and actual - general fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The detailed statement of revenues and other financing sources - budget and actual - general fund and detailed statement of expenditures and other financing uses - budget and actual - general fund have 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 them.

Other Reporting Required by *Government Auditing Standards*

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

HAWKINS ASH CPAS, LLP

Manitowoc, Wisconsin
APPROVAL DATE

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CITY OF LAKE MILLS, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Lake Mills, we offer readers of the City of Lake Mills' basic financial statements this narrative overview and analysis of the financial activities of the City of Lake Mills for the fiscal year ended December 31, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City of Lake Mills exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,201,339 (*net position*).
- The government's total net position increased by \$177,781, due to an increase in the governmental activities and the business-type activities net position.
- As of the close of the current fiscal year, the City of Lake Mills' governmental funds reported combined ending fund balances of \$5,771,562, an increase of \$1,652,922 in comparison with the prior year. Approximately 64 percent of this total amount, or \$3,688,668, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,844,573 or 41.7 percent of total general fund expenditures for the fiscal year.

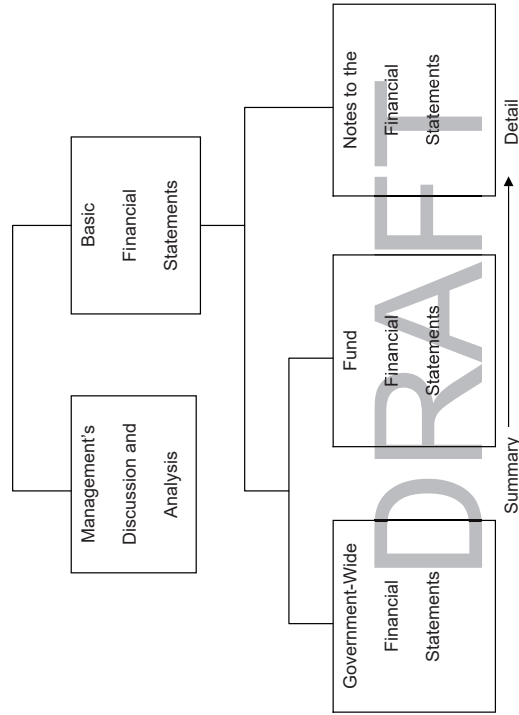
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lake Mills' basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Lake Mills.

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Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the City's financial status. The next statements are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the Wisconsin State Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and electric services offered by the City of Lake Mills.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lake Mills, like all other governmental entities in Wisconsin, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the State of Wisconsin Statutes or the City's budget ordinance. All of the funds of the City of Lake Mills can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Lake Mills adopts an annual budget for its general fund, as required by the State of Wisconsin Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary comparison schedule provided for the general fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the general fund; and 4) the variance between the final budget and the actual revenues and expenditures.

Proprietary Funds - The City of Lake Mills has one proprietary fund. A *proprietary fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lake Mills uses enterprise funds to account for its electric and water activity and for its sewer operations. These funds are the same as those functions shown in the business-type activities in the statement of net position and the statement of activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Lake Mills' own programs. The most significant fiduciary fund maintained by the City of Lake Mills is the property tax fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Lake Mills. The accounting used for fiduciary funds is much like that used for governmental funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be referred to as identified in the table of contents.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lake Mills. Required supplementary information can be referred to as identified in the table of contents.

City of Lake Mills
Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 11,332,505	\$ 9,833,305	\$ 6,758,867	\$ 5,368,532	\$ 18,091,372	\$ 15,201,837
Capital assets	16,667,622	16,351,061	30,289,642	30,066,632	46,957,464	46,417,893
Total assets	28,000,327	26,184,366	37,048,509	35,435,164	65,048,836	61,619,530
Deferred outflows of resources	1,687,705	1,611,612	766,544	990,365	2,454,249	2,601,977
Long-term liabilities outstanding	18,659,962	16,889,170	11,940,308	10,522,510	30,600,270	27,411,680
Other liabilities	521,176	430,842	851,792	976,186	1,372,970	1,407,028
Total liabilities	19,181,140	17,320,012	12,792,100	11,498,696	31,973,240	28,818,708
Deferred inflows of resources	5,576,320	5,602,565	752,186	777,432	6,328,506	6,379,997
Net position:						
Net investment in capital assets	(994,024)	214,642	18,406,948	19,669,543	17,412,924	19,884,185
Restricted	848,231	986,489	1,767,453	2,134,242	2,615,684	3,120,731
Unrestricted	5,076,365	3,672,270	4,096,366	2,345,616	9,172,731	6,017,886
Total net position	\$ 4,930,572	\$ 4,873,401	\$ 24,270,767	\$ 24,149,401	\$ 29,201,339	\$ 29,022,802

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Lake Mills exceeded liabilities by \$29,201,339 as of December 31, 2017. The City's net position increased by \$177,781 for the fiscal year ended December 31, 2017. However, the largest portion (60%) reflects the City's investment in capital assets (e.g. land, land improvements, buildings, and equipment), less any related debt (all outstanding that was issued to acquire those items).

The City of Lake Mills uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lake Mills' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Lake Mills' net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,172,731 is unrestricted.

Financial Analysis of the City's Funds

As noted earlier, the City of Lake Mills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Lake Mills' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lake Mills' financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Lake Mills. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,844,573, while total fund balance reached \$4,603,923. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 41.7 percent of total General Fund expenditures, while total fund balance represents 50 percent of that same amount.

At December 31, 2017, the governmental funds of the City of Lake Mills reported a combined fund balance of \$5,771,562, a 39 percent increase over last year. Included in this change in fund balance are increases in fund balance in the general fund, capital projects, library, park improvements, community block grant, cemetery perpetual care and library endowment funds.

General Fund Budgetary Highlights - During the fiscal year, the City did not revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds - The City of Lake Mills' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Utility at the end of the fiscal year amounted to \$3,894,766, the Water Utility totaled \$(682,877), and those for the Sewer Utility amounted to \$884,477. The total change in net position was \$450,467, \$(23,143), and \$(305,952), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Lake Mills' business-type activities.

Capital Asset and Debt Administration

Capital Assets: The City of Lake Mills' investment in capital assets for its governmental and business-type activities as of December 31, 2017, totals \$46,957,464 (net of accumulated depreciation). These assets include land, construction in progress, land improvements, buildings, equipment, and infrastructure. Major capital asset transactions during the year include the following additions:

- Construction in progress of \$407,742, building improvements of \$123,127, equipment purchases of \$266,691 and \$481,296 of infrastructure in governmental-type activities.
- Construction in progress of \$107,115 and equipment purchases of \$2,106,985 in business-type activities.

**City of Lake Mills
Changes in Net Position**
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,324,690	\$ 1,313,132	\$ 10,696,230	\$ 10,782,772	\$ 12,020,920	\$ 12,095,904
Operating grants and contributions	1,149,674	658,098	-	-	1,149,674	658,098
Capital grants and contributions	151,148	-	74,668	120,968	225,816	120,968
General revenues:						
Property taxes	5,059,406	4,357,542	-	-	5,059,406	4,357,542
Other taxes	113,466	107,657	-	-	113,466	107,657
Intergovernmental revenues not restricted to specific programs	409,596	491,826	-	-	409,596	491,826
Interest and investment income	62,110	30,200	18,299	23,525	80,409	53,725
Gain on sale of capital assets	-	-	-	97,358	-	97,358
Miscellaneous	100,893	87,526	-	-	100,893	87,526
Total revenues	8,370,983	7,045,981	10,789,197	11,024,623	19,160,180	18,070,604
Expenses:						
General government	1,078,041	1,101,865	-	-	1,078,041	1,101,865
Public safety	2,081,695	1,915,379	-	-	2,081,695	1,915,379
Public works	3,816,005	1,772,060	-	-	3,816,005	1,772,060
Health and human services	190,416	139,044	-	-	190,416	139,044
Culture, recreation and education	728,732	721,056	-	-	728,732	721,056
Conservation and development	456,424	979,532	-	-	456,424	979,532
Interest on long-term debt	492,392	457,801	-	-	492,392	457,801
Electric	-	-	7,255,724	7,255,724	7,206,559	7,255,724
Water	-	-	1,048,560	946,420	1,048,560	946,420
Sewer	-	-	1,883,575	1,823,109	1,883,575	1,823,109
Total expenses	8,843,705	7,086,537	10,138,694	10,025,253	18,982,399	17,111,790
Income (loss) before transfers	(472,722)	(40,556)	650,503	999,370	177,781	958,814
Transfers	529,131	519,407	(529,131)	(519,407)	-	-
Change in net position	56,409	478,851	121,372	479,963	177,781	958,814
Net position - beginning of year	4,873,399	4,394,550	24,149,395	23,432,571	29,022,794	27,827,121
Prior period adjustment	-	-	-	-	764	764
Change in accounting principle	764	-	-	-	-	-
Net position - end of year	\$ 4,930,572	\$ 4,873,401	\$ 24,270,767	\$ 24,149,401	\$ 29,201,339	\$ 29,022,802
Governmental activities:						
Governmental activities increased the City's net position by \$56,409.						
Business-type activities:						
Business-type activities increased the City's net position by \$121,372.						

City of Lake Mills' Capital Assets

Figure 4

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,214	\$ 1,214	\$ 101	\$ 101	\$ 1,314	\$ 1,314
Construction in progress	1,612	1,252	636	1,031	2,247	2,283
Land improvements	553	553	383	383	935	935
Buildings	11,296	11,238	7,311	7,311	18,608	18,549
Equipment and systems	5,641	5,567	43,927	41,857	49,568	47,424
Infrastructure	13,525	13,043	-	-	13,525	13,043
Less: Accumulated depreciation	(17,172)	(16,516)	(22,068)	(20,616)	(39,240)	(37,132)
Total	\$ 16,668	\$ 16,351	\$ 30,290	\$ 30,067	\$ 46,957	\$ 46,418

Note - totals may not add due to rounding.

Additional information of the City's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-term Obligations: As of December 31, 2017, the City of Lake Mills had total long-term obligations outstanding of \$30,600,270. Of this, \$18,233,010 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents mortgage revenue bonds secured solely by specified revenue sources (i.e. revenue bonds) and employee benefits.

City of Lake Mills' Long-Term Obligations

Figure 5

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds/notes	\$ 17,441	\$ 15,912	\$ 1,260	\$ 352	\$ 18,701	\$ 16,264
Mortgage revenue bonds	-	-	10,623	10,045	10,623	10,045
Other long-term obligations	1,219	977	58	125	1,277	1,102
Total	\$ 18,660	\$ 16,888	\$ 11,940	\$ 10,523	\$ 30,600	\$ 27,412

Note - totals may not add due to rounding.

The City of Lake Mills' total debt increased by \$3,189,354 or 11.6% during the past fiscal year, primarily due to new debt.

The State of Wisconsin Statutes limit the amount of general obligation debt that a unit of government can issue up to 5 percent of the total equalized value of taxable property located within that government's boundaries. The legal debt limit for the City of Lake Mills is \$27,169,050.

Additional information regarding the City of Lake Mills' long-term debt can be found in Note 5.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Treasurer/Finance Director, City of Lake Mills, 200 D Water Street, Lake Mills, Wisconsin 53551-1632.

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CITY OF LAKE MILLS, WISCONSIN

BASIC
FINANCIAL STATEMENTS

DRAFT

CITY OF LAKE MILLS, WISCONSIN

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

DRAFT

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 7,814,094	\$ 1,340,668	\$ 9,154,762
Receivables			
Taxes	2,865,382	-	2,865,382
Accounts and other	816,463	782,443	1,598,906
Special assessments	37,489	541,675	579,164
Interest	-	11,329	11,329
Loans	176,133	-	176,133
Internal balances	(481,139)	481,139	-
Due from other governments	48,166	-	48,166
Inventories	-	268,384	268,384
Prepaid expenses	55,917	-	55,917
Restricted assets			
Cash and investments	-	3,333,229	3,333,229
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	2,825,174	736,680	3,561,854
Capital assets being depreciated	13,842,648	29,552,962	43,395,610
TOTAL ASSETS	28,000,327	37,048,509	65,048,836
DEFERRED OUTFLOWS OF RESOURCES			
Charge on refunding	156,587	269,808	426,395
Wisconsin Retirement System pension	1,218,700	496,736	1,715,436
OPEB supplemental pension	312,418	-	312,418
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,687,705	766,544	2,454,249
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	29,688,032	37,815,053	67,503,085
LIABILITIES			
Accounts payable	314,669	572,524	887,193
Accrued liabilities			
Payroll, payroll taxes	41,964	175,441	217,405
Interest	164,545	-	164,545
Other	-	27,621	27,621
Current portion of long-term obligations	1,931,126	577,118	2,508,244
Payable from restricted assets			
Accrued revenue bond interest	-	59,590	59,590
Current portion of revenue loans	-	639,889	639,889
Unearned revenue - other	-	16,616	16,616
Noncurrent portion of long-term obligations	16,728,836	10,723,301	27,452,137
TOTAL LIABILITIES	19,181,140	12,792,100	31,973,240
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - tax roll	4,990,689	-	4,990,689
Unavailable revenue - special assessments	-	513,485	513,485
Wisconsin Retirement System pension	585,631	238,701	824,332
TOTAL DEFERRED INFLOWS OF RESOURCES	5,576,320	752,186	6,328,506
NET POSITION			
Net investment in capital assets	(994,024)	18,406,948	17,412,924
Restricted for			
Permanent funds - nonexpendable	356,512	-	356,512
Debt service	-	1,088,168	1,088,168
Other activities	491,719	679,285	1,171,004
Unrestricted	5,076,365	4,096,366	9,172,731
TOTAL NET POSITION	4,930,572	24,270,767	29,201,339
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
	\$ 29,688,032	\$ 37,815,053	\$ 67,503,085

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,078,041	\$ 218,352	\$ -	\$ -	\$(859,689)	\$ -	\$(859,689)
Public safety	2,081,695	353,172	20,659	-	(1,707,864)	-	(1,707,864)
Public works	3,816,005	348,354	955,651	151,148	(2,360,852)	-	(2,360,852)
Health and human services	190,416	34,337	-	-	(156,079)	-	(156,079)
Culture, recreation and education	728,732	370,475	104,211	-	(254,046)	-	(254,046)
Conservation and development	456,424	-	69,153	-	(387,271)	-	(387,271)
Interest and fiscal charges	492,392	-	-	-	(492,392)	-	(492,392)
TOTAL GOVERNMENTAL ACTIVITIES	8,843,705	1,324,690	1,149,674	151,148	(6,218,193)		(6,218,193)
BUSINESS-TYPE ACTIVITIES							
Electric Utility	7,206,559	7,977,259	-	33,532	\$ 804,232	\$ 804,232	804,232
Water Utility	1,048,560	1,144,395	-	41,136	136,971	136,971	136,971
Sewer Utility	1,883,575	1,574,576	-	-	(308,999)	(308,999)	(308,999)
TOTAL BUSINESS-TYPE ACTIVITIES	10,138,694	10,696,230	-	74,668	632,204	632,204	632,204
TOTAL PRIMARY GOVERNMENT	\$ 18,982,399	\$ 12,020,920	\$ 1,149,674	\$ 225,816	(6,218,193)	632,204	(5,585,989)
General revenues							
Taxes							
Property taxes, levied for general purposes					3,887,160	-	3,887,160
Property taxes, levied for tax incremental district					1,172,246	-	1,172,246
Other taxes					113,466	-	113,466
Intergovernmental revenues not restricted to specific programs					409,596	-	409,596
Interest and investment income					62,110	18,299	80,409
Miscellaneous					100,893	-	100,893
Transfers					529,131	(529,131)	-
Total general revenues					6,274,602	(510,832)	5,763,770
CHANGE IN NET POSITION					56,409	121,372	177,781
NET POSITION - BEGINNING OF YEAR					4,873,399	24,149,395	29,022,794
CHANGE IN ACCOUNTING PRINCIPLE					764	-	764
NET POSITION - END OF YEAR					\$ 4,930,572	\$ 24,270,767	\$ 29,201,339

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN

**FUND
FINANCIAL STATEMENTS**

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CITY OF LAKE MILLS, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	GENERAL FUND	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	\$ 5,854,454	\$ 739,707	\$ 1,219,933	\$ 7,814,094
Receivables				
Taxes	1,962,750	895,684	6,948	2,865,382
Accounts and other	808,856	6,278	1,329	816,463
Special assessments	37,489	-	-	37,489
Loan	-	-	176,133	176,133
Due from other funds	656,662	-	509,405	1,166,067
Due from other governments	-	-	48,166	48,166
Prepaid expenses	55,917	-	-	55,917
Advances to other funds	703,433	-	-	703,433
	10,079,561	1,641,669	1,961,914	13,683,144
LIABILITIES				
Accounts payable	242,880	61,941	-	304,821
Accrued payroll liabilities	41,964	-	-	41,964
Due to other funds	1,055,401	-	591,805	1,647,206
Due to other governments	9,848	-	-	9,848
Unearned revenue - other	-	-	176,133	176,133
Advances from other funds	-	703,433	-	703,433
TOTAL LIABILITIES	1,350,093	765,374	767,938	2,883,405
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tax roll	4,088,057	895,684	6,948	4,990,689
Unavailable revenue - special assessments	37,488	-	-	37,488
TOTAL DEFERRED INFLOWS OF RESOURCES	4,125,545	895,684	6,948	5,028,177
FUND BALANCES				
Nonspendable	759,350	-	532,645	1,291,995
Assigned	-	-	762,449	762,449
Unassigned	3,844,573	(19,389)	(108,066)	3,717,118
TOTAL FUND BALANCES	4,603,923	(19,389)	1,187,028	5,771,562
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,079,561	\$ 1,641,669	\$ 1,961,914	
Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:				
Governmental capital asset			33,839,950	
Governmental accumulated depreciation			(17,172,128)	16,667,822
Some revenues are unavailable in the funds because they are not available to pay current period's expenditures:				
Special assessments to be collected after year end			37,488	
Other unearned revenue to be collected after year end			176,133	213,621
Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements.				
				633,069
Other post employment benefits deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in fund statements.				
				312,418
Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:				
General obligation debt			(17,440,754)	
Accrued interest on general obligation debt			(164,545)	
Charge on refunding			156,587	
Premium			(377,679)	
Vested employee benefits			(257,554)	
WRS liability			(141,350)	
Net OPEB obligation			(442,625)	(18,667,920)
Total net position - governmental activities				\$ 4,930,572

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	GENERAL FUND	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE				
Taxes	\$ 4,000,799	\$ 1,172,246	\$ -	\$ 5,173,045
Special assessment	-	-	109,031	109,031
Intergovernmental	1,694,839	10,941	20,577	1,726,357
Licenses and permits	148,573	-	-	148,573
Fines, forfeits and penalties	66,155	-	-	66,155
Public charges for services	154,636	-	376,923	531,559
Intergovernmental charges for services	340,994	-	-	340,994
Miscellaneous	367,240	7,602	28,565	403,407
TOTAL REVENUE	6,773,236	1,190,789	535,096	8,499,121
EXPENDITURES				
Current				
General government	1,017,146	-	-	1,017,146
Public safety	1,601,364	-	-	1,601,364
Public works	1,122,967	-	360,500	1,483,467
Health and human services	138,506	-	-	138,506
Culture, recreation and education	704,343	-	4,547	708,890
Conservation and development	273,588	-	335	273,923
Debt service				
Principal	1,050,137	581,326	-	1,631,463
Interest	275,575	160,813	-	436,388
Other	78,059	-	-	78,059
Capital outlay	2,964,307	141,869	118,918	3,225,094
TOTAL EXPENDITURES	9,225,992	884,008	484,300	10,594,300
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,452,756)	306,781	50,796	(2,095,179)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	532,878	-	-	532,878
Operating transfers out	-	-	(3,747)	(3,747)
Issuance of long-term debt	3,160,000	-	-	3,160,000
Premium on long-term debt	58,970	-	-	58,970
TOTAL OTHER FINANCING SOURCES (USES)	3,751,848	-	(3,747)	3,748,101
NET CHANGE IN FUND BALANCE	1,299,092	306,781	47,049	1,652,922
FUND BALANCE AT BEGINNING OF YEAR	3,304,831	(326,170)	1,139,979	4,118,640
FUND BALANCE AT END OF YEAR	\$ 4,603,923	\$ (19,389)	\$ 1,187,028	\$ 5,771,562

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds \$ 1,652,922

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 expense in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 3,225,094	
Capital outlay not capitalized	(1,946,238)	
Depreciation expense reported in the statement of activities	(887,260)	
Less cost of assets disposed	<u>(74,835)</u>	
Amount by which capital outlays are greater than depreciation in the current period:		316,761

Some capital assets acquired during the year were financed with loans. The amount of the loans are reported in the governmental funds as a source of financing. In the statement of net position however, loans are not reported as a financing source, but rather constitute a long-term liability. The amount of loans reported in the governmental funds statement is: (3,160,000)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

This year the accrual of these benefits decreased by: 57,714

Wisconsin Retirement System asset, deferred inflows of resources, liability and deferred outflows of resources changes: (140,717)

OPEB supplemental pension deferred outflows of resources, liability, and deferred inflows of resources changes: (130,207)

Certain revenues are deferred in the governmental funds because they are not available to pay current period expenditures. In the statement of activities these are recorded as revenue in the current year:

New special assessment revenue recognized in the statement of activities	(115,505)	
Other unearned revenue recognized in the statement of activities	(19,107)	

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: 1,631,463

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

The amount of interest and other debt costs paid during the current period	455,477	
The amount of interest and other debt costs accrued during the current period	<u>(492,392)</u>	
Interest paid is less than interest accrued by:		<u>(36,915)</u>

Change in net position - governmental activities \$ 56,409

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	TOTAL
ASSETS				
CURRENT ASSETS				
Cash	\$ 885,203	\$ -	\$ 455,465	\$ 1,340,668
Accounts receivable	549,939	99,943	132,561	782,443
Special assessment receivable	-	207,118	334,557	541,675
Interest receivable	-	-	11,329	11,329
Due from other funds	1,477,953	588,311	392,333	2,458,597
Inventories	254,558	13,826	-	268,384
RESTRICTED ASSETS				
Cash and investments	1,868,168	283,348	1,181,713	3,333,229
TOTAL CURRENT ASSETS	5,035,821	1,192,546	2,507,958	8,736,325
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	279,745	241,427	215,508	736,680
Capital assets being depreciated	13,977,613	6,777,116	8,798,233	29,552,962
NET CAPITAL ASSETS	14,257,358	7,018,543	9,013,741	30,289,642
TOTAL ASSETS	19,293,179	8,211,089	11,521,699	39,025,967
DEFERRED OUTFLOWS OR RESOURCES				
Charge on refunding	238,683	31,125	-	269,808
Wisconsin Retirement System pension	255,386	118,719	122,631	496,736
TOTAL DEFERRED OUTFLOWS OF RESOURCES	494,069	149,844	122,631	766,544
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	19,787,248	8,360,933	11,644,330	39,792,511
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	431,518	67,551	73,455	572,524
Accrued liabilities				
Payroll	93,134	32,013	53,505	178,652
Interest	1,006	-	-	1,006
Other	24,410	-	-	24,410
Due to other funds	391,783	1,471,828	113,847	1,977,458
Current portion of long-term obligations	48,400	-	-	48,400
PAYABLE FROM RESTRICTED ASSETS				
Accrued interest	37,048	15,560	5,976	58,584
Current portion of long-term obligations	471,459	591,741	105,407	1,168,607
TOTAL CURRENT LIABILITIES	1,498,758	2,178,693	352,190	4,029,641
NONCURRENT LIABILITIES				
Unearned revenue - other	16,616	-	-	16,616
Long-term obligations	8,003,764	2,367,893	351,644	10,723,301
TOTAL NONCURRENT LIABILITIES	8,020,380	2,367,893	351,644	10,739,917
TOTAL LIABILITIES	9,519,138	4,546,586	703,834	14,769,558
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	207,118	306,367	513,485
Wisconsin Retirement System pension	122,723	57,049	58,929	238,701
TOTAL DEFERRED OUTFLOWS OF RESOURCES	122,723	264,167	365,296	752,186
NET POSITION				
Net investment in capital assets	5,763,356	4,072,679	8,570,913	18,406,948
Restricted for debt service	384,223	103,789	600,156	1,088,168
Restricted for other	103,042	56,589	519,654	679,285
Unrestricted	3,894,766	(682,877)	884,477	4,096,366
TOTAL NET POSITION	10,145,387	3,550,180	10,575,200	24,270,767
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
	\$ 19,787,248	\$ 8,360,933	\$ 11,644,330	\$ 39,792,511

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	TOTAL
OPERATING REVENUE				
Charges for services	\$ 7,978,355	\$ 1,144,395	\$ 1,543,700	\$ 10,666,450
OPERATING EXPENSES				
Operations	5,282,289	142,050	338,299	5,762,638
Maintenance	326,448	243,984	369,526	939,958
General and administrative	547,793	355,515	642,107	1,545,415
Depreciation	691,778	215,757	490,605	1,398,140
Taxes	74,259	18,566	26,823	119,648
TOTAL OPERATING EXPENSES	<u>6,922,567</u>	<u>975,872</u>	<u>1,867,360</u>	<u>9,765,799</u>
OPERATING INCOME (LOSS)	<u>1,055,788</u>	<u>168,523</u>	<u>(323,660)</u>	<u>900,651</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	8,027	1,029	9,243	18,299
Interest expense	(260,249)	(69,982)	(16,472)	(346,703)
Amortization	(20,755)	(2,706)	-	(23,461)
Other	(4,084)	-	-	(4,084)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(277,061)</u>	<u>(71,659)</u>	<u>(7,229)</u>	<u>(355,949)</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	778,727	96,864	(330,889)	544,702
OPERATING TRANSFER IN (OUT)	(361,792)	(161,143)	(6,196)	(529,131)
CAPITAL CONTRIBUTIONS	<u>33,532</u>	<u>41,136</u>	<u>31,133</u>	<u>105,801</u>
CHANGE IN NET POSITION	450,467	(23,143)	(305,952)	121,372
NET POSITION BEGINNING OF YEAR	<u>9,694,920</u>	<u>3,573,323</u>	<u>10,881,152</u>	<u>24,149,395</u>
NET POSITION END OF YEAR	<u>\$ 10,145,387</u>	<u>\$ 3,550,180</u>	<u>\$ 10,575,200</u>	<u>\$ 24,270,767</u>

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 7,277,478	\$ 749,661	\$ 1,485,443	\$ 9,512,582
Receipts from (payments to) municipality	334,504	70,235	71,954	476,693
Payments to suppliers for goods and services	(5,986,608)	(388,108)	(754,151)	(7,128,867)
Payments for employees for services	(182,418)	(214,762)	(386,492)	(783,672)
Payments for employee benefits	(106,691)	(90,434)	(144,044)	(341,169)
Net cash provided by operating activities	<u>1,336,265</u>	<u>126,592</u>	<u>272,710</u>	<u>1,735,567</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to governmental funds	(361,792)	(161,143)	(6,196)	(529,131)
Net cash (used in) noncapital financing activities	<u>(361,792)</u>	<u>(161,143)</u>	<u>(6,196)</u>	<u>(529,131)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant and equipment	(777,072)	(444,638)	(399,440)	(1,621,150)
Receipt of developer's fees	33,532	41,136	31,133	105,801
Issue of bonds and loans	1,639,000	484,000	-	2,123,000
Retirement of bonds and loans	(301,680)	(163,654)	(172,061)	(637,395)
Wisconsin Retirement System pension	(38,028)	(12,905)	(16,874)	(67,807)
Charge on refunding	20,755	2,706	-	23,461
Interest and amortization paid	(276,069)	(69,654)	(18,334)	(364,057)
Net cash provided by (used in) capital and related financing activities	<u>300,438</u>	<u>(163,009)</u>	<u>(575,576)</u>	<u>(438,147)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	8,027	1,029	9,243	18,299
Net cash provided by investing activities	<u>8,027</u>	<u>1,029</u>	<u>9,243</u>	<u>18,299</u>
Net change in cash and cash equivalents	1,282,938	(196,531)	(299,819)	786,588
Cash and cash equivalents - beginning of year	1,470,433	479,879	1,936,997	3,887,309
Cash and cash equivalents - end of year	<u>\$ 2,753,371</u>	<u>\$ 283,348</u>	<u>\$ 1,637,178</u>	<u>\$ 4,673,897</u>
Reconciliation of cash to balance sheet				
Cash	\$ 885,203	\$ -	\$ 455,465	\$ 1,340,668
Restricted cash and investments	1,868,168	283,348	1,181,713	3,333,229
Total cash on cash flow statement	<u>\$ 2,753,371</u>	<u>\$ 283,348</u>	<u>\$ 1,637,178</u>	<u>\$ 4,673,897</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 1,055,788	\$ 168,523	\$ (323,660)	\$ 900,651
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	691,778	215,757	490,605	1,398,140
Changes in assets and liabilities				
(Increase) decrease in receivables	4,101	(17,445)	(24,389)	(37,733)
(Increase) decrease in due from other funds	(250,588)	(521,830)	-	(772,418)
(Increase) decrease in inventories	78,389	(7,346)	-	71,043
(Increase) decrease in deferred outflows WRS pension	120,610	29,543	50,207	200,360
Increase (decrease) in accounts payable	(235,967)	40,859	61,113	(133,995)
Increase (decrease) in due to other funds	(121,585)	214,776	38,086	131,277
Increase (decrease) in compensated absences	12,737	2,844	(12,738)	2,843
Increase (decrease) in other payables	(1,054)	-	-	(1,054)
Increase (decrease) in unearned revenue	1,699	-	-	1,699
Increase (decrease) in deferred inflows - WRS pension	(19,643)	911	(6,514)	(25,246)
Total adjustments	<u>280,477</u>	<u>(41,931)</u>	<u>596,370</u>	<u>834,916</u>
Net cash provided by operating activities	<u>\$ 1,336,265</u>	<u>\$ 126,592</u>	<u>\$ 272,710</u>	<u>\$ 1,735,567</u>

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	<u>AGENCY FUND</u> <u>PROPERTY TAX</u>
ASSETS	
Cash	\$ 3,900,089
Taxes receivable	<u>3,543,242</u>
TOTAL ASSETS	<u>7,443,331</u>
LIABILITIES	
Due to other governments	<u>7,443,331</u>
TOTAL LIABILITIES	<u>\$ 7,443,331</u>

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The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies

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

Reporting Entity - The City of Lake Mills, Wisconsin was incorporated under the provisions of Chapter 280, Laws of Wisconsin, 1883. The City operates under a City Manager 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 City's basic financial statements do not include any component units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability and fiscal dependency the City has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the City's financial accountability for a legally separate organization: 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. 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. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

The Lake Mills Housing Authority is not considered a component unit of the City. Although the City does appoint the Housing Authority's Board, it cannot impose its will since Board members can only be removed for just cause. Any financial benefit or burden is insignificant.

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the

CITY OF LAKE MILLS, WISCONSIN

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

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NOTE 1 - Summary of Significant Accounting Policies - Continued

amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's electric, water and sewer functions 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.

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

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and enterprise - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the City's primary operating fund.

Capital Projects Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major enterprise funds:

Electric Utility - accounts for operations of the electric system.

Water Utility - accounts for operations of the water system.

Sewer Utility - accounts for operations of the sewer system.

In addition, the City reports the following fund types:

Permanent Funds - Cemetery Perpetual Care and Library Endowment - are used to account for financial resources to be used for a specific purpose.

Agency Funds - are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

NOTE 1 - Summary of Significant Accounting Policies - Continued

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Property taxes are recorded in the year levied as receivables and unavailable revenue. They are recognized as revenue in the succeeding year when services financed by the levy are being provided. Special assessments are recorded as revenue when they become measurable and available as current assets. Sales taxes, franchise taxes, licenses, and interest associated with

NOTE 1 - Summary of Significant Accounting Policies - Continued

The current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting and reporting its assets and liabilities.

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 electric, water, and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents - Cash and cash equivalents, as classified in the statement of cash flows, consist of all highly liquid investments with an initial maturity of three months or less.

Accounts Receivable - Accounts receivable are recorded at gross amounts. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

Due To/From Advance To/From Other Funds - 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund Transactions - Non exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

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.

NOTE 1 - Summary of Significant Accounting Policies - Continued

Inventory - Inventory is priced at the lower of cost (first-in, first-out) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

Prepaid Items - Prepaid items represent payments for goods or services for which benefits extend beyond December 31. A nonspendable fund balance has been recognized in governmental funds for these non-liquid assets to signify a portion of fund balance is not available for other subsequent expenditures.

Restricted Cash - The 2007, 2009, 2014 and 2016 mortgage revenue bond ordinances require segregation of the proceeds of the bond issues and the creation and continual funding of several funds from operating revenue as described below:

Special Redemption Fund - The bond ordinances require monthly deposits to the redemption account in an amount equal to one-sixth of the next installment of interest coming due on the bonds and one-twelfth of the installment of principal coming due on the next succeeding principal payment date. This account is to be used solely for the payment of principal and interest on bonds as they become due.

Reserve Fund - A reserve fund is to be established with a balance of \$633,592. This account shall have funds taken from it only when the bond and interest redemption funds are not sufficient to meet principal and interest payments.

Equipment Replacement Fund - The Sewer Utility has established an equipment replacement fund to be used for significant wastewater treatment and collection system mechanical equipment replacement as required by the Wisconsin Department of Natural Resources as a condition to receiving construction grants. An annual deposit or qualifying replacement expenditures totaling \$46,700 is required.

Impact Fees - Revenue from impact fees is placed in a segregated, interest-bearing account as required by Wisconsin State Statute 66.0617.

Other Funds - These funds consist of unspent construction and improvement receipts and monies set aside to pay general obligation debt.

The December 31, 2017 balances of the Utility's restricted assets are as follows:

	Electric	Water	Sewer	Totals
Revenue bond				
Special redemption fund	\$ 1,330,062	\$ 47,161	\$ 238,106	\$ 639,892
Reserve fund	538,106	227,498	473,432	1,239,036
DNR equipment replacement	-	-	177,299	177,299
Impact fees	8,689	-	292,876	301,565
Total	\$ 1,868,168	\$ 283,348	\$ 1,181,713	\$ 3,333,229

Capital Assets - In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$2,500 for general capital assets, and an estimated useful life in excess of one year.

NOTE 1 - Summary of Significant Accounting Policies - Continued

All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset for governmental activities is as follows:

Buildings	15 - 50 years
Land improvements	10 - 75 years
Equipment	4 - 12 years

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.

The range of estimated useful lives by type of asset for business-type activities is as follows:

Buildings	30 - 50 years
Land improvements	30 - 100 years
Equipment	7 - 40 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is vested as earned and sick pay is vested at varying percentages after five or more years of services. Vacation pay and vested sick pay are accrued when incurred in government-wide and proprietary funds and reported as a fund liability. Vacation pay and vested sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund that will pay it only if they have matured.

Pensions - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of

NOTE 1 - Summary of Significant Accounting Policies - Continued

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The City has three items that qualify for reporting in this category. They are the deferred charge on refunding, Wisconsin Retirement System pension, and OPEB supplemental pension reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Wisconsin Retirement System pension and OPEB supplemental pension result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

In addition to liabilities, the statement of financial position will sometimes report 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 resources (revenue) until then. The City has two types of items, unavailable revenue and Wisconsin Retirement System pension which qualify for reporting in this category. The unavailable revenue is from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period they become available. The Wisconsin Retirement System pension results from changes in the actuarial study and is amortized over the average of the expected remaining service lives of participants.

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

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications - The City classifies its fund equity as follows: 1) nonspendable fund balance consists of equity not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the City itself, using its highest level of decision making authority - City Council policies, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The City Council has

NOTE 2 - Cash and Investments - Continued

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 - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The City does not have a formal investment policy that would further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. The State of Wisconsin Investment Pool and Investment Community Partners are not rated.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of December 31, 2017, \$9,651,224 of the City's bank balance of \$14,131,033 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by U.S. Government and municipal governments' securities held by the banks in the City's name. \$2,852,827 was uninsured and not collateralized.

NOTE 3 - Property Taxes

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31, or payable in full on January 31. Special assessments, charges, and personal property taxes are payable in full on January 31. The City bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are turned over to the County for collection. Collection of the taxes and remittance of them to the appropriate entities are accounted for in the Tax Agency Fund. City property tax revenue is recognized in the year they are levied for and available for use. The 2017 tax roll (levied for 2018) has been set up as a receivable and is offset by the amounts due to other governmental units. Advance tax collections are offset against the receivable.

NOTE 1 - Summary of Significant Accounting Policies - Continued

authorized the Clerk-Treasurer to assign fund balances through its financial management policy and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the City's policy to record the net loss against unassigned fund balance, then assigned fund balance, then committed fund balance and lastly to restricted fund balance. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Change in Accounting Principle - The District has implemented GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in 2017.

NOTE 2 - Cash and Investments

State statutes permit the City to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. No significant violations of these restrictions occurred during the year.

As of December 31, 2017, the City had the following investments:

Investment	Weighted Average Maturities	Fair Value
State of Wisconsin Investment Pool	Less than one year	\$ 1,660,665
Community Investment Partners	Less than one year	930,182
Certificates of deposit	Less than one year	10,526
Total		<u>\$ 2,601,373</u>

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool and Community Investment Partners is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the City's position in the Pool is the same as the value of the Pool shares. At December 31, 2017, the Pool's fair value was 100 percent of book value.

Determining Fair Value - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements:

- 1) State of Wisconsin Local Government Investment Pool and Community Investment Partners fair value is determined by the investment board based on published market quotations. (level 2 inputs)

CITY OF LAKE MILLS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2017 are as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,213,624	\$ -	\$ -	\$ 1,213,624
Construction in progress	1,252,418	407,742	(48,610)	1,611,550
Total capital assets not being depreciated	2,466,042	407,742	(48,610)	2,825,174
Capital assets being depreciated:				
Land improvements	552,655	-	-	552,655
Buildings and improvements	11,237,701	123,127	(64,500)	11,296,328
Equipment	5,567,395	266,691	(192,915)	5,641,171
Infrastructure	13,043,326	481,296	-	13,524,622
Total capital assets being depreciated	30,401,077	871,114	(257,415)	31,014,776

Less accumulated depreciation for:

Land improvements	(429,687)	(14,188)	-	(443,875)
Buildings and improvements	(2,890,911)	(227,285)	38,275	(3,079,921)
Equipment	(4,428,891)	(262,617)	192,915	(4,498,593)
Infrastructure	(8,765,589)	(383,170)	(9,148,739)	(17,197,508)
Total accumulated depreciation	(16,515,078)	(887,260)	231,190	(17,171,148)
Total capital assets being depreciated, net of accumulated depreciation	13,885,919	(16,148)	(26,225)	13,843,646
Governmental activities capital assets, net of accumulated depreciation	\$ 16,351,061	\$ 391,596	\$ (74,835)	\$ 16,667,822

Depreciation expense was charged to functions as follows:

General government	\$ 37,676
Public safety	197,601
Public works	557,781
Health and human services	253
Culture, recreation and education	93,949
Total	\$ 887,260

Business-type activities:

Capital assets not being depreciated:	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 100,808	\$ -	\$ -	\$ 100,808
Construction in progress	1,031,070	107,115	(502,313)	635,872
Total capital assets not being depreciated	1,131,878	107,115	(502,313)	736,680
Capital assets being depreciated:				
Land improvements	382,576	-	-	382,576
Buildings	7,311,317	-	-	7,311,317
Equipment and systems	41,856,922	2,106,985	(37,109)	43,926,798
Total capital assets being depreciated	49,550,815	2,106,985	(37,109)	51,620,691

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CITY OF LAKE MILLS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 4 - Capital Assets - Continued

Less accumulated depreciation for:

Land improvements	(216,343)	(11,020)	-	(227,363)
Buildings	(2,232,436)	(195,156)	-	(2,427,592)
Equipment and systems	(18,167,282)	(1,282,601)	37,109	(19,412,774)
Total accumulated depreciation	(20,616,061)	(1,488,777)	37,109	(22,067,729)
Total capital assets being depreciated, net of accumulated depreciation	28,934,754	618,208	-	29,552,962
Business-type activities capital assets, net of accumulated depreciation	\$ 30,066,632	\$ 725,323	\$ (502,313)	\$ 30,289,642

Depreciation expense was charged to functions as follows:

Electric utility	\$ 742,162
Water utility	235,849
Sewer utility	510,766
Total depreciation for business-type activities	\$ 1,488,777

NOTE 5 - Long-Term Obligations

Long-term obligations are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities	\$ 13,925,000	\$ 1,175,000	\$ (1,225,000)	\$ 13,875,000	\$ 1,110,000
Bonds payable	1,987,217	1,985,000	(406,463)	3,565,754	618,861
Notes payable	403,158	-	(25,479)	377,679	25,479
Prior service liability	5,296	5,774	(11,070)	-	-
Wisconsin Retirement System	100,531	96,062	(100,531)	96,062	96,062
Vested vacation pay	209,441	161,492	(209,441)	161,492	54,100
Vested sick pay	-	-	-	-	-
Wisconsin Retirement System	257,763	442,625	(116,413)	141,350	-
Net pension liability	-	-	-	-	-
Supplemental pension	-	-	-	-	-
Total	\$ 16,888,406	\$ 3,865,953	\$ (2,094,397)	\$ 18,659,962	\$ 1,931,126

Business-type Activities

Mortgage revenue bonds - electric	\$ 7,156,682	\$ 1,155,000	\$ (285,547)	\$ 8,026,135	\$ 471,459
Mortgage revenue bonds - water	2,458,318	-	(154,544)	2,303,864	98,541
Mortgage revenue bonds - sewer	430,398	-	(137,826)	292,572	69,889
Notes payable - electric	-	484,000	(16,133)	467,867	48,400
Notes payable - water	167,200	484,000	(9,200)	642,000	483,200
Notes payable - sewer	184,491	-	(34,235)	150,256	35,518
Wisconsin Retirement System	67,649	-	(38,028)	29,621	-
Net pension liability - electric	26,675	-	(12,905)	13,770	-
Net pension liability - water	31,097	-	(16,874)	14,223	-
Net pension liability - sewer	-	-	-	-	-
Total	\$ 10,522,510	\$ 2,125,000	\$ (705,202)	\$ 11,940,308	\$ 1,217,007

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CITY OF LAKE MILLS WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 5 - Long-Term Obligations - Continued

In prior years, the general fund liquidated vested employee benefits. Interest cost incurred during the year totaled \$473,303 for the governmental-type activities and \$346,703 for business-type activities. Total interest paid during the year aggregated \$436,388 for governmental type activities and \$295,663 for business-type activities.

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 and special assessments. General obligation debt at December 31, 2017, is comprised of the following individual issues:

Issue Description	Issue Dates	Interest Rates (%)	Dates of Maturity	Balance
Notes	2/1/10	-	2/1/20	\$ 4,537
Notes	9/1/10	4.25%	3/15/20	245,726
Bonds	4/11/12	1.1 - 2.75%	3/1/24	3,045,000
Notes	8/21/13	3%	8/21/18	144,482
Notes	10/21/14	3%	4/15/19	31,999
Notes	12/23/14	3%	2/15/20	84,000
Notes	9/4/14	7 - 3.1%	9/1/24	990,000
Bonds	9/4/14	2 - 4%	9/1/33	3,300,000
Bonds	6/23/15	2.5 - 3%	6/1/30	3,375,000
Notes	8/20/15	3.25%	9/1/20	80,000
Bonds	7/13/16	2 - 3%	6/1/36	2,980,000
Notes	4/6/17	1.1-2.95%	4/1/27	1,985,000
Bonds	4/6/17	3-3.25%	4/1/32	1,175,000
Total				<u>\$17,440,754</u>

Proprietary fund debt is expected to be repaid with electric, water and sewer utilities revenue. Proprietary fund debt at December 31, 2017, is comprised of the following individual issues:

Issue Description	Issue Dates	Interest Rates (%)	Dates of Maturity	Balance
Mortgage revenue bonds-sewer	10/24/01	3.042%	5/1/21	\$ 292,572
Mortgage revenue bonds-electric	2/10/09	3.25 - 4.75%	5/1/29	190,189
Mortgage revenue bonds-water	2/10/09	3.25 - 4.75%	5/1/29	24,811
Notes-sewer	11/1/11	3.75%	3/15/21	150,256
Mortgage revenue bonds-water	5/17/13	3 - 3.625%	5/1/34	990,000
Mortgage revenue bonds-electric	9/4/14	3 - 3.625%	5/1/34	3,575,000
Notes-water	8/20/15	3.25%	9/1/20	158,000
Mortgage revenue bonds-electric	7/13/16	2 - 2.2%	5/1/29	3,105,946
Mortgage revenue bonds-water	7/13/16	2 - 2.2%	5/1/29	1,289,053
Mortgage revenue bonds-electric	4/6/17	3-3.75%	5/1/37	1,155,000
Notes-water	9/20/17	2.99%	12/31/18	484,000
Notes-electric	8/22/17	-	8/22/27	467,867
Total				<u>\$11,882,694</u>

General Obligation Debt Limit Calculation - The 2017 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$543,381,000. The legal debt limit and

CITY OF LAKE MILLS WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 5 - Long-Term Obligations - Continued

margin of indebtedness as of December 31, 2017, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Debt limit (5% of \$543,381,000)	\$ 27,169,050
Applicable long-term debt	(18,233,010)
Governmental funds	<u>8,936,040</u>
Margin of indebtedness	<u>8,936,040</u>

Maturities of Long-Term Obligations - Aggregate cash flow requirements for the retirement of long-term debt principal and interest are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 1,729,197	\$ 475,531	\$ 1,216,607	\$ 305,382
2019	1,798,042	399,887	746,065	271,325
2020	1,798,515	359,758	896,229	252,946
2021	1,750,000	316,280	764,526	230,464
2022	1,525,000	278,912	713,400	212,438
2023-2027	6,190,000	835,289	3,740,867	810,570
2028-2032	2,075,000	235,938	2,715,000	381,845
2033-2036	575,000	31,194	1,090,000	60,953
	<u>\$ 17,440,754</u>	<u>\$ 2,932,789</u>	<u>\$ 11,882,694</u>	<u>\$ 2,525,923</u>

Bond Compliance Requirements - A statutory mortgage lien upon the Electric, Water, and Sewer Utilities and any additions, improvements, and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the resolution creating the 2009 bond issues.

The 2009 mortgage bond ordinances require segregation of the proceeds of the bond issues and creation and continual funding of redemption, reserve, and depreciation funds. These are further discussed in Note 1.

The resolution authorizing the issuance of the 2009 mortgage revenue bonds requires the Utility to maintain earnings of at least 1.25 times the annual debt service on the 2009 bonds. The calculation of the 2011 earnings requirement follows:

CITY OF LAKE MILLS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 5 - Long-Term Obligations - Continued

	Electric	Water	Sewer	Total
Operating revenue	\$ 7,978,355	\$ 1,144,395	\$ 1,543,700	\$ 10,666,450
Interest income	8,027	1,029	9,243	18,299
TOTAL REVENUE	7,986,382	1,145,424	1,552,943	10,684,749
Less: Total operating expenses excluding depreciation and tax equivalent	<u>5,868,997</u>	<u>598,972</u>	<u>1,376,755</u>	<u>7,844,724</u>
EARNINGS DEFINED BY ORDINANCE	\$ 2,117,385	\$ 546,452	\$ 176,188	\$ 2,840,025
REQUIRED EARNINGS (1.25 times annual debt service)	\$ 385,149	\$ 231,279	\$ 478,828	\$ 1,095,256

The Utilities, in total, are in compliance with all material bond requirements.

NOTE 6 - Wisconsin Retirement System

General Information about the 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>.

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.

CITY OF LAKE MILLS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 6 - Wisconsin Retirement System - Continued

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.

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
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
2016	0.5	(5.0)

Contributions - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employees 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 \$244,156 in contributions from the employer. Contribution rates as of December 31, 2017 are:

NOTE 6 - Wisconsin Retirement System - Continued

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.8%
Protective without Social Security	6.8%	15.1%

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

At December 31, 2017, the City reported a liability (asset) of \$198,964 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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 (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City's proportion was 0.02413916%, which was an increase of 0.00055834% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$513,008.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,865	\$ 625,725
Net differences between projected and actual earnings on pension plan investments	1,186,555	196,174
Changes in assumptions	208,025	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,219	2,433
Employer contributions subsequent to the measurement date	240,772	-
Total	\$ 1,715,436	\$ 824,332

\$240,772 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:

NOTE 6 - Wisconsin Retirement System - Continued

Year Ending December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 514,303	\$ 249,417
2019	514,302	249,416
2020	429,692	249,416
2021	16,021	76,054
Thereafter	346	29

Actuarial Assumptions - The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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:

Asset Allocation Targets and Expected Returns
 As of December 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Core Fund Asset Class	Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100%	100%	7.9%	5%

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 3.78%. 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.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 2,617,503	\$ 198,964	\$ (1,663,420)

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://efw.wi.gov/publications/cafr.htm>.

NOTE 6 - Wisconsin Retirement System - Continued

Payables to the Pension Plan - The City reported a payable of \$64,211 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

NOTE 7 - Supplemental Pension Defined Benefit Plan

General Information about the Supplemental Pension Plan

Plan Description - The City has a non-contributory entitlement program covering substantially all volunteer fire fighters.

Benefits Provided - The purpose of the plan is to provide a retirement income for volunteer firefighters in recognition of their service to the fire department. Administrators that do not participate in the District's medical plan upon their retirement will instead receive a cash benefit in lieu of such participation. The amount of this benefit is determined by individual years of service. Eligibility for this benefit is a minimum age of 65 with one year of service.

Employees Covered - As of the measurement date, the following employees were covered by the benefit terms. The plan is not closed to new entrants.

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	27
Active employees	48
Total	96

Contributions - The City Council has the authority to establish the contribution requirements for the plan. The Council establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability. For the year ended December 31, 2017, the City contributed \$26,624 and the Plan members did not make a contribution.

Actuarial Assumptions - The net supplemental pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	April 1, 2017
Measurement Date:	March 31, 2018
Actuarial Cost Method:	Entry Age Normal - Level %
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	3.61%
Discount Rate:	3.61%
Mortality:	RP2000MF with improvement

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The net supplemental pension liability for December 31, 2017 is based upon an update of the liability calculated from the April 1, 2017 actuarial valuation. There were no material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

NOTE 7 - Supplemental Pension Defined Benefit Plan - Continued

Long-Term Expected Return on Plan Assets - The long-term expected real rate of return on plan investments is based off a 20 year AA municipal bond rate.

Discount Rate - A discount rate of 3.61% was used to measure the total supplemental pension liability. This discount rate was based on the expected rate of return on pension plan investments of 3.61%. The projection of cash flows used to determine the discount rate assumed the 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 plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total supplemental pension liability.

Changes in the Supplemental Pension Liability

	Pension
	Liability
Beginning balance	\$ -
Changes for the year:	
Service cost	17,864
Differences between expected and actual experience	418,305
Changes in assumptions	15,900
Benefit payments, including refunds of employee contributions	(9,444)
Net changes	442,625
Ending Balance	442,625

Sensitivity of the Supplemental Pension Liability to Changes in the Discount Rate - The following presents the supplemental pension liability calculated using the discount rate of 3.61 percent, as well as what the supplemental pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.61 percent) or 1-percentage-point higher (4.61 percent) than the current rate:

	1% Decrease to Discount Rate (2.61%)	Current Discount Rate (3.61%)	1% Increase To Discount Rate (4.61%)
Supplemental pension liability	\$ 473,421	\$ 442,625	\$ 411,145

Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the City recognized pension expense of \$79,893.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 - Supplemental Pension Defined Benefit Plan - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net differences between projected and actual earnings on pension plan investments	298,789	-
Changes in assumptions	13,629	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ 312,418	\$ -

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

Year ending December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 62,029	\$ -
2019	62,029	-
2020	62,029	-
2021	62,029	-
Thereafter	\$ 64,302	\$ -

Payables to the Pension Plan - The City reported a payable of zero for the outstanding amount of contributions to the supplemental pension plan required for the year ended December 31, 2017.

NOTE 8 - Interfund Balance and Activity

Interfund receivable and payable balances on December 31, 2017, are as follows:

Receivable Fund	Payable Fund	Amount
General	Special Assessment	\$ 547,687
General	Sanitation and Recycling	44,118
General	Electric	45,073
General	Water	4,523
General	Sewer	5,752
Park Improvements	General	398,134
Library	General	102,200
Cemetery Perpetual Care	General	9,071
Sewer	General	45,623
Electric	Water	1,482,515
Electric	General	15,438
Water	General	484,935
Water	Sewer	103,376
Sewer	Electric	346,710
Total		\$ 3,624,664

CITY OF LAKE MILLS, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2017

NOTE 8 - Interfund Balance and Activity - Continued

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

<u>Advance To</u>	<u>Advance From</u>	<u>Amount</u>
General	Capital Projects	\$ 703,433

The principal purposes of these advances are capital projects and capital asset acquisition. For the statement of net position, advances which are owed within the governmental activities or business-type activities are netted and eliminated.

Interfund transfers at December 31, 2017 were as follows:

<u>Funds Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General	Electric	\$ 361,792
General	Water	161,143
General	Sewer	6,196
General	Cemetery Perpetual Care	3,747
		<u>\$ 532,878</u>

Generally, transfers are used to move revenues from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - Fund Balances and Net Position

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable		
General	Prepaid expenses	\$ 55,917
General	Advances	\$ 703,433
Community development	Loans	\$ 176,133
block grant		
Cemetery perpetual care	Permanent fund	\$ 289,851
Library endowment	Permanent fund	\$ 66,661
Assigned		
Library	Specific expenses	\$ 119,106
Park improvements	Specific expenses	\$ 493,068
Community development	Specific expenses	\$ 150,275
block grant		

CITY OF LAKE MILLS, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2017

NOTE 9 - Fund Balances and Net Position - Continued

<u>Net Position</u>	<u>Amount</u>
Governmental Activities	
Restricted	
Cemetery Perpetual Care	\$ 289,851
Library Endowment	\$ 66,661
Other activities	\$ 491,719
Wisconsin Retirement System pension	

Business-Type Activities

Restricted	
Electric utility	\$ 384,223
Electric utility	\$ 103,042
Water utility	\$ 103,789
Water utility	\$ 8,689
Water utility	\$ 47,900
Sewer utility	\$ 600,156
Sewer utility	\$ 292,876
Sewer utility	\$ 177,299
Sewer utility	\$ 49,479

Deficits - The following individual funds had deficits at December 31, 2017:

Capital projects	\$ 19,389
Sanitation and recycling	\$ 44,118
Special assessment	\$ 63,948

The deficits will be funded by future revenues.

NOTE 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the City's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage in the prior year.

NOTE 11 - The Wisconsin Public Power Incorporated System (WPPI)

Lake Mills Light and Water Department purchases all of its electric requirements from the Wisconsin Public Power Incorporated System (WPPI). WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980, pursuant to the Municipal Electric Company Act, Section 66.0825 of the Wisconsin Statutes (the Act). WPPI's purposes include providing an adequate, economical, and reliable supply of electric energy to its members.

Lake Mills Light and Water is one of 51 members of WPPI located throughout the State of Wisconsin. On December 1, 1989, each of WPPI's members, including Lake Mills Light and Water, commenced purchasing electric service from WPPI under a new Long-Term Power Supply Contract for Participating Members (the Long-Term Contract) under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for,

NOTE 11 - The Wisconsin Public Power Incorporated System (WPPPI) - Continued

the electric power and energy requirements of the members for an initial thirty-five (35) year term.

Under the Long-Term Contract, Lake Mills Light and Water and the other members of WPPPI are required to pay for all power and energy requirements supplied or made available by WPPPI at rates sufficient to cover all of WPPPI's revenue requirement which includes power supply costs, administrative expenses, and debt service on outstanding bonds. WPPPI's subsequent years' rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality. Lake Mills Light and Water has agreed to charge rates to the retail ratepayers of its combined electric and water system sufficient to meet its obligations to WPPPI. The Long-Term Contract provides that all payments to WPPPI under the Contract constitute operating expenses of Lake Mills Light and Water combined electric and water system payable from any operating and maintenance fund established by Lake Mills Light and Water for that system.

The Long-Term Contract may be terminated by either party upon five years prior written notice effective at the end of the initial 35-year term, or at any other time thereafter, provided that no WPPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

NOTE 12 - Tax Incremental Finance Districts

Tax increment financing, as authorized by Section 66.1105 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 through general fund advances and through the issuance of general obligation long-term debt. Project costs have been reported primarily as Capital Projects Funds expenditures.

Tax increments will be used to repay general fund advances and to meet maturing debt obligations incurred to provide financing for development and public improvement costs within the tax incremental district. The TIF is allowed to collect tax increments until its termination date. Any over collections are returned to the various taxing entities of the TIF. The City becomes liable for any cost not recovered by the termination date.

The City has five Tax Incremental Financing Districts. The following is a project summary of TIF activity and status of the district through December 31, 2017:

NOTE 12 - Tax Incremental Finance Districts - Continued

	TIF #2	TIF #3	TIF #4
Sources of funds			
Proceeds from long-term debt	\$ 4,825,331	\$ 270,000	\$ 4,630,000
TID increments	3,321,382	235,306	1,945,829
Exempt computer aids	136,348	84,173	21,541
Interest income	100,381	3,164	7,728
Transfer from other funds	107,790	-	-
Special assessments	64,722	-	30,757
Miscellaneous	-	358,961	141,532
Total sources of funds	<u>8,555,954</u>	<u>951,604</u>	<u>6,777,387</u>
Uses of funds			
Project expenditures	3,060,215	687,323	5,389,831
Administration	36,419	300	15,527
Interest on advances	204,556	3,514	8,029
Principal - long-term debt	2,231,099	108,000	814,274
Interest - long-term debt	1,318,339	9,242	464,789
Payment to escrow agent	1,764,109	-	-
Debt discount/issue cost	51,716	4,480	16,976
Total uses of funds	<u>8,666,453</u>	<u>812,859</u>	<u>6,709,426</u>
Fund balances as of			
December 31, 2017	(110,499)	138,745	67,691
Future requirements			
Advances from General Fund	306,406	67,766	259,009
Debt principal	949,232	162,000	3,815,726
Debt interest	44,880	4,060	690,454
Less: Cash on hand	(189,630)	(206,531)	(342,522)
Total future requirements	<u>\$ 1,110,888</u>	<u>\$ 27,315</u>	<u>\$ 4,422,667</u>
District termination date	1/6/2021	8/15/2033	7/18/2026

CITY OF LAKE MILLS, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2017

NOTE 12 - Tax Incremental Finance Districts - Continued

	TIF #5	TIF #6
Sources of funds		
Proceeds from long-term debt	\$ -	\$ -
TID increments	-	-
Exempt computer aids	739	428
Interest income	4	3
Transfer from other funds	-	-
Special assessments	-	-
Miscellaneous	-	-
Total sources of funds	743	431
Uses of funds		
Project expenditures	30,570	28,664
Administration	-	-
Interest on advances	443	304
Principal - long-term debt	-	-
Interest - long-term debt	-	-
Payment to escrow agent	-	-
Debt discount/issue cost	-	-
Total uses of funds	31,013	28,968
Fund balances as of		
December 31, 2017	(30,270)	(28,537)
Future requirements		
Advances from General Fund	30,863	23,818
Debt principal	-	-
Debt interest	-	-
Less: Cash on hand	-	-
Total future requirements	\$ 30,863	\$ 23,818
District termination date	4/15/2041	8/5/2034

NOTE 13 - Change in Accounting Principle

The change in accounting principle adjustment of \$764 on the statement of activities is due to the adoption of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68.

CITY OF LAKE MILLS, WISCONSIN
 REQUIRED
 SUPPLEMENTARY INFORMATION

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CITY OF LAKE MILLS, WISCONSIN
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

CITY OF LAKE MILLS, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
DECEMBER 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 3,965,900	\$ 3,965,900	\$ 4,000,799	\$ 34,899
Intergovernmental	841,500	841,500	1,694,839	853,339
Licenses and permits	128,900	128,900	148,573	19,673
Fines, forfeits and penalties	60,000	60,000	66,155	6,155
Public charges for services	151,300	151,300	154,636	3,336
Intergovernmental charges for services	315,000	315,000	340,994	25,994
Miscellaneous	246,600	246,600	367,240	120,640
TOTAL REVENUES	5,709,200	5,709,200	6,773,236	1,064,036
EXPENDITURES				
Current				
General government	1,095,000	1,095,000	1,017,146	77,854
Public safety	1,693,350	1,693,350	1,601,364	91,986
Public works	1,044,400	1,044,400	1,122,967	(78,567)
Health and human services	142,300	142,300	138,506	3,794
Culture, recreation and education	778,600	778,600	704,343	74,257
Conservation and development	168,200	168,200	273,588	(105,388)
Debt service				
Principal	1,062,200	1,062,200	1,050,137	12,063
Interest	263,300	263,300	275,575	(12,275)
Other	-	-	78,059	(78,059)
Capital outlay	71,650	71,650	2,964,307	(2,892,657)
TOTAL EXPENDITURES	6,319,000	6,319,000	9,225,992	(2,906,992)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(609,800)	(609,800)	(2,452,756)	(1,842,956)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	542,000	542,000	532,878	(9,122)
Issuance of long-term debt	-	-	3,160,000	3,160,000
Premium on long-term debt	96,800	96,800	58,970	(37,830)
TOTAL OTHER FINANCING SOURCES	638,800	638,800	3,751,848	3,113,048
NET CHANGE IN FUND BALANCE	29,000	29,000	1,298,092	1,270,092
FUND BALANCE AT BEGINNING OF YEAR	3,304,831	3,304,831	3,304,831	-
FUND BALANCE AT END OF YEAR	\$ 3,333,831	\$ 3,333,831	\$ 4,603,923	\$ 1,270,092

1. **NOTE 1 - Budgetary Information** - Budgets are adopted each fiscal year for the general fund in accordance with Section 65.90 of the Wisconsin Statutes. The City follows these procedures in establishing the budgetary data reflected in the financial statements.
 - Prior to October 15, the City Manager submits to the Common Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
 - A public hearing is conducted in the Council Chambers to obtain taxpayer comments.
 - In December, the budget is legally enacted through passage of an ordinance.
 - The Department directors are authorized to transfer budget amounts within departmental operating expenses; however, any other revisions that alter the total expenditures of any fund or department must be approved by the Common Council.
 - Formal budgetary integration is employed as a management control device during the year for the General Fund.
 - Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
 - Budgetary expenditures control is exercised at the department level within the fund.
 - Budgeted amounts are as authorized in the original budget ordinance and subsequent revisions authorized by the Common Council.
 - Appropriations lapse at year end, except those specifically carried forward by Council action.
 - Encumbrance accounting is not used.

NOTE 2 - Excess of Actual Expenditure Over Budget - The following expenditure classifications had an excess of actual expenditure over budget.

General Fund	
Public works	\$ 78,567
Conservation and development	105,388
Debt service	
Interest	12,275
Other	78,059
Capital outlay	2,892,657

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
WISCONSIN RETIREMENT SYSTEM SCHEDULES
YEAR ENDED DECEMBER 31, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.02413916%	0.02358082%	0.02359165%
Proportionate share of the net pension liability (asset)	\$ 198,964	\$ 383,184	\$ (579,475)
Covered payroll	\$ 3,041,906	\$ 3,097,482	\$ 3,097,482
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	6.54%	12.37%	-18.71%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%	98.20%	102.74%

SCHEDULE OF CONTRIBUTIONS
 Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 244,156	\$ 229,783	\$ 226,072
Contributions in relation to the contractually required contributions	(244,156)	(229,783)	(226,072)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 3,041,906	\$ 3,097,482	\$ 3,097,482
Contributions as a percentage of covered payroll	8.03%	7.42%	7.30%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred with the fiscal year. The City implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 7 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2017

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes of assumptions - there were no changes in the assumptions.

CITY OF LAKE MILLS, WISCONSIN
SUPPLEMENTAL PENSION DEFINED BENEFIT PLAN SCHEDULES
YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
 Last 10 Fiscal Years

	<u>2017</u>
Total Pension Liability	
Service cost	\$ 17,864
Differences between expected and actual experience	418,305
Changes in assumptions	15,900
Benefit payments	(9,444)
Net Changes in Total Pension Liability	442,625
Total Pension Liability - Beginning	-
Total Pension Liability - Ending (a)	\$ 442,625

Plan fiduciary net position as a percentage of the total pension liability 0.00%

Covered payroll \$ -
 Pension liability as a percentage of covered payroll N/A

SCHEDULE OF CONTRIBUTIONS
 Last 10 Fiscal Years

	<u>2017</u>
Actuarially determined contributions	\$ -
Contributions in relation to the actuarially determined contributions	-
Contribution deficiency (excess)	\$ -

Covered payroll \$ -

Contributions as a percentage of covered payroll N/A

Actuarial valuation date 4/1/2017
 Measurement date 3/31/2018

The City implemented the Government Accounting Standards Board Statement No. 73 for the year ended December 31, 2017. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 9 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2017

Methods and assumptions used to determine actuarially calculations - entry age normal cost, 7 year level % open amortization, fair market value asset valuation, 3.61% discount rate, Mortality RP2000MF with improvement.

Changes of benefit terms - there were no changes of benefit terms.

Changes of assumptions - there were no changes in the assumptions.

CITY OF LAKE MILLS, WISCONSIN
OTHER
SUPPLEMENTARY INFORMATION

DRAFT

CITY OF LAKE MILLS, WISCONSIN
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

	SPECIAL REVENUE FUNDS				PERMANENT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	LIBRARY IMPROVEMENTS	PARK IMPROVEMENTS	SANITATION AND RECYCLING	SPECIAL ASSESSMENT	COMMUNITY DEVELOPMENT BLOCK GRANT	CEMETERY PERPETUAL CARE	LIBRARY ENDOWMENT	
ASSETS								
Cash and investments	\$ 16,906	\$ 94,934	\$ -	\$ 435,573	\$ 326,408	\$ 279,451	\$ 66,661	\$ 1,219,933
Receivable	-	-	-	-	-	1,329	-	1,329
Accounts and other	-	-	-	-	-	-	-	6,948
Taxes	-	-	-	6,948	-	-	-	176,133
Loan	-	-	-	-	176,133	-	-	509,405
Due from other funds	102,200	398,134	-	-	-	9,071	-	48,166
Due from other governments	-	-	-	48,166	-	-	-	-
TOTAL ASSETS	119,106	493,068	-	490,687	502,541	289,851	66,661	1,961,914
LIABILITIES								
Due to other funds	-	-	44,118	547,687	-	-	-	591,805
Unearned revenue - other	-	-	-	-	176,133	-	-	176,133
TOTAL LIABILITIES	-	-	44,118	547,687	176,133	-	-	767,938
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - tax roll	-	-	-	6,948	-	-	-	6,948
FUND BALANCE								
Nonspendable	-	-	-	-	176,133	289,851	66,661	532,645
Assigned	119,106	493,068	-	-	150,275	-	-	762,449
Unassigned	-	-	(44,118)	(63,948)	-	-	-	(108,066)
TOTAL FUND BALANCE	119,106	493,068	(44,118)	(63,948)	326,408	289,851	66,661	1,187,028
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 119,106	\$ 493,068	\$ -	\$ 490,687	\$ 502,541	\$ 289,851	\$ 66,661	\$ 1,961,914

CITY OF LAKE MILLS, WISCONSIN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2017

	SPECIAL REVENUE FUNDS				PERMANENT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	LIBRARY IMPROVEMENTS	PARK AND RECYCLING	SANITATION	SPECIAL ASSESSMENT	COMMUNITY DEVELOPMENT BLOCK GRANT	CEMETERY PERPETUAL CARE	LIBRARY ENDOWMENT	
REVENUES								
Special assessments	\$ -	\$ -	\$ -	109,031	\$ -	\$ -	\$ -	109,031
Intergovernmental	897	-	19,680	-	-	-	-	20,577
Public charges for services	9,517	17,930	346,364	-	-	3,112	-	376,923
Miscellaneous								
Donations	2,128	-	-	-	-	-	-	2,128
Interest	33	790	-	712	2,700	2,920	175	7,330
Principal repayment	-	-	-	-	19,107	-	-	19,107
TOTAL REVENUE	12,575	18,720	366,044	109,743	21,807	6,032	175	535,096
EXPENDITURES								
Current								
Public works	-	-	360,500	-	-	-	-	360,500
Culture, recreation and education	-	4,547	-	-	-	-	-	4,547
Conservation and development	-	-	-	-	335	-	-	335
Capital outlay	-	-	-	118,918	-	-	-	118,918
TOTAL EXPENDITURES	-	4,547	360,500	118,918	335	-	-	484,300
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	12,575	14,173	5,544	(9,175)	21,472	6,032	175	50,796
OTHER FINANCING SOURCES (USES)								
Operating transfers (out)	-	-	-	-	-	(3,747)	-	(3,747)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	12,575	14,173	5,544	(9,175)	21,472	2,285	175	47,049
FUND BALANCE AT BEGINNING OF YEAR	106,531	478,895	(49,662)	(54,773)	304,936	287,566	66,486	1,139,979
FUND BALANCE AT END OF YEAR	\$ 119,106	\$ 493,068	\$ (44,118)	\$ (63,948)	\$ 326,408	\$ 289,851	\$ 66,661	\$ 1,187,028

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CITY OF LAKE MILLS, WISCONSIN
 DETAILED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUE				
Taxes				
Property	\$ 3,686,500	\$ 3,665,500	\$ 3,887,160	\$ 18,660
Mobile home	75,000	75,000	91,793	16,793
Transfer of fees	21,000	21,000	21,000	-
Interest on taxes	300	300	173	(127)
Other taxes	1,000	1,000	(1,000)	(1,000)
TOTAL	3,983,500	3,963,500	4,000,726	34,589
Intergovernmental				
State shared taxes	348,300	348,300	348,237	(63)
State fire insurance	13,000	13,000	20,006	6,738
State law enforcement grants	6,000	6,000	5,000	(1,000)
State law enforcement improvement grants	15,000	15,000	14,449	(551)
State water/pollution grants	-	-	3,733	3,733
State general transportation aid grants	338,700	338,700	315,693	(23,007)
State other transportation grants	-	-	46,473	46,473
State recycling	-	-	714	714
State payment for municipal services ad	3,200	3,200	2,368	(894)
State payment in lieu of taxes	-	-	265,118	265,118
County and other highway bridge grants	99,300	99,300	593,485	494,185
County and other local government grants	17,100	17,100	118,539	101,439
TOTAL	841,500	841,500	1,694,639	853,339
Licenses and Permits				
Business and occupational licenses	13,200	13,200	19,623	6,423
Business licenses	3,000	3,000	3,000	-
Bar and banquet transaction fees	42,000	42,000	44,384	2,384
Other regulatory permits and fees	70,000	70,000	80,389	10,389
TOTAL	128,000	128,000	148,673	19,673
Fines, Forfeits and Penalties				
Law and ordinance violations	50,000	50,000	59,679	8,279
Penalty violations	10,000	10,000	10,000	-
TOTAL	60,000	60,000	69,679	9,679
Public Charges for Services				
Public works services	400	400	480	80
Wired control	1,800	1,800	1,510	(290)
Cometery	35,000	35,000	31,050	(3,950)
Community center	6,000	6,000	3,380	(2,620)
Other culture and recreation	109,200	109,200	117,464	8,264
Other public charges for services	2,800	2,800	782	(2,018)
TOTAL	151,300	151,300	154,636	3,336
Intergovernmental Charges for Service				
Law enforcement	3,000	3,000	1,265	(1,735)
Fire protection	312,000	312,000	339,279	27,279
TOTAL	315,000	315,000	340,544	25,544
Miscellaneous				
Interest	20,000	20,000	47,784	27,784
Sandy Beach leases	223,600	223,600	240,461	16,861
Miscellaneous	3,000	3,000	18,883	15,883
Donations	-	-	60,012	60,012
TOTAL	246,600	246,600	367,240	120,644
TOTAL REVENUE	5,709,200	5,709,200	6,773,226	1,064,026
OTHER FINANCING SOURCES				
Operating transfers in	542,000	542,000	532,678	(9,122)
Issuance of long-term debt	-	-	3,160,000	3,160,000
Premium on long-term debt	96,800	96,800	95,970	(830)
TOTAL OTHER FINANCING SOURCES	638,800	638,800	3,751,648	3,133,048
TOTAL REVENUE AND OTHER FINANCING SOURCES	\$ 6,348,000	\$ 6,348,000	\$ 10,525,084	\$ 4,177,084

CITY OF LAKE MILLS, WISCONSIN
 DETAILED STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES				
General Government				
Legislative	\$ 37,000	\$ 37,000	\$ 21,933	\$ 15,067
Judicial	44,600	44,600	33,774	10,826
Legal/labor relations	71,300	71,300	69,239	2,061
General administration	492,700	492,700	198,154	294,546
General administration	28,000	28,000	301,232	(273,232)
General buildings and plant	275,300	275,300	235,383	39,917
Other general government	146,100	146,100	157,431	(11,331)
TOTAL	1,095,000	1,095,000	1,017,146	77,854
Public Safety				
Police	1,181,450	1,181,450	1,127,657	53,793
Fire protection	408,000	408,000	372,967	35,033
Ambulance	30,200	30,200	30,200	-
Inspection	3,000	3,000	3,382	382
TOTAL	1,695,350	1,695,350	1,601,394	93,956
Public Works				
Street department	884,800	884,800	899,019	(104,219)
Street lighting	75,100	75,100	73,729	1,371
Mass transit	80,300	80,300	50,950	29,350
Recycling	4,200	4,200	9,289	(5,089)
TOTAL	1,044,400	1,044,400	1,122,987	(78,587)
Health and Human Services				
Public health services	17,500	17,500	17,286	214
Cometery	124,800	124,800	121,210	3,590
TOTAL	142,300	142,300	138,596	3,704
Culture, Recreation and Education				
Library	362,400	362,400	349,098	13,302
Other culture	10,700	10,700	7,947	2,753
Parks	327,000	327,000	283,177	44,523
Recreation facilities	77,800	77,800	64,521	13,279
TOTAL	778,000	778,000	704,343	73,657
Conservation and Development				
Community development	34,300	34,300	28,127	6,173
Forestry	133,900	133,900	245,461	(111,561)
TOTAL	168,200	168,200	273,588	(105,388)
Debt Service				
Principal	1,062,200	1,062,200	1,050,137	12,063
Interest	263,300	263,300	275,575	(12,275)
Other	-	-	78,059	(78,059)
TOTAL	1,325,500	1,325,500	1,403,771	(78,271)
Capital Outlay				
General government	-	-	12,588	(12,588)
Public safety	12,850	12,850	13,274	(424)
Public works	5,000	5,000	2,380,782	(2,375,782)
Culture, recreation and education	53,800	53,800	35,064	18,736
Conservation and development	-	-	83,189	(83,189)
TOTAL	71,650	71,650	2,964,307	(2,892,657)
TOTAL EXPENDITURES	\$ 6,319,000	\$ 6,319,000	\$ 9,225,992	(2,906,992)



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Common Council
City of Lake Mills, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Mills, Wisconsin as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Lake Mills, Wisconsin's basic financial statements and have issued our report thereon dated **APPROVAL DATE**.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

2017-001 - Preparation of Financial Statements

Program: Government-Wide

CITY OF LAKE MILLS, WISCONSIN
OTHER REPORT

DRAFT

Criteria: Adequate internal controls necessitate personnel (management or others) of the City have adequate training and knowledge that would enable you to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: The training and knowledge of your personnel limits your ability to prepare GAAP basis financial statements.

Questioned Cost: Not applicable.

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

2017-002 - Material Audit Adjustments

Program: Government-Wide

Criteria: Generally accepted accounting principles.

Condition: Material audit adjustments were required to prevent the City's financial statements from being materially misstated.

Questioned Cost: Not applicable.

Context: Internal controls did not identify that adjustments should be recorded.

Effect: This weakness could result in undetected errors and irregularities and misstated interim financial reports.

Information: Systemic problem.

Prior Year Finding: This was a prior year audit finding.

Recommendation: Improve the City's financial reporting internal controls to prevent these types of adjustments from occurring in the future. Document which accounting procedures are needed to be completed on a recurring basis to detect material adjustments.

Management's Response: The City will incorporate financial reporting internal controls to detect material adjustments, prevent materially misstated financial statements and increase the accuracy of the interim financial reports used by management.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Mills, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the following paragraphs.

2017-003 - Governmental Fund Budgets

Program: Government-Wide

Criteria: The City currently adopts formal budgets only for the General Fund.

Condition: Wisconsin Statutes Section 65.90(3)(b)6 requires the City to establish budgets for all funds of the City.

Questioned Cost: Not applicable.

Context: Budgets should be established for all funds.

Effect: This weakness could result in overspending by the City.

Information: Systemic problem.

Prior Year Finding: This was a prior year audit finding.

Recommendation: The City needs to adopt formal budgets for all funds.

Management's Response: The Board will establish budgets for the required funds.

2017-004 - Actual Expenditures Over Budget

Program: General Fund

Criteria: Wisconsin Statute 65.06 prohibits spending more than budgeted expenditures.

Condition: The City spent \$2,906,992 more than their adopted budget.

Questioned Costs: Not applicable.

Context: The City did not monitor actual spending in comparison with budgeted amounts.

Effect: The City is not in compliance with Wisconsin Statutes.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding.

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Recommendation: The City should monitor actual expenditures compared to the adopted budget and formally amend the budget to ensure total actual expenditures do not exceed total budgeted expenditures.

Management's Response: The City typically does not formally amend the original budget. In the future, we will review our budget calculations throughout the year and formally amend the budget if necessary.

City of Lake Mills, Wisconsin's Responses to Findings

City of Lake Mills, Wisconsin's responses to the findings identified in our audit are described above. City of Lake Mills, Wisconsin's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

HAWKINS ASH CPAS, LLP

Manitowoc, Wisconsin
APPROVAL DATE

DRAFT

CITY OF LAKE MILLS, WISCONSIN
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016

CITY OF LAKE MILLS, WISCONSIN
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	<u>MEMBERS OF THE COMMON COUNCIL</u>	
	President Vice President Member Member	Rudy Schaar Mike Foster Diann Fritsch Ed Grunden Vacant
	City Manager Treasurer/Finance Director City Attorney City Clerk	Steve Wilke Elizabeth Milbrath Daniel Drescher Melissa Quest

INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Lake Mills, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Mills, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Lake Mills, Wisconsin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Lake Mills, 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 management's discussion and analysis, budgetary comparison schedule, Wisconsin Retirement System schedules and schedule of funding progress - supplemental pension, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Mills, Wisconsin's basic financial statements. The combining and individual nonmajor fund financial statements, the detailed statement of revenues and other financing sources - budget and actual - general fund and the detailed statement of expenditures and other financing uses - budget and actual - general fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

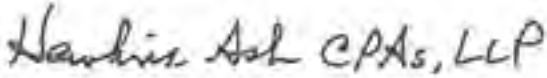
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures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

The detailed statement of revenues and other financing sources - budget and actual - general fund and detailed statement of expenditures and other financing uses - budget and actual - general fund have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017, on our consideration of the City of Lake Mills, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lake Mills, Wisconsin's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP". The signature is written in dark ink and is positioned below the printed name of the firm.

Manitowoc, Wisconsin
May 2, 2017



Management's Discussion and Analysis

As management of the City of Lake Mills, we offer readers of the City of Lake Mills' basic financial statements this narrative overview and analysis of the financial activities of the City of Lake Mills for the fiscal year ended December 31, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which follow this narrative.

Financial Highlights

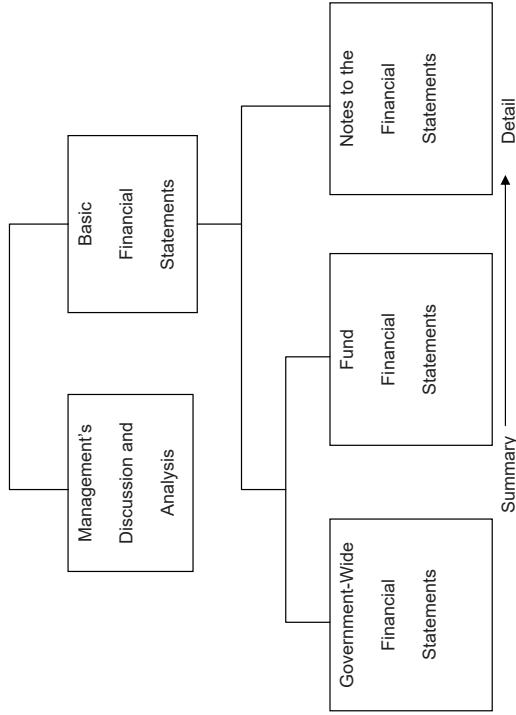
- The assets and deferred outflows of resources of the City of Lake Mills exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,022,802 (*net position*).
- The government's total net position increased by \$958,814, due to an increase in the governmental activities and an increase in the business-type activities net position.
- As of the close of the current fiscal year, the City of Lake Mills' governmental funds reported combined ending fund balances of \$4,118,642, a decrease of \$1,855,681 in comparison with the prior year. Approximately 48 percent of this total amount, or \$1,959,529, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,390,132 or 23 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lake Mills' basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Lake Mills.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the City's financial status.

The next statements are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the Wisconsin State Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and electric services offered by the City of Lake Mills.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lake Mills, like all other governmental entities in Wisconsin, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the State of Wisconsin Statutes or the City's budget ordinance. All of the funds of the City of Lake Mills can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Lake Mills adopts an annual budget for its general fund, as required by the State of Wisconsin Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary comparison schedule provided for the general fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the general fund; and 4) the variance between the final budget and the actual revenues and expenditures. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown in the notes of the budgetary schedule.

Proprietary Funds - The City of Lake Mills has one proprietary fund. A *proprietary fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lake Mills uses enterprise funds to account for its electric and water activity and for its sewer operations. These funds are the same as those functions shown in the business-type activities in the statement of net position and the statement of activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Lake Mills' own programs. The most significant fiduciary fund maintained by the City of Lake Mills is the property tax fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Lake Mills. The accounting used for fiduciary funds is much like that used for governmental funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be referred to as identified in the table of contents.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lake Mills. Required supplementary information can be referred to as identified in the table of contents.

**City of Lake Mills
Changes in Net Position**
Figure 3

	Governmental Activities		Business-Type Activities		Total
	2016	2015	2016	2015	
Revenues:					
Program revenues:					
Charges for services	\$ 1,313,132	\$ 1,275,214	\$ 10,782,772	\$ 10,919,279	\$ 12,095,904
Operating grants and contributions	688,098	444,071	-	-	688,098
Capital grants and contributions	-	14,861	120,968	1,721,470	120,968
General revenues:					
Property taxes	4,357,542	4,127,597	-	-	4,357,542
Other taxes	107,657	104,904	-	-	107,657
Intergovernmental revenues not restricted to specific programs	491,826	396,206	-	-	491,826
Interest and investment income	30,200	19,743	23,525	20,963	53,725
Gain on sale of capital assets	-	-	97,358	-	97,358
Miscellaneous	87,526	103,008	-	-	87,526
Total revenues	<u>7,045,981</u>	<u>6,485,604</u>	<u>11,024,623</u>	<u>12,661,712</u>	<u>18,070,604</u>
Expenses:					
General government	1,101,865	1,026,245	-	-	1,101,865
Public safety	1,915,379	1,802,237	-	-	1,915,379
Public works	1,772,060	1,892,479	-	-	1,772,060
Health & human services	139,044	109,948	-	-	139,044
Culture, recreation and education	721,056	1,046,961	-	-	721,056
Conservation and development	979,532	1,383,354	-	-	979,532
Interest on long-term debt	457,601	420,552	-	-	457,601
Electric	-	-	7,255,724	7,503,374	7,255,724
Water	-	-	946,420	897,913	946,420
Sewer	-	-	1,823,109	1,810,456	1,810,456
Total expenses	<u>7,086,537</u>	<u>7,681,776</u>	<u>10,025,253</u>	<u>10,211,743</u>	<u>17,111,790</u>
Income (loss) before transfers	(40,556)	(1,196,172)	999,370	2,449,969	958,814
Transfers	519,407	(459,650)	(519,407)	(459,650)	-
Change in net position	478,851	(736,522)	479,963	1,990,319	958,814
Net position - beginning of year	4,394,550	4,364,290	23,432,571	20,820,973	27,827,121
Prior period adjustment	-	-	236,867	161,903	236,867
Change in accounting principle	-	766,781	-	459,379	-
Net position - end of year	<u>\$ 4,873,401</u>	<u>\$ 4,394,549</u>	<u>\$ 24,149,401</u>	<u>\$ 23,432,574</u>	<u>\$ 29,022,802</u>

Governmental activities:
Governmental activities increased the City's net position by \$478,851.

Business-type activities:
Business-type activities increased the City's net position by \$479,963.

**City of Lake Mills
Net Position**
Figure 2

	Governmental Activities		Business-Type Activities		Total
	2016	2015	2016	2015	
Current and other assets	\$ 9,833,305	\$ 11,096,067	\$ 5,368,532	\$ 6,257,349	\$ 15,201,837
Capital assets	16,351,061	12,429,261	30,066,632	28,722,809	46,417,693
Total assets	<u>26,184,366</u>	<u>23,525,328</u>	<u>35,435,164</u>	<u>34,980,158</u>	<u>61,619,530</u>
Deferred outflows of resources	1,611,612	615,868	990,365	246,612	2,601,977
Long-term liabilities outstanding	16,889,170	14,884,202	10,522,510	10,226,190	27,411,680
Other liabilities	430,842	515,193	976,186	1,054,521	1,407,028
Total liabilities	<u>17,320,012</u>	<u>15,399,395</u>	<u>11,498,696</u>	<u>11,280,711</u>	<u>28,818,708</u>
Deferred inflows of resources	5,602,565	4,347,252	777,432	513,485	6,379,997
Net position:					
Restricted	214,642	345,257	19,689,543	18,465,619	19,884,185
Unrestricted	966,489	349,346	2,134,242	1,600,880	3,120,731
Total net position	<u>3,672,270</u>	<u>3,699,946</u>	<u>2,345,616</u>	<u>3,335,065</u>	<u>6,017,888</u>
	<u>\$ 4,873,401</u>	<u>\$ 4,394,549</u>	<u>\$ 24,149,401</u>	<u>\$ 23,432,574</u>	<u>\$ 29,022,802</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Lake Mills exceeded liabilities by \$29,022,802 as of December 31, 2016. The City's net position increased by \$958,814 for the fiscal year ended December 31, 2016. However, the largest portion (68%) reflects the City's investment in capital assets (e.g. land, land improvements, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items.

The City of Lake Mills uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lake Mills' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Lake Mills' net position (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,017,886 is unrestricted.

Financial Analysis of the City's Funds

As noted earlier, the City of Lake Mills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Lake Mills' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lake Mills' financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Lake Mills. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,390,132, while total fund balance reached \$3,304,831. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23 percent of total General Fund expenditures, while total fund balance represents 32 percent of that same amount.

At December 31, 2016, the governmental funds of the City of Lake Mills reported a combined fund balance of \$4,118,642, a 31 percent decrease over last year. Included in this change in fund balance are increases in fund balance in the capital projects, library, park improvements, sanitation and recycling, special assessment, cemetery perpetual care and library endowment funds.

General Fund Budgetary Highlights - During the fiscal year, the City did not revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds - The City of Lake Mills' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Utility at the end of the fiscal year amounted to \$2,104,540, the Water Utility totaled \$(908,936), and those for the Sewer Utility amounted to \$1,150,012. The total change in net position was \$741,017, \$(22,398), and \$(238,656), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Lake Mills' business-type activities.

Capital Asset and Debt Administration

Capital Assets: The City of Lake Mills' investment in capital assets for its governmental and business-type activities as of December 31, 2016, totals \$46,417,693 (net of accumulated depreciation). These assets include land, construction in progress, land improvements, buildings, equipment, and infrastructure.

- Construction in progress of \$1,252,418, building improvements of \$2,741,395, equipment purchases of \$182,412 and \$1,210,926 of infrastructure in governmental-type activities.
- Construction in progress of \$708,633 equipment purchases at \$2,069,778 in business-type activities.

City of Lake Mills' Capital Assets

Figure 4
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,214	\$ 1,214	\$ 101	\$ 103	\$ 1,314	\$ 1,316
Construction in progress	1,252	588	1,031	322	2,283	911
Land improvements	553	553	383	363	935	935
Buildings	11,238	8,496	7,311	7,407	18,549	15,903
Equipment and systems	5,567	5,435	41,857	39,905	47,424	45,341
Infrastructure	13,043	11,846	-	-	13,043	11,846
Less: Accumulated depreciation	(16,516)	(15,703)	(20,616)	(19,397)	(37,132)	(35,100)
Total	\$ 16,351	\$ 12,429	\$ 30,067	\$ 28,723	\$ 46,418	\$ 41,152

Note - totals may not add due to rounding.

Additional information of the City's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-term Obligations: As of December 31, 2016, the City of Lake Mills had total long-term obligations outstanding of \$27,411,680. Of this, \$16,263,908 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents mortgage revenue bonds secured solely by specified revenue sources (i.e. revenue bonds) and employee benefits.

City of Lake Mills' Long-Term Obligations

Figure 5
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds/notes	\$ 15,912	\$ 14,186	\$ 352	\$ 930	\$ 16,264	\$ 15,116
Mortgage revenue bonds	-	-	10,045	9,296	10,045	9,296
Other long-term obligations	977	698	125	-	1,102	698
Total	\$ 16,889	\$ 14,884	\$ 10,523	\$ 10,226	\$ 27,412	\$ 25,110

Note - totals may not add due to rounding.

The City of Lake Mills' total debt increased by \$2,301,288 or 9% during the past fiscal year, primarily due to new debt.

The State of Wisconsin Statutes limit the amount of general obligation debt that a unit of government can issue up to 5 percent of the total equalized value of taxable property located within that government's boundaries. The legal debt limit for the City of Lake Mills is \$25,595,015.

Additional information regarding the City of Lake Mills' long-term debt can be found in Note 5.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Treasurer/Finance Director, City of Lake Mills, 200 D Water Street, Lake Mills, Wisconsin 53551-1632.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 5,735,839	\$ 1,335,940	\$ 7,071,779
Receivables			
Taxes	3,257,966	-	3,257,966
Accounts and other	215,847	748,794	964,641
Special assessments	152,994	541,675	694,669
Interest	-	11,329	11,329
Loans	195,240	-	195,240
Internal balances	160,002	(160,002)	-
Due from other governments	44,969	-	44,969
Inventories	-	339,427	339,427
Prepaid expenses	70,448	-	70,448
Restricted assets			
Cash and investments	-	2,551,369	2,551,369
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	2,466,042	1,131,878	3,597,920
Capital assets being depreciated	13,885,019	28,934,754	42,819,773
TOTAL ASSETS	26,184,366	35,435,164	61,619,530
DEFERRED OUTFLOWS OF RESOURCES			
Charge on refunding	178,956	293,269	472,225
Wisconsin Retirement System pension	1,432,656	697,096	2,129,752
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,611,612	990,365	2,601,977
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	27,795,978	36,425,529	64,221,507
LIABILITIES			
Accounts payable	296,350	706,519	1,002,869
Accrued liabilities			
Payroll, payroll taxes	2,865	163,654	166,519
Interest	124,520	-	124,520
Other	-	37,619	37,619
Due to other governments	3,771	-	3,771
Current portion of long-term obligations	1,830,459	43,034	1,873,493
Payable from restricted assets			
Accrued revenue bond interest	-	53,477	53,477
Current portion of revenue loans	-	577,826	577,826
Unearned revenue - other	3,336	14,917	18,253
Noncurrent portion of long-term obligations	15,058,711	9,901,650	24,960,361
TOTAL LIABILITIES	17,320,012	11,498,696	28,818,708
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - tax roll	5,060,108	-	5,060,108
Unavailable revenue - special assessments	-	513,485	513,485
Wisconsin Retirement System pension	542,457	263,947	806,404
TOTAL DEFERRED INFLOWS OF RESOURCES	5,602,565	777,432	6,379,997
NET POSITION			
Net investment in capital assets	214,642	19,669,543	19,884,185
Restricted for			
Permanent funds - nonexpendable	354,053	-	354,053
Debt service	-	1,254,504	1,254,504
Other activities	632,436	879,738	1,512,174
Unrestricted	3,672,270	2,345,616	6,017,886
TOTAL NET POSITION	4,873,401	24,149,401	29,022,802
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
	\$ 27,795,978	\$ 36,425,529	\$ 64,221,507

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,101,865	\$ 199,993	\$ -	\$ -	(901,872)	\$ -	(901,872)
Public safety	1,915,379	325,448	19,767	-	(1,570,164)	-	(1,570,164)
Public works	1,772,060	364,872	345,253	-	(1,061,935)	-	(1,061,935)
Health and human services	139,044	37,630	-	-	(101,414)	-	(101,414)
Culture, recreation and education	721,056	385,189	92,227	-	(243,640)	-	(243,640)
Conservation and development	979,532	-	200,851	-	(778,681)	-	(778,681)
Interest and fiscal charges	457,601	-	-	-	(457,601)	-	(457,601)
TOTAL GOVERNMENTAL ACTIVITIES	7,086,537	1,313,132	658,098	-	(5,115,307)	-	(5,115,307)
BUSINESS-TYPE ACTIVITIES							
Electric Utility	7,255,724	8,202,165	-	45,166	\$ -	991,607	991,607
Water Utility	946,420	1,003,880	-	75,802	-	133,262	133,262
Sewer Utility	1,823,109	1,576,727	-	-	(246,382)	-	(246,382)
TOTAL BUSINESS-TYPE ACTIVITIES	10,025,253	10,782,772	-	120,968	878,487	878,487	878,487
TOTAL PRIMARY GOVERNMENT	\$ 17,111,790	\$ 12,095,904	\$ 658,098	\$ 120,968	(5,115,307)	878,487	(4,236,820)
General revenues							
Taxes							
Property taxes, levied for general purposes					3,730,625	-	3,730,625
Property taxes, levied for tax incremental district					626,917	-	626,917
Other taxes					107,657	-	107,657
Intergovernmental revenues not restricted to specific programs					491,826	-	491,826
Interest and investment income					30,200	23,525	53,725
Gain on sale of capital assets					-	97,358	97,358
Miscellaneous					87,526	-	87,526
Transfers					519,407	(519,407)	-
Total general revenues					5,594,158	(398,524)	5,195,634
CHANGE IN NET POSITION					478,851	479,963	958,814
NET POSITION - BEGINNING OF YEAR					4,394,550	23,432,571	27,827,121
PRIOR PERIOD ADJUSTMENT					-	236,867	236,867
NET POSITION - END OF YEAR					\$ 4,873,401	\$ 24,149,401	\$ 29,022,902

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	GENERAL FUND	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	\$ 4,272,237	\$ 536,972	\$ 926,630	\$ 5,735,839
Receivables				
Taxes	2,082,628	1,171,952	3,386	3,257,966
Accounts and other	208,240	6,278	1,329	215,847
Special assessments	152,994	-	-	152,994
Loan	-	-	195,240	195,240
Due from other funds	539,039	-	483,972	1,023,011
Due from other governments	-	-	44,969	44,969
Prepaid expenses	70,448	-	-	70,448
Advances to other funds	844,251	-	-	844,251
	8,169,837	1,715,202	1,655,526	11,540,565
TOTAL ASSETS				
LIABILITIES				
Accounts payable	271,183	25,167	-	296,350
Accrued payroll liabilities	2,865	-	-	2,865
Due to other funds	546,088	-	316,921	863,009
Due to other governments	3,771	-	-	3,771
Unearned revenue - other	3,336	-	195,240	198,576
Advances from other funds	-	844,251	-	844,251
	827,243	869,418	512,161	2,208,822
TOTAL LIABILITIES				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tax roll	3,884,770	1,171,952	3,386	5,060,108
Unavailable revenue - special assessments	152,993	-	-	152,993
	4,037,763	1,171,952	3,386	5,213,101
TOTAL DEFERRED INFLOWS OF RESOURCES				
FUND BALANCES				
Nonspendable	914,699	-	549,293	1,463,992
Assigned	-	-	695,121	695,121
Unassigned	2,390,132	(326,168)	(104,435)	1,959,529
	3,304,831	(326,168)	1,139,979	4,118,642
TOTAL FUND BALANCES				
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	\$ 8,169,837	\$ 1,715,202	\$ 1,655,526	
Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:				
Governmental capital asset			32,867,119	
Governmental accumulated depreciation			(16,516,058)	16,351,061
Some revenues are unavailable in the funds because they are not available to pay current period's expenditures:				
Special assessments to be collected after year end			152,993	
Other unearned revenue to be collected after year end			195,240	348,233
Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements.				
				890,199
Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:				
General obligation debt			(15,912,217)	
Accrued interest on general obligation debt			(124,520)	
Charge on refunding			178,956	
Premium			(403,158)	
Vested employee benefits			(309,972)	
WRS liability			(257,763)	
Supplemental pension			(764)	
Prior service liability			(5,296)	(16,834,734)
Total net position - governmental activities				\$ 4,873,401

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	GENERAL FUND	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE				
Taxes	\$ 3,838,900	\$ 626,917	\$ -	\$ 4,465,817
Special assessment	-	-	73,357	73,357
Intergovernmental	1,118,365	24,544	19,779	1,162,688
Licenses and permits	154,250	-	-	154,250
Fines, forfeits and penalties	52,509	-	-	52,509
Public charges for services	159,331	-	417,698	577,029
Intergovernmental charges for services	306,082	-	-	306,082
Miscellaneous	318,463	2,327	11,576	332,366
TOTAL REVENUE	5,947,900	653,788	522,410	7,124,098
EXPENDITURES				
Current				
General government	1,021,451	-	-	1,021,451
Public safety	1,633,076	-	-	1,633,076
Public works	1,002,879	-	356,848	1,359,727
Health and human services	135,520	-	-	135,520
Culture, recreation and education	697,300	-	-	697,300
Conservation and development	107,921	-	202,811	310,732
Debt service				
Principal	936,048	443,212	-	1,379,260
Interest	265,822	142,511	-	408,333
Other	51,753	21,456	-	73,209
Capital outlay	4,631,023	849,502	196,876	5,677,401
TOTAL EXPENDITURES	10,482,793	1,456,681	756,535	12,696,009
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,534,893)	(802,893)	(234,125)	(5,571,911)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	547,858	-	-	547,858
Operating transfers out	-	-	(28,451)	(28,451)
Issuance of long-term debt	2,050,000	910,000	145,000	3,105,000
Premium on long-term debt	66,626	25,197	-	91,823
TOTAL OTHER FINANCING SOURCES (USES)	2,664,484	935,197	116,549	3,716,230
NET CHANGE IN FUND BALANCE	(1,870,409)	132,304	(117,576)	(1,855,681)
FUND BALANCE AT BEGINNING OF YEAR	5,175,240	(458,472)	1,257,555	5,974,323
FUND BALANCE AT END OF YEAR	\$ 3,304,831	\$ (326,168)	\$ 1,139,979	\$ 4,118,642

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - total governmental funds \$ (1,855,681)

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 expense in the statement of activities.

Capital outlay reported in governmental fund statements	\$	5,677,401	
Capital outlay not capitalized		(290,250)	
Depreciation expense reported in the statement of activities		(876,591)	
Less cost of assets disposed		<u>(588,760)</u>	
Amount by which capital outlays are greater than depreciation in the current period:			3,921,800

Some capital assets acquired during the year were financed with loans. The amount of the loans are reported in the governmental funds as a source of financing. In the statement of net position however, loans are not reported as a financing source, but rather constitute a long-term liability. The amount of loans reported in the governmental funds statement is: (3,105,000)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

This year the accrual of these benefits decreased by: 47,175

Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources changes: (145,437)

Certain revenues are deferred in the governmental funds because they are not available to pay current period expenditures. In the statement of activities these are recorded as revenue in the current year:

New special assessment revenue recognized in the statement of activities		109,376	
Other unearned revenue recognized in the statement of activities		195,240	

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: 1,379,260

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

The amount of interest and other debt costs paid during the current period		389,719	
The amount of interest and other debt costs accrued during the current period		<u>(457,601)</u>	
Interest paid is less than interest accrued by:			<u>(67,882)</u>

Change in net position - governmental activities \$ 478,851

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2016

	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	TOTAL
ASSETS				
CURRENT ASSETS				
Cash	\$ 743,666	\$ -	\$ 592,274	\$ 1,335,940
Accounts receivable	558,124	82,498	108,172	748,794
Special assessment receivable	-	207,118	334,557	541,675
Interest receivable	-	-	11,329	11,329
Due from other funds	1,227,365	66,481	392,333	1,686,179
Inventories	332,947	6,480	-	339,427
RESTRICTED ASSETS				
Cash and investments	726,767	479,879	1,344,723	2,551,369
TOTAL CURRENT ASSETS	3,588,869	842,456	2,783,388	7,214,713
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	669,343	134,312	328,223	1,131,878
Capital assets being depreciated	13,502,721	6,655,350	8,776,683	28,934,754
NET CAPITAL ASSETS	14,172,064	6,789,662	9,104,906	30,066,632
TOTAL ASSETS	17,760,933	7,632,118	11,888,294	37,281,345
DEFERRED OUTFLOWS OR RESOURCES				
Charge on refunding	259,438	33,831	-	293,269
Wisconsin Retirement System pension	375,996	148,262	172,838	697,096
TOTAL DEFERRED OUTFLOWS OF RESOURCES	635,434	182,093	172,838	990,365
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	18,396,367	7,814,211	12,061,132	38,271,710
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	667,485	26,692	12,342	706,519
Accrued liabilities				
Payroll	80,397	29,169	66,243	175,809
Interest	915	-	-	915
Other	25,464	-	-	25,464
Due to other funds	513,368	1,257,052	75,761	1,846,181
PAYABLE FROM RESTRICTED ASSETS				
Accrued interest	32,204	12,521	7,837	52,562
Current portion of long-term obligations	285,546	163,254	172,060	620,860
TOTAL CURRENT LIABILITIES	1,605,379	1,488,688	334,243	3,428,310
NONCURRENT LIABILITIES				
Unearned revenue - other	14,917	-	-	14,917
Long-term obligations	6,938,785	2,488,939	473,926	9,901,650
TOTAL NONCURRENT LIABILITIES	6,953,702	2,488,939	473,926	9,916,567
TOTAL LIABILITIES	8,559,081	3,977,627	808,169	13,344,877
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	207,118	306,367	513,485
Wisconsin Retirement System pension	142,366	56,138	65,443	263,947
TOTAL DEFERRED OUTFLOWS OF RESOURCES	142,366	263,256	371,810	777,432
NET POSITION				
Net investment in capital assets	7,015,382	4,164,144	8,490,017	19,669,543
Restricted for debt service	409,017	188,642	656,845	1,254,504
Restricted for other	165,981	129,478	584,279	879,738
Unrestricted	2,104,540	(908,936)	1,150,012	2,345,616
TOTAL NET POSITION	9,694,920	3,573,328	10,881,153	24,149,401
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 18,396,367	\$ 7,814,211	\$ 12,061,132	\$ 38,271,710

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	TOTAL
OPERATING REVENUE				
Charges for services	\$ 8,205,219	\$ 1,003,831	\$ 1,505,493	\$ 10,714,543
OPERATING EXPENSES				
Operations	5,510,965	135,305	264,971	5,911,241
Maintenance	151,536	141,254	231,332	524,122
General and administrative	636,808	357,515	793,359	1,787,682
Depreciation	666,014	207,592	485,744	1,359,350
Taxes	76,557	18,745	25,372	120,674
TOTAL OPERATING EXPENSES	7,041,880	860,411	1,800,778	9,703,069
OPERATING INCOME (LOSS)	1,163,339	143,420	(295,285)	1,011,474
NONOPERATING REVENUES (EXPENSES)				
Interest income	6,648	1,255	13,572	21,475
Gain on sale of property	97,358	-	-	97,358
Interest expense	(203,547)	(84,656)	(22,764)	(310,967)
Amortization	(10,378)	(1,353)	-	(11,731)
Other	(923)	49	-	(874)
TOTAL NONOPERATING REVENUES (EXPENSES)	(110,842)	(84,705)	(9,192)	(204,739)
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	1,052,497	58,715	(304,477)	806,735
OPERATING TRANSFER IN (OUT)	(356,646)	(156,915)	(5,846)	(519,407)
CAPITAL CONTRIBUTIONS	45,166	75,802	71,667	192,635
CHANGE IN NET POSITION	741,017	(22,398)	(238,656)	479,963
NET POSITION BEGINNING OF YEAR	8,953,903	3,430,143	11,048,525	23,432,571
PRIOR PERIOD ADJUSTMENT	-	165,583	71,284	236,867
NET POSITION END OF YEAR	\$ 9,694,920	\$ 3,573,328	\$ 10,881,153	\$ 24,149,401

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 7,429,268	\$ 678,299	\$ 1,472,480	\$ 9,580,047
Receipts from (payments to) municipality	1,751,166	(741,403)	62,287	1,072,050
Payments to suppliers for goods and services	(5,672,977)	(212,250)	(748,941)	(6,634,168)
Payments for employees for services	(200,241)	(166,027)	(343,536)	(709,804)
Payments for employee benefits	(215,447)	(118,613)	(168,664)	(502,724)
Net cash provided by (used in) operating activities	<u>3,091,769</u>	<u>(559,994)</u>	<u>273,626</u>	<u>2,805,401</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to governmental funds	(356,646)	(156,915)	(5,846)	(519,407)
Net cash (used in) noncapital financing activities	<u>(356,646)</u>	<u>(156,915)</u>	<u>(5,846)</u>	<u>(519,407)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant and equipment	(1,504,247)	(751,546)	(350,022)	(2,605,815)
Receipt of developer's fees	45,166	75,802	71,667	192,635
Issue of bonds and loans	3,180,150	1,319,850	-	4,500,000
Retirement of bonds and loans	(3,112,831)	(1,047,472)	(168,798)	(4,329,101)
Wisconsin Retirement System pension	67,649	26,675	31,097	125,421
Charge on refunding	(259,438)	(33,831)	-	(293,269)
Interest and amortization paid	(225,970)	(100,830)	(24,572)	(351,372)
Net cash (used in) capital and related financing activities	<u>(1,809,521)</u>	<u>(511,352)</u>	<u>(440,628)</u>	<u>(2,761,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	6,648	1,255	13,572	21,475
Net cash provided by investing activities	<u>6,648</u>	<u>1,255</u>	<u>13,572</u>	<u>21,475</u>
Net change in cash and cash equivalents	932,250	(1,227,006)	(159,276)	(454,032)
Cash and cash equivalents - beginning of year	538,183	1,706,885	2,096,273	4,341,341
Cash and cash equivalents - end of year	<u>\$ 1,470,433</u>	<u>\$ 479,879</u>	<u>\$ 1,936,997</u>	<u>\$ 3,887,309</u>
Reconciliation of cash to balance sheet				
Cash	\$ 743,666	\$ -	\$ 592,274	\$ 1,335,940
Restricted cash and investments	726,767	479,879	1,344,723	2,551,369
Total cash on cash flow statement	<u>\$ 1,470,433</u>	<u>\$ 479,879</u>	<u>\$ 1,936,997</u>	<u>\$ 3,887,309</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 1,163,339	\$ 143,420	\$ (295,285)	\$ 1,011,474
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	666,014	207,592	485,744	1,359,350
Changes in assets and liabilities				
(Increase) decrease in receivables	(86,616)	(19,191)	(6,074)	(111,881)
(Increase) decrease in due from other funds	1,072,669	(11,136)	16,289	1,077,822
(Increase) decrease in inventories	274,125	9,804	-	283,929
(Increase) decrease in Wisconsin Retirement System net pension	118,369	46,681	51,095	216,145
(Increase) decrease in deferred outflows WRS pension	(240,942)	(95,001)	(114,541)	(450,484)
Increase (decrease) in accounts payable	2,184	(13,845)	(34,484)	(46,145)
Increase (decrease) in due to other funds	(14,555)	(871,025)	90,343	(795,237)
Increase (decrease) in compensated absences	6,659	(13,431)	15,096	8,324
Increase (decrease) in other payables	(15,560)	-	-	(15,560)
Increase (decrease) in unearned revenue	3,717	-	-	3,717
Increase (decrease) in deferred inflows - WRS pension	142,366	56,138	65,443	263,947
Total adjustments	<u>1,928,430</u>	<u>(703,414)</u>	<u>568,911</u>	<u>1,793,927</u>
Net cash provided by operating activities	<u>\$ 3,091,769</u>	<u>\$ (559,994)</u>	<u>\$ 273,626</u>	<u>\$ 2,805,401</u>

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	AGENCY FUND
	PROPERTY TAX
ASSETS	
Cash	\$ 3,399,375
Taxes receivable	3,837,487
TOTAL ASSETS	7,236,862
LIABILITIES	
Due to other governments	7,236,862
TOTAL LIABILITIES	\$ 7,236,862

The accompanying notes are an integral part of these statements.

NOTE 1 - Summary of Significant Accounting Policies

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

Reporting Entity - The City of Lake Mills, Wisconsin was incorporated under the provisions of Chapter 280, Laws of Wisconsin, 1883. The City operates under a City Manager 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 City's basic financial statements do not include any component units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability and fiscal dependency the City has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the City's financial accountability for a legally separate organization: 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. 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. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

The Lake Mills Housing Authority is not considered a component unit of the City. Although the City does appoint the Housing Authority's Board, it cannot impose its will since Board members can only be removed for just cause. Any financial benefit or burden is insignificant.

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. 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.

NOTE 1 - Summary of Significant Accounting Policies - Continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's electric, water and sewer functions 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.

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

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the City's primary operating fund.

Capital Projects Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major enterprise funds:

Electric Utility - accounts for operations of the electric system
Water Utility - accounts for operations of the water system
Sewer Utility - accounts for operations of the sewer system

In addition, the City reports the following fund types:

Permanent Funds - Cemetery Perpetual Care and Library Endowment - are used to account for financial resources to be used for a specific purpose.

Agency Funds - are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

NOTE 1 - Summary of Significant Accounting Policies - Continued

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

NOTE 1 - Summary of Significant Accounting Policies - Continued

Property taxes are recorded in the year levied as receivables and uncollectible revenue. They are recognized as revenue in the succeeding year when services financed by the levy are being provided. Special assessments are recorded as revenue when they become measurable and available as current assets. Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting and reporting its assets and liabilities.

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 electric and water, and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents - Cash and cash equivalents, as classified in the statement of cash flows, consist of all highly liquid investments with an initial maturity of three months or less.

Accounts Receivable - Accounts receivable are recorded at gross amounts. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

Due To/From Advance To/From Other Funds - 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund Transactions - Non exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

NOTE 1 - Summary of Significant Accounting Policies - 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.

Inventory - Inventory is priced at the lower of cost (first-in, first-out) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

Prepaid Items - Prepaid items represent payments for goods or services for which benefits extend beyond December 31. A nonspendable fund balance has been recognized in governmental funds for these non-liquid assets to signify a portion of fund balance is not available for other subsequent expenditures.

Restricted Cash - The 2007, 2009, 2014 and 2016 mortgage revenue bond ordinances require segregation of the proceeds of the bond issues and the creation and continual funding of several funds from operating revenue as described below:

Special Redemption Fund - The bond ordinances require monthly deposits to the redemption account in an amount equal to one-sixth of the next installment of interest coming due on the bonds and one-twelfth of the installment of principal coming due on the next succeeding principal payment date. This account is to be used solely for the payment of principal and interest on bonds as they become due.

Reserve Fund - A reserve fund is to be established with a balance of \$633,592. This account shall have funds taken from it only when the bond and interest redemption funds are not sufficient to meet principal and interest payments.

Equipment Replacement Fund - The Sewer Utility has established an equipment replacement fund to be used for significant wastewater treatment and collection system mechanical equipment replacement as required by the Wisconsin Department of Natural Resources as a condition to receiving construction grants. An annual deposit or qualifying replacement expenditures totaling \$46,700 is required.

Impact Fees - Revenue from impact fees is placed in a segregated, interest-bearing account as required by Wisconsin State Statute 66.0617.

Other Funds - These funds consist of unspent construction and improvement receipts and monies set aside to pay general obligation debt.

The December 31, 2016 balances of the Utility's restricted assets are as follows:

	Electric	Water	Sewer	Totals
Revenue bond				
Special redemption fund	\$ 287,284	\$ 195,428	\$ 367,387	\$ 850,099
Reserve fund	439,483	220,422	469,355	1,129,260
DNR equipment replacement account	-	64,029	125,419	125,419
Impact fees	-	-	382,562	446,591
Total	\$ 726,767	\$ 479,879	\$ 1,344,723	\$ 2,551,369

Capital Assets - In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$2,500 for general capital assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset for governmental activities is as follows:

Buildings	15 - 50 years
Land improvements	10 - 75 years
Equipment	4 - 12 years

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.

The range of estimated useful lives by type of asset for business-type activities is as follows:

Buildings	30 - 50 years
Land improvements	30 - 100 years
Equipment	7 - 40 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is vested as earned and sick pay is vested at varying percentages after five or more years of services. Vacation pay and vested sick pay are accrued when incurred in government-wide and proprietary funds and reported as a fund liability. Vacation pay and vested sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund that will pay it only if they have matured.

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charge on refunding and Wisconsin Retirement System pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Wisconsin Retirement System pension results from changes in the pension plan.

In addition to liabilities, the statement of financial position will sometimes report 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 resources (revenue) until then. The City has two types of these items: unavailable revenue and Wisconsin Retirement System pension. The revenue on refunding is reported in the statement of net position and governmental funds balance sheet. The unavailable revenue is from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The Wisconsin Retirement System pension results from changes in the pension plan.

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

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications - The City classifies its fund equity as follows: 1) nonspendable fund balance consists of equity not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the City itself, using its highest level of decision making authority - City Council

4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The City Council has authorized the Clerk-Treasurer to assign fund balances through its financial management policy and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the City's policy to record the net loss against unassigned fund balance, then assigned fund balance, then committed fund balance and lastly to restricted fund balance. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2 - Cash and Investments

State statutes permit the City to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. No significant violations of these restrictions occurred during the year.

As of December 31, 2016, the City had the following investments:

Investment	Weighted Average Maturities	Fair Value
State of Wisconsin Investment Pool	Less than one year	\$ 1,471,356
Community Investment Partners	Less than one year	\$ 875,053

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool and Community Investment Partners is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the City's position in the Pool is the same as the value of the Pool shares. At December 31, 2016, the Pool's fair value was 100 percent of book value.

Determining Fair Value - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements:

- 1) State of Wisconsin Local Government Investment Pool and Community Investment Partners fair value is determined by the investment board based on published market quotations. (level 2 inputs)

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

CITY OF LAKE MILLS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 2 - Cash and Investments - Continued

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The City does not have a formal investment policy that would further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. The State of Wisconsin Investment Pool and Investment Community Partners are not rated.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of December 31, 2016, \$9,556,014 of the City's bank balance of \$11,326,030 was exposed to custodial credit risk, \$7,700,889 as uninsured collateral pledged by banks in the City's name and \$1,855,125 was uninsured and not collateralized.

NOTE 3 - Property Taxes

Property taxes attach as an enforceable lien on property in December when the tax roll is certified. Taxes are levied in December and payable in two installments on January 31 and July 31, or payable in full on January 31. Special assessments, charges, and personal property taxes are payable in full on January 31. The City bills and collects its own property taxes and also taxes for the State, County, Technical College, and Public Schools until February 1, at which time all uncollected real estate taxes are turned over to the County for collection. Collection of the taxes and remittance of them to the appropriate entities are accounted for in the Tax Agency Fund. City property tax revenue is recognized in the year they are levied for and available for use. The 2016 tax roll (levied for 2017) has been set up as a receivable and is offset by the amounts due to other governmental units. Advance tax collections are offset against the receivable.

CITY OF LAKE MILLS, WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2016 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,213,624	\$ -	\$ -	\$ 1,213,624
Construction in progress	588,486	1,252,418	(588,486)	1,252,418
Total capital assets not being depreciated	1,802,110	1,252,418	(588,486)	2,466,042
Capital assets being depreciated:				
Land improvements	552,655	-	-	552,655
Buildings and improvements	8,496,306	2,741,395	-	11,237,701
Equipment	5,435,113	182,412	(50,130)	5,567,395
Infrastructure	11,846,120	1,210,926	(13,720)	13,043,326
Total capital assets being depreciated	26,330,194	4,134,733	(63,850)	30,401,077
Less accumulated depreciation for:				
Land improvements	(415,500)	(14,187)	-	(429,687)
Buildings and improvements	(2,898,626)	(191,285)	-	(3,089,911)
Equipment	(4,210,719)	(269,302)	50,130	(4,429,891)
Infrastructure	(8,377,198)	(401,817)	13,446	(8,765,569)
Total accumulated depreciation	(15,703,043)	(676,591)	63,576	(16,516,058)
Total capital assets being depreciated, net of accumulated depreciation	10,627,151	3,258,142	(274)	13,885,019
Governmental activities capital assets, net of accumulated depreciation	\$ 12,429,261	\$ 4,510,560	\$ (588,760)	\$ 16,351,061

Depreciation expense was charged to functions as follows:

General government	\$ 35,871
Public safety	209,316
Public works	531,076
Culture, recreation and education	100,328
Total	<u>\$ 876,591</u>

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 102,717	\$ -	\$ (1,909)	\$ 100,808
Construction in progress	322,437	708,633	-	1,031,070
Total capital assets not being depreciated	425,154	708,633	(1,909)	1,131,878
Capital assets being depreciated:				
Land improvements	382,576	-	-	382,576
Buildings	7,406,839	-	(95,522)	7,311,317
Equipment and systems	39,905,410	2,069,778	(118,266)	41,856,922
Total capital assets being depreciated	47,694,825	2,069,778	(213,788)	49,550,815

CITY OF LAKE MILLS WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 4 - Capital Assets - Continued

Less accumulated depreciation for:			
Land improvements	(205,323)	(11,020)	(216,343)
Buildings	(2,127,717)	(180,878)	(2,308,595)
Equipment and systems	(17,064,150)	(1,232,889)	(18,297,039)
Total accumulated depreciation	(19,397,170)	(1,424,888)	(20,822,058)
Total capital assets being depreciated,			
net of accumulated depreciation	28,297,655	644,890	28,942,545
Business-type activities capital assets,			
net of accumulated depreciation	\$ 28,722,809	\$ 1,353,523	\$ 30,076,332

Depreciation expense was charged to functions as follows:

Electric utility	\$ 692,664
Water utility	226,893
Sewer utility	505,331
Total depreciation for business-type activities	<u>\$ 1,424,888</u>

NOTE 5 - Long-Term Obligations

Long-term obligations are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	\$ 11,770,000	\$ 3,105,000	\$ (950,000)	\$ 13,925,000	\$ 1,225,000
Notes payable	2,416,477	-	(429,260)	1,987,217	406,463
Premium	334,518	91,823	(23,183)	403,158	25,479
Prior service liability	63,477	356	(68,537)	5,296	5,296
Wisconsin Retirement System	94,085	100,531	(84,085)	100,531	100,531
Vested sick pay	205,645	209,441	(205,645)	209,441	66,926
Wisconsin Retirement System	-	257,763	-	257,763	-
Net pension liability	-	24,078	(23,314)	764	764
Supplemental pension	\$ 14,884,202	\$ 3,788,992	\$ (1,784,024)	\$ 16,889,170	\$ 1,830,459
Business-type Activities					
Mortgage revenue bonds - electric	\$ 7,089,363	\$ 3,180,150	\$ (3,112,831)	\$ 7,156,682	\$ 285,546
Mortgage revenue bonds - water	1,640,637	1,319,850	(502,169)	2,458,318	154,454
Mortgage revenue bonds - sewer	566,221	-	(135,823)	430,398	137,826
Notes payable - water	712,503	-	(545,303)	167,200	8,800
Notes payable - sewer	217,466	-	(32,975)	184,491	34,234
Wisconsin Retirement System	-	67,649	-	67,649	-
Net pension liability - electric	-	26,675	-	26,675	-
Net pension liability - water	-	31,097	-	31,097	-
Net pension liability - sewer	\$ 10,228,190	\$ 4,625,421	\$ (4,329,101)	\$ 10,524,510	\$ 620,860

CITY OF LAKE MILLS WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 5 - Long-Term Obligations - Continued

In prior years, the general fund liquidated vested employee benefits. Interest cost incurred during the year totaled \$384,392 for the governmental-type activities and \$310,967 for business-type activities. Total interest paid during the year aggregated \$408,333 for governmental type activities and \$329,897 for business-type activities.

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 and special assessments. General obligation debt at December 31, 2016, is comprised of the following individual issues:

Issue Description	Issue Dates	Interest Rates (%)	Dates of Maturity	Balance
Notes	2/1/10	-	2/1/20	\$ 6,716
Bonds	8/10/10	1.9 - 2.1%	12/1/17	405,000
Notes	9/1/10	4.25%	3/15/20	321,052
Bonds	4/11/12	1.1 - 2.75%	3/1/24	3,530,000
Notes	8/21/13	3%	8/21/18	284,450
Notes	10/21/14	3%	4/15/19	47,999
Notes	12/23/14	3%	2/15/20	112,000
Notes	9/4/14	.7 - 3.1%	9/1/24	1,125,000
Bonds	9/4/14	2 - 4%	9/1/33	3,390,000
Bonds	6/23/15	2.5 - 3%	6/1/30	3,495,000
Notes	8/20/15	3.25%	9/1/20	90,000
Bonds	7/13/16	2 - 3%	6/1/36	3,105,000
Total				<u>\$15,912,217</u>

Proprietary fund debt is expected to be repaid with electric, water and sewer utilities revenue. Proprietary fund debt at December 31, 2016, is comprised of the following individual issues:

Issue Description	Issue Dates	Interest Rates (%)	Dates of Maturity	Balance
Mortgage revenue bonds-sewer	10/24/01	3.042%	5/1/21	\$ 360,398
Mortgage revenue bonds-water	7/11/07	4.2 - 4.25%	5/1/17	80,000
Mortgage revenue bonds-sewer	7/11/07	4.2 - 4.25%	5/1/17	70,000
Mortgage revenue bonds-electric	2/10/09	3.25 - 4.75%	5/1/29	371,532
Mortgage revenue bonds-water	2/10/09	3.25 - 4.75%	5/1/29	48,468
Notes-sewer	11/1/11	3.75%	3/15/21	184,491
Mortgage revenue bonds-water	5/17/13	3 - 3.625%	5/1/34	1,010,000
Mortgage revenue bonds-electric	9/4/14	3 - 3.625%	5/1/34	3,605,000
Notes-water	8/20/15	3.25%	9/1/20	167,200
Mortgage revenue bonds-electric	7/13/16	2 - 2.2%	5/1/29	3,180,150
Mortgage revenue bonds-water	7/13/16	2 - 2.2%	5/1/29	1,319,850
Total				<u>\$10,397,089</u>

General Obligation Debt Limit Calculation - The 2016 equalized valuation of the City as certified by the Wisconsin Department of Revenue is \$511,900,300. The legal debt limit and margin of indebtedness as of December 31, 2016, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

CITY OF LAKE MILLS WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 5 - Long-Term Obligations - Continued

Debt limit (5% of \$511,900,300)	\$ 25,595,015
Applicable long-term debt	(16,263,908)
Governmental funds	-
Margin of indebtedness	<u>\$ 9,331,107</u>

Maturities of Long-Term Obligations - Aggregate cash flow requirements for the retirement of long-term debt principal and interest are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 1,631,463	\$ 429,578	\$ 620,860	\$ 274,137
2018	1,524,197	365,156	644,207	253,710
2019	1,528,042	329,456	652,665	235,400
2020	1,528,515	294,209	803,230	218,371
2021	1,475,000	256,045	671,127	197,239
2022-2026	5,260,000	807,804	3,195,000	751,693
2027-2031	2,165,000	254,250	2,720,000	361,160
2032-2036	800,000	53,601	1,090,000	58,540
	<u>\$ 15,912,217</u>	<u>\$ 2,790,099</u>	<u>\$ 10,397,089</u>	<u>\$ 2,350,250</u>

Bond Compliance Requirements - A statutory mortgage lien upon the Electric, Water, and Sewer Utilities and any additions, improvements, and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the resolution creating the 2007 and 2009 bond issues.

The 2007 and 2009 mortgage bond ordinances require segregation of the proceeds of the bond issues and creation and continual funding of redemption, reserve, and depreciation funds. These are further discussed in Note 1.

The resolution authorizing the issuance of the 2007 and 2009 mortgage revenue bonds requires the Utility to maintain earnings of at least 1.25 times the annual debt service on the 2007 and 2009 bonds. The calculation of the 2011 earnings requirement follows:

	Electric			Water			Sewer			Total				
	Operating revenue													
Interest income														
TOTAL REVENUE	\$ 6,205,219	\$ 1,003,831	\$ 1,505,493	\$ 10,714,543	6,648	1,255	13,572	21,475	8,211,867	1,005,086	1,519,065	10,736,018		
Less: Total operating expenses excluding depreciation and tax equivalent														
EARNINGS DEFINED BY ORDINANCE	\$ 2,192,647	\$ 509,182	\$ 204,031	\$ 2,905,860	\$ 385,149	\$ 231,279	\$ 478,828	\$ 1,095,256	\$ 1,927,376	\$ 1,246,360	\$ 3,173,736			
REQUIRED EARNINGS (1.25 times annual debt service)														

CITY OF LAKE MILLS WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 5 - Long-Term Obligations - Continued

The Utilities, in total, are in compliance with all material bond requirements.

Defeased Debt - In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2016, \$430,000 of bonds outstanding are considered defeased.

NOTE 6 - Wisconsin Retirement System

General Information about the 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>.

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.

CITY OF LAKE MILLS WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

CITY OF LAKE MILLS WISCONSIN
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Post-Retirement Adjustments - The Employee Trust Fund 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. Employees 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 \$229,783 in contributions from the employer. Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.8%
Executives & Elected Officials	6.6%	7.5%
Protective with Social Security	6.6%	9.49%
Protective without Social Security	6.6%	13.29%

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 (asset) of \$383,184 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) 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

NOTE 6 - Wisconsin Retirement System - Continued

the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.02358082%, which was a decrease of 0.00001083% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$463,629.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,824	\$ 806,404
Changes in assumptions	268,092	-
Net differences between projected and actual earnings on pension plan investments	1,568,864	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,865	-
Employer contributions subsequent to the measurement date	222,107	-
Total	\$ 2,129,752	\$ 806,404

\$222,107 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 495,422	\$ 195,151
2018	495,422	195,151
2019	495,422	195,151
2020	412,751	195,152
2021	8,628	25,799

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:

NOTE 6 - Wisconsin Retirement System - Continued

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:	3.2%
Inflation	0.2% - 5.8%
Seniority/Merit	Wisconsin 2012 Mortality Table
Mortality:	2.1%
Post-retirement Adjustments*	

* No Post-Retirement Adjustment is Guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 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:

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
Total Core Fund	107%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Core Fund	100%	100%	7.9%	5%

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

NOTE 6 - Wisconsin Retirement System - Continued

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 3.56%. 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.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 2,687,658	\$ 383,184	\$ (1,416,652)

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://efw.wi.gov/publications/cafr.htm>.

Payables to the Pension Plan - The City reported a payable of \$63,976 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

NOTE 7 - Volunteer Fireman's Entitlement Program Supplemental Pension

Description and Funding Policy - The City has a non-contributory entitlement program covering substantially all volunteer fire fighters.

Supplemental Pension (Stipend) Benefit - The purpose of the plan is to provide a retirement income for volunteer firefighters in recognition of their service to the fire department. Administrators that do not participate in the District's medical plan upon their retirement will instead receive a cash benefit in lieu of such participation. The amount of this benefit is determined by individual years of service. Eligibility for this benefit is a minimum age of 65 with one year of service.

CITY OF LAKE MILLS, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 7 - Volunteer Fireman's Entitlement Program Supplemental Pension - Continued

Annual Pension Costs and Actuarial Assumptions Used - The District's annual pension costs for the year ended December 31, 2016, and related actuarial assumptions used for the current year and related information for each Plan is as follows:

Annual required contribution	\$ 24,078
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>24,078</u>
Annual pension cost	(23,314)
Contributions made	764
Increase in net pension obligation	<u>764</u>
Net pension obligation - beginning of year	-
Net pension obligation - end of year	<u>\$ 764</u>

The net pension obligation is included in long-term obligation on the statement of net position.

The actuarial valuation, dated April 1, 2016, used the projected dollar method. The assumptions and methods used in the valuation were: value of assets-fair market value, 4.75% investment return, 0% per annum salary increases and level percentage amortization method over 30 years with open period.

Trend Information - The following tables of information are provided to assist users in assessing each Plan's progress in accumulating sufficient assets to pay benefit when due.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation - End of Year</u>
12/31/16	\$24,078	96.8%	\$ 764

NOTE 8 - Interfund Balance and Activity

Interfund receivable and payable balances on December 31, 2016, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Assessment	\$ 287,259
General	Sanitation and Recycling	49,662
General	Electric	166,658
General	Water	45,245
General	Sewer	10,215
Park Improvements	General	393,186
Library	General	84,827
Cemetery Perpetual Care	General	5,959
Sewer	General	45,623
Electric	Water	1,211,807
Electric	General	15,558
Water	Water	935
Water	Sewer	65,546
Sewer	Electric	346,710
Total		<u>\$ 2,709,190</u>

CITY OF LAKE MILLS, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 8 - Interfund Balance and Activity - Continued

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

<u>Advance To</u>	<u>Advance From</u>	<u>Amount</u>
General	Capital Projects	\$ 844,251

The principal purposes of these advances are capital projects and capital asset acquisition. For the statement of net position, advances which are owed within the governmental activities or business-type activities are netted and eliminated.

Interfund transfers at December 31, 2016 were as follows:

<u>Funds Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General	Electric	\$ 356,646
General	Water	166,915
General	Sewer	5,846
General	Cemetery Perpetual Care	2,626
General	Park Improvements	<u>25,825</u>
		<u>\$ 547,858</u>

Generally, transfers are used to move revenues from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - Fund Balances and Net Position

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable		
General	Prepaid expenses	\$ 70,448
General	Advances	\$ 844,251
Community development block grant	Loans	\$ 195,240
Cemetery perpetual care	Permanent fund	\$ 287,567
Library endowment	Permanent fund	\$ 66,486
Assigned		
Library	Specific expenses	\$ 106,530
Park improvements	Specific expenses	\$ 478,895
Community development block grant	Specific expenses	\$ 109,696

CITY OF LAKE MILLS WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

CITY OF LAKE MILLS WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 9 - Fund Balances and Net Position - Continued

Net Position		
Governmental Activities		
Restricted		
Cemetery Perpetual Care	Permanent fund	\$ 287,567
Library Endowment	Permanent fund	\$ 66,486
Other activities	Wisconsin Retirement System pension	\$ 632,436
Business-Type Activities		
Restricted		
Electric utility	Principal and interest	\$ 409,017
Electric utility	Wisconsin Retirement System pension	\$ 165,981
Water utility	Principal and interest	\$ 188,642
Water utility	Impact fees	\$ 64,029
Water utility	Wisconsin Retirement System pension	\$ 65,449
Sewer utility	Principal and interest	\$ 656,845
Sewer utility	Impact fees	\$ 382,562
Sewer utility	DNR requirements	\$ 125,419
Sewer utility	Wisconsin Retirement System pension	\$ 76,298
Deficits - The following individual funds had deficits at December 31, 2016:		
Capital projects		\$ 326,168
Sanitation and recycling		\$ 49,662
Special assessment		\$ 54,773

The deficits will be funded by future revenues.

NOTE 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the City's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage in the prior year.

NOTE 11 - The Wisconsin Public Power Incorporated System (WPPPI)

Lake Mills Light and Water Department purchases all of its electric requirements from the Wisconsin Public Power Incorporated System (WPPPI). WPPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980, pursuant to the Municipal Electric Company Act, Section 66.0825 of the Wisconsin Statutes (the Act). WPPPI's purposes include providing an adequate, economical, and reliable supply of electric energy to its members.

Lake Mills Light and Water is one of 51 members of WPPPI located throughout the State of Wisconsin. On December 1, 1989, each of WPPPI's members, including Lake Mills Light and Water, commenced purchasing electric service from WPPPI under a new Long-Term Power

NOTE 11 - The Wisconsin Public Power Incorporated System (WPPPI) - Continued

Supply Contract for Participating Members (the Long-Term Contract) under which WPPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term.

Under the Long-Term Contract, Lake Mills Light and Water and the other members of WPPPI are required to pay for all power and energy requirements supplied or made available by WPPPI at rates sufficient to cover all of WPPPI's revenue requirement which includes power supply costs, administrative expenses, and debt service on outstanding bonds. WPPPI's subsequent years' rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality. Lake Mills Light and Water has agreed to charge rates to the retail ratepayers of its combined electric and water system sufficient to meet its obligations to WPPPI. The Long-Term Contract provides that all payments to WPPPI under the Contract constitute operating expenses of Lake Mills Light and Water combined electric and water system payable from any operating and maintenance fund established by Lake Mills Light and Water for that system.

The Long-Term Contract may be terminated by either party upon five years prior written notice effective at the end of the initial 35-year term, or at any other time thereafter, provided that no WPPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

NOTE 12 - Tax Incremental Finance Districts

Tax increment financing, as authorized by Section 66.1105 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 through general fund advances and through the issuance of general obligation long-term debt. Project costs have been reported primarily as Capital Projects Funds expenditures.

Tax increments will be used to repay general fund advances and to meet maturing debt obligations incurred to provide financing for development and public improvement costs within the tax incremental district. The TIF is allowed to collect tax increments until its termination date. Any overcollections are returned to the various taxing entities of the TIF. The City becomes liable for any cost not recovered by the termination date.

CITY OF LAKE MILLS, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 12 - Tax Incremental Finance Districts - Continued

The City has five Tax Incremental Financing Districts. The following is a project summary of TIF activity and status of the district through December 31, 2016:

	<u>TIF #2</u>	<u>TIF #3</u>	<u>TIF #4</u>
Sources of funds			
Proceeds from long-term debt	\$ 4,825,331	\$ 270,000	\$ 4,630,000
TID increments	2,932,292	176,316	1,221,664
Exempt computer aids	135,561	79,438	16,618
Interest income	98,776	1,196	3,708
Transfer from other funds	107,790	-	-
Special assessments	64,722	-	30,757
Miscellaneous	-	358,961	141,532
Total sources of funds	<u>8,164,472</u>	<u>885,911</u>	<u>6,044,279</u>
Uses of funds			
Project expenditures	3,046,261	652,750	5,355,566
Administration	36,392	300	15,473
Interest on advances	201,696	2,938	5,285
Principal - long-term debt	2,001,099	32,000	538,948
Interest - long-term debt	1,295,706	3,125	339,359
Payment to escrow agent	1,764,109	-	-
Debt discount/issue cost	51,716	4,480	16,976
Total uses of funds	<u>8,396,979</u>	<u>695,593</u>	<u>6,271,607</u>
Fund balances as of December 31, 2016	<u>(232,507)</u>	<u>190,318</u>	<u>(227,328)</u>
Future requirements			
Advances from General Fund	353,985	65,312	374,504
Debt principal	1,179,232	238,000	4,091,052
Debt interest	67,513	10,177	815,884
Less: Cash on hand	<u>(117,194)</u>	<u>(255,630)</u>	<u>(163,477)</u>
Total future requirements	<u>\$ 1,483,536</u>	<u>\$ 57,859</u>	<u>\$ 5,117,963</u>
District termination date	2020	2033	2033

CITY OF LAKE MILLS, WISCONSIN
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2016

NOTE 12 - Tax Incremental Finance Districts - Continued

	<u>TIF #5</u>	<u>TIF #6</u>
Sources of funds		
Proceeds from long-term debt	\$ -	\$ -
TID increments	-	-
Exempt computer aids	429	242
Interest income	-	-
Transfer from other funds	-	-
Special assessments	-	-
Miscellaneous	429	242
Total sources of funds	<u>878</u>	<u>484</u>
Uses of funds		
Project expenditures	30,420	26,612
Administration	177	115
Interest on advances	-	-
Principal - long-term debt	-	-
Interest - long-term debt	-	-
Payment to escrow agent	-	-
Debt discount/issue cost	30,597	26,727
Total uses of funds	<u>61,294</u>	<u>53,454</u>
Fund balances as of December 31, 2016	<u>(30,168)</u>	<u>(26,485)</u>
Future requirements		
Advances from General Fund	30,597	19,854
Debt principal	-	-
Debt interest	-	-
Less: Cash on hand	<u>30,597</u>	<u>19,854</u>
Total future requirements	<u>\$ -</u>	<u>\$ -</u>
District termination date	2040	2041

NOTE 13 - Prior Period Adjustment

The City recorded a prior period adjustment to the beginning net position in the water utility for \$165,583 and sewer utility for \$71,284. The adjustment increased net position for unknown amounts that were in fixed assets.

NOTE 14 - Subsequent Event

On April 6, 2017 the City issued \$1,155,000 of mortgage revenue bonds for electric utility projects, \$1,985,000 of general obligation promissory notes for public works projects and equipment and general and police equipment and \$1,175,000 of general obligation bonds for various projects.

CITY OF LAKE MILLS, WISCONSIN
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 3,695,100	\$ 3,695,100	\$ 3,838,900	\$ 143,800
Intergovernmental	914,100	914,100	1,118,365	204,265
Licenses and permits	126,900	126,900	154,250	27,350
Fines, forfeits and penalties	60,000	60,000	52,509	(7,491)
Public charges for services	149,000	149,000	159,331	10,331
Intergovernmental charges for services	315,300	315,300	306,082	(9,218)
Miscellaneous	246,600	246,600	318,463	71,863
TOTAL REVENUES	5,507,000	5,507,000	5,947,900	440,900
EXPENDITURES				
Current				
General government	1,059,374	1,059,374	1,021,451	37,923
Public safety	1,689,015	1,689,015	1,633,076	55,939
Public works	1,004,700	1,004,700	1,002,879	1,821
Health and human services	137,826	137,826	135,520	2,306
Culture, recreation and education	725,695	725,695	697,300	28,395
Conservation and development	127,800	127,800	107,921	19,879
Debt service				
Principal	936,100	936,100	936,048	52
Interest	265,500	265,500	265,822	(322)
Other	-	-	51,753	(51,753)
Capital outlay	61,590	61,590	4,631,023	(4,569,433)
TOTAL EXPENDITURES	6,007,600	6,007,600	10,482,793	(4,475,193)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(500,600)	(500,600)	(4,534,893)	(4,034,293)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	430,000	430,000	547,858	117,858
Issuance of long-term debt	-	-	2,050,000	2,050,000
Premium on long-term debt	72,600	72,600	66,626	(5,974)
TOTAL OTHER FINANCING SOURCES	502,600	502,600	2,664,484	2,161,884
NET CHANGE IN FUND BALANCE	2,000	2,000	(1,870,409)	(1,872,409)
FUND BALANCE AT BEGINNING OF YEAR	5,175,240	5,175,240	5,175,240	-
FUND BALANCE AT END OF YEAR	\$ 5,177,240	\$ 5,177,240	\$ 3,304,831	\$ (1,872,409)

CITY OF LAKE MILLS, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
DECEMBER 31, 2016

- NOTE 1 - Budgetary Information** - Budgets are adopted each fiscal year for the general fund in accordance with Section 65.90 of the Wisconsin Statutes. The City follows these procedures in establishing the budgetary data reflected in the financial statements.
- Prior to October 15, the City Manager submits to the Common Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
 - A public hearing is conducted in the Council Chambers to obtain taxpayer comments.
 - In December, the budget is legally enacted through passage of an ordinance.
 - The Department directors are authorized to transfer budget amounts within departmental operating expenses; however, any other revisions that alter the total expenditures of any fund or department must be approved by the Common Council.
 - Formal budgetary integration is employed as a management control device during the year for the General Fund.
 - Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
 - Budgetary expenditures control is exercised at the department level within the fund.
 - Budgeted amounts are as authorized in the original budget ordinance and subsequent revisions authorized by the Common Council.
 - Appropriations lapse at year end, except those specifically carried forward by Council action.
 - Encumbrance accounting is not used.

NOTE 2 - Excess of Actual Expenditure Over Budget - The following expenditure classifications had an excess of actual expenditure over budget.

General Fund	\$ 4,569,433
Capital outlay	
Debt interest	322
Other	51,753

The accompanying notes are an integral part of these statements.

CITY OF LAKE MILLS, WISCONSIN
WISCONSIN RETIREMENT SYSTEM SCHEDULES
DECEMBER 31, 2016

CITY OF LAKE MILLS, WISCONSIN
SCHEDULE OF FUNDING PROGRESS - SUPPLEMENTAL PENSION
DECEMBER 31, 2016

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.02358082%	0.02359165%
Proportionate share of the net pension liability (asset)	\$ 383,184	\$ (579,475)
Covered payroll	\$ 3,097,482	\$ 3,097,482
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	12.37%	-18.71%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%

SCHEDULE OF CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 229,783	\$ 226,072
Contributions in relation to the contractually required contributions	<u>(229,783)</u>	<u>(226,072)</u>
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 3,097,482	\$ 3,097,482
Contributions as a percentage of covered payroll	7.42%	7.30%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred with the fiscal year.

The City implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2016

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes of assumptions - there were no changes in the assumptions.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2016 4/1/16	\$ 132,912	\$ 229,593	\$ 96,681	57.9%	\$ -	0.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$ 24,078	\$ 23,314	96.8%

CITY OF LAKE MILLS, WISCONSIN
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	SPECIAL REVENUE FUNDS				PERMANENT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	LIBRARY IMPROVEMENTS	PARK IMPROVEMENTS	SANITATION AND RECYCLING	SPECIAL ASSESSMENT	COMMUNITY DEVELOPMENT BLOCK GRANT	CEMETERY PERPETUAL CARE	LIBRARY ENDOWMENT	
ASSETS								
Cash and investments	\$ 21,703	\$ 85,709	\$ -	\$ 167,517	\$ 304,936	\$ 280,279	\$ 66,486	\$ 926,630
Receivable	-	-	-	-	-	1,329	-	1,329
Accounts and other	-	-	-	3,386	-	-	-	3,386
Taxes	-	-	-	-	195,240	-	-	195,240
Loan	-	-	-	-	-	5,959	-	483,972
Due from other funds	84,827	393,186	-	-	-	-	-	44,969
Due from other governments	-	-	-	44,969	-	-	-	-
TOTAL ASSETS	106,530	478,895	-	215,872	500,176	287,567	66,486	1,655,526
LIABILITIES								
Due to other funds	-	-	49,662	267,259	-	-	-	316,921
Unearned revenue - other	-	-	-	-	195,240	-	-	195,240
TOTAL LIABILITIES	-	-	49,662	267,259	195,240	-	-	512,161
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - tax roll	-	-	-	3,386	-	-	-	3,386
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	3,386	-	-	-	3,386
FUND BALANCE								
Nonspendable	-	-	-	-	195,240	287,567	66,486	549,293
Assigned	106,530	478,895	-	-	109,696	-	-	695,121
Unassigned	-	-	(49,662)	(54,773)	-	-	-	(104,435)
TOTAL FUND BALANCE	106,530	478,895	(49,662)	(54,773)	304,936	287,567	66,486	1,139,979
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 106,530	\$ 478,895	\$ -	\$ 215,872	\$ 500,176	\$ 287,567	\$ 66,486	\$ 1,655,526

CITY OF LAKE MILLS, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	SPECIAL REVENUE FUNDS				PERMANENT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	LIBRARY IMPROVEMENTS	PARK AND RECYCLING	SANITATION	SPECIAL ASSESSMENT	COMMUNITY DEVELOPMENT BLOCK GRANT	CEMETERY PERPETUAL CARE	LIBRARY ENDOWMENT	
REVENUES								
Special assessments	\$ -	\$ -	\$ -	73,357	\$ -	\$ -	\$ -	73,357
Intergovernmental	1,094	-	18,685	-	-	-	-	19,779
Public charges for services	10,120	42,484	361,959	-	-	3,135	-	417,698
Miscellaneous								
Donations	202	344	-	-	-	-	-	546
Interest	32	19	-	403	1,618	4,019	179	6,270
Principal repayment	-	-	-	-	4,760	-	-	4,760
TOTAL REVENUE	11,448	42,847	380,644	73,760	6,378	7,154	179	522,410
EXPENDITURES								
Current								
Public works	-	-	356,848	-	-	-	-	356,848
Conservation and development	-	-	-	-	202,811	-	-	202,811
Capital outlay	-	-	-	196,876	-	-	-	196,876
TOTAL EXPENDITURES	-	-	356,848	196,876	202,811	-	-	756,535
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	11,448	42,847	23,796	(123,116)	(196,433)	7,154	179	(234,125)
OTHER FINANCING SOURCES (USES)								
Operating transfers (out)	-	(25,825)	-	-	-	(2,626)	-	(28,451)
Proceeds from long-term debt	-	-	-	145,000	-	-	-	145,000
TOTAL OTHER FINANCING SOURCES (USES)	-	(25,825)	-	145,000	-	(2,626)	-	116,549
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	11,448	17,022	23,796	21,884	(196,433)	4,528	179	(117,576)
FUND BALANCE AT BEGINNING OF YEAR	95,082	461,873	(73,458)	(76,657)	501,369	283,039	66,307	1,257,555
FUND BALANCE AT END OF YEAR	\$ 106,530	\$ 478,895	\$ (49,662)	\$ (54,773)	\$ 304,936	\$ 287,567	\$ 66,486	\$ 1,139,979

CITY OF LAKE MILLS, WISCONSIN
 DETAILED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL		POSITIVE	(NEGATIVE)
REVENUE					
Taxes					
Property	\$ 3,597,700	\$ 3,597,700	\$ 3,720,625	\$ 122,925	
Mobile home	75,000	75,000	85,888	10,788	
Transfer of fees	21,000	21,000	21,000	-	
Interest on taxes	300	300	618	318	
Other taxes	1,000	1,000	(1,000)	(1,000)	
TOTAL	3,695,000	3,695,000	3,838,529	143,529	
Intergovernmental					
Other federal payments	-	-	715	715	
State shared taxes	435,000	435,000	435,895	895	
State grants	15,000	15,000	15,000	-	
Other state shared taxes	6,000	6,000	5,827	(173)	
State law enforcement improvement grants	15,000	15,000	1,600	(13,400)	
State water patrol grants	-	-	851	851	
State other transportation grants	337,700	337,700	289,387	(289,387)	
State other transportation grants	-	-	55,856	(281,644)	
State recycling	3,200	3,200	164	(1,636)	
State payment for municipal services aid	-	-	2,812	2,812	
Other state payments	-	-	3,523	3,523	
County and other local government grants	102,400	102,400	103,018	618	
TOTAL	914,100	914,100	1,118,385	204,285	
License and Permits					
Business and occupational licenses	13,200	13,200	15,650	2,450	
Professional licenses	40,000	40,000	40,000	-	
Business licenses	40,000	40,000	54,360	14,360	
Other regulatory permits and fees	70,000	70,000	81,155	11,155	
TOTAL	128,900	128,900	154,225	27,325	
Fees, Fines and Penalties					
Law and ordinance violations	50,000	50,000	47,045	(2,955)	
Public utilities	60,000	60,000	62,850	2,850	
TOTAL	110,000	110,000	109,895	(1,105)	
Public Charges for Services					
Public works services	400	400	2,913	2,513	
Wired control	1,800	1,800	-	(1,800)	
Cometery	35,000	35,000	34,195	(805)	
Community center	6,000	6,000	1,775	(4,225)	
Other culture and recreation	105,000	105,000	120,348	14,348	
Other public charges for services	300	300	300	-	
TOTAL	148,000	148,000	159,331	10,331	
Intergovernmental Charges for Service					
Law enforcement	3,000	3,000	922	(2,078)	
Fire protection	312,300	312,300	305,850	(7,450)	
TOTAL	315,300	315,300	306,772	(8,528)	
Miscellaneous					
Interest	20,000	20,000	20,885	885	
Sandy Beach fees	223,600	223,600	247,804	24,204	
Miscellaneous	3,000	3,000	16,455	13,455	
Donations	-	-	33,219	33,219	
TOTAL	246,600	246,600	318,463	71,863	
TOTAL REVENUE	5,607,000	5,607,000	5,947,800	440,800	
OTHER FINANCING SOURCES					
Operating transfers in	430,000	430,000	547,859	117,859	
Issuance of long-term debt	-	-	2,050,000	2,050,000	
Premium on long-term debt	72,600	72,600	65,626	(6,974)	
TOTAL OTHER FINANCING SOURCES	502,600	502,600	2,669,485	2,181,885	
TOTAL REVENUE AND OTHER FINANCING SOURCES	6,009,600	6,009,600	8,617,285	2,622,744	

CITY OF LAKE MILLS, WISCONSIN
 DETAILED STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL		POSITIVE	(NEGATIVE)
EXPENDITURES					
General Government					
Legislative	\$ 30,300	\$ 30,300	\$ 22,585	\$ 7,715	
Judicial	45,600	45,600	33,456	12,144	
Legal/labor relations	70,000	70,000	61,389	8,611	
General administration	493,200	493,200	216,495	276,705	
Financial administration	27,500	27,500	272,374	(244,874)	
General buildings and plant	253,474	253,474	248,263	5,211	
Illegal taxes refunded	-	-	4,177	(4,177)	
Other general government	135,300	135,300	162,712	(23,412)	
TOTAL	1,059,374	1,059,374	1,021,451	37,923	
Police					
Police	1,158,415	1,158,415	1,104,020	54,395	
Fire protection	430,700	430,700	430,921	(221)	
Ambulance	25,900	25,900	25,900	-	
Inspection	74,000	74,000	72,235	1,765	
TOTAL	1,689,015	1,689,015	1,633,076	55,939	
Public Works					
Street department	851,200	851,200	859,484	(8,284)	
Street lighting	77,000	77,000	80,231	(3,231)	
Mass transit	72,300	72,300	57,731	14,569	
Recycling	4,200	4,200	5,433	(1,233)	
TOTAL	1,004,700	1,004,700	1,002,879	1,821	
Health and Human Services					
Public health services	17,100	17,100	17,184	(84)	
Cometery	120,726	120,726	118,336	2,390	
TOTAL	137,826	137,826	135,520	2,306	
Culture, Recreation and Education					
Library	353,795	353,795	349,927	3,868	
Other culture	10,600	10,600	8,685	1,915	
Parks	286,200	286,200	275,891	22,309	
Recreation facilities	53,100	53,100	62,862	(9,762)	
TOTAL	725,695	725,695	697,300	28,395	
Conservation and Development					
Community development	30,800	30,800	27,369	3,431	
Forestry	97,000	97,000	80,552	16,448	
TOTAL	127,800	127,800	107,921	19,879	
Debt Service					
Principal	936,100	936,100	936,048	52	
Interest	265,500	265,500	285,822	(322)	
Other	-	-	51,753	(51,753)	
TOTAL	1,201,600	1,201,600	1,253,623	(52,023)	
Capital Outlay					
General government	-	-	64,251	(64,251)	
Public safety	8,385	8,385	128,750	(120,365)	
Public works	-	-	1,213,508	(1,213,508)	
Culture, recreation and education	53,205	53,205	2,746,845	(2,693,640)	
Conservation and Development	-	-	477,669	(477,669)	
TOTAL	61,590	61,590	4,631,023	(4,569,433)	
TOTAL EXPENDITURES	6,007,600	6,007,600	10,482,793	(4,475,193)	



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Common Council
City of Lake Mills, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Mills, Wisconsin as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Lake Mills, Wisconsin's basic financial statements and have issued our report thereon dated May 2, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

2016-001 - Preparation of Financial Statements

Program: Government-Wide

Criteria: Adequate internal controls necessitate personnel (management or others) of the City have adequate training and knowledge that would enable you to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: The training and knowledge of your personnel limits your ability to prepare GAAP basis financial statements.

Questioned Cost: Not applicable.

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

2016-002 - Material Audit Adjustments

Program: Government-Wide

Criteria: Generally accepted accounting principles.

Condition: Material audit adjustments were required to prevent the City's financial statements from being materially misstated.

Questioned Cost: Not applicable.

Context: Internal controls did not identify that adjustments should be recorded.

Effect: This weakness could result in undetected errors and irregularities and misstated interim financial reports.

Information: Systemic problem.

Prior Year Finding: This was a prior year audit finding.

Recommendation: Improve the City's financial reporting internal controls to prevent these types of adjustments from occurring in the future. Document which accounting procedures are needed to be completed on a recurring basis to detect material adjustments.

Management's Response: The City will incorporate financial reporting internal controls to detect material adjustments, prevent materially misstated financial statements and increase the accuracy of the interim financial reports used by management.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Mills, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the following paragraphs.

2016-003 - Governmental Fund Budgets

Program: Government-Wide

Criteria: The City currently adopts formal budgets only for the General Fund.

Condition: Wisconsin Statutes Section 65.90(3)(b)6 requires the City to establish budgets for all funds of the City.

Questioned Cost: Not applicable.

Context: Budgets should be established for all funds.

Effect: This weakness could result in overspending by the City.

Information: Systemic problem.

Prior Year Finding: This was a prior year audit finding.

Recommendation: The City needs to adopt formal budgets for all funds.

Management's Response: The Board will establish budgets for the required funds.

2016-004 - Actual Expenditures Over Budget

Program: General Fund

Criteria: Wisconsin Statute 65.06 prohibits spending more than budgeted expenditures.

Condition: The City spent \$4,475,193 more than their adopted budget.

Questioned Costs: Not applicable.

Context: The City did not monitor actual spending in comparison with budgeted amounts.

Effect: The City is not in compliance with Wisconsin Statutes.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding.

Recommendation: The City should monitor actual expenditures compared to the adopted budget and formally amend the budget to ensure total actual expenditures do not exceed total budgeted expenditures.

Management's Response: The City typically does not formally amend the original budget. In the future, we will review our budget calculations throughout the year and formally amend the budget if necessary.

City of Lake Mills, Wisconsin's Responses to Findings

City of Lake Mills, Wisconsin's responses to the findings identified in our audit are described above. City of Lake Mills, Wisconsin's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

HAWKINS ASH CPAS, LLP

Hawkins Ash CPAs, LLP

Manitowoc, Wisconsin

May 2, 2017

FORM OF LEGAL OPINION

(See following pages)

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

July 11, 2018

Re: City of Lake Mills, Wisconsin ("Issuer")
\$1,805,000 Sewerage System and Light and Water Utility Mortgage Revenue
Bonds, Series 2018B, dated July 11, 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 City Council of the Issuer on June 19, 2018 (the "Bond Resolution"). Pursuant to the Bond Resolution, the Bonds are issued on a parity with the Issuer's outstanding Sewerage System and Light and Water Utility Revenue Bonds, Series 2001, dated October 24, 2001 (the "2001 Bonds"), Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2014A, dated September 4, 2014 (the "2014 Bonds"), Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2016A, dated July 13, 2016 (the "2016 Bonds") and Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2017C, dated April 6, 2017 (the "2017 Bonds") (collectively, the "Prior Bonds"). The Issuer covenanted in the Bond Resolution that revenues derived from the operation of the Sewerage System and Light and Water Utility (collectively, the "System") of the Issuer which are deposited in the Special Redemption 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	\$80,000	___%
2020	70,000	___
2021	70,000	___
2022	70,000	___
2023	70,000	___
2024	80,000	___
2025	80,000	___
2026	80,000	___
2027	80,000	___
2028	85,000	___

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2029	\$ 85,000	___%
2030	95,000	___
2031	95,000	___
2032	100,000	___
2033	100,000	___
2034	105,000	___
2035	110,000	___
2036	115,000	___
2037	115,000	___
2038	120,000	___

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, 2029 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on May 1, 2028 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

[The Bonds maturing in the years _____ 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. In the Bond Resolution, the Issuer granted to the owners of the Bonds a mortgage lien on all property constituting any part of the System of the Issuer on a parity with that granted to the owners of the 2014 Bonds, the 2016 Bonds and the 2017 Bonds.

5. 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 or the mortgage lien 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

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. 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.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities 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 the 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 the 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 the 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.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities 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, Security certificates are required to be printed and delivered.
11. 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, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Lake Mills, Jefferson County, Wisconsin (the "Issuer") in connection with the issuance of \$1,805,000 Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2018B, dated July 11, 2018 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on June 19, 2018 (the "Resolution") and delivered to _____ (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 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 June 20, 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 City Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of Lake Mills, Jefferson County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Treasurer/Finance Director of the Issuer who can be contacted at 200 D Water Street , Lake Mills, Wisconsin, 53551, phone (920) 648-2344, fax (920) 648-2347.

"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 365 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 365 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 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. DEBT - Direct Debt

2. DEBT - Debt Limit
3. VALUATIONS - Current Property Valuations
4. THE BONDS - Description of the Sewerage System
5. THE BONDS - Description of the Electric Utility
6. THE BONDS - Description of the Water Utility

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 11th day of July, 2018.

(SEAL)

Steven Wilke
City Manager

Melissa Quest
City Clerk

APPENDIX E

NOTICE OF SALE

\$1,805,000* SEWERAGE SYSTEM AND LIGHT AND WATER UTILITY MORTGAGE REVENUE BONDS, SERIES 2018B CITY OF LAKE MILLS, WISCONSIN

Bids for the purchase of \$1,805,000* Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2018B (the "Bonds") of the City of Lake Mills, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on June 19, 2018, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

The Bonds are being issued pursuant to Section 66.0621, Wisconsin Statutes, to provide funds for the public purpose of financing improvements and extensions to the City's Electric Utility, which is a part of the combined utility system consisting of the Sewerage System and Light and Water Utility (collectively, the "Utility System"), and to refund certain obligations of the City. The Bonds are not general obligations of the City but are secured by a pledge of Net Revenues (defined in this Preliminary Official Statement) of the Utility System, which pledge is on a parity with that granted the owners of the outstanding bonds payable from Net Revenues.

DATES AND MATURITIES

The Bonds will be dated July 11, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on May 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$80,000	2026	\$80,000	2033	\$100,000
2020	70,000	2027	80,000	2034	105,000
2021	70,000	2028	85,000	2035	110,000
2022	70,000	2029	85,000	2036	115,000
2023	70,000	2030	95,000	2037	115,000
2024	80,000	2031	95,000	2038	120,000
2025	80,000	2032	100,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on May 1 and November 1 of each year, commencing November 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after May 1, 2029 shall be subject to optional redemption prior to maturity on May 1, 2028 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 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.

DELIVERY

On or about July 11, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then

pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will be issued on the basis of existing law and will state that the Bonds are valid and binding special obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

STATEMENT REGARDING COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for this Preliminary Official Statement or participated in its preparation (except with respect to the section entitled "TAX EXEMPTION" in the Preliminary Official Statement and the "FORM OF LEGAL OPINION" found in Appendix B).

SUBMISSION OF BIDS

Bids must not be for less than \$1,782,438 nor more than \$1,913,300 plus accrued interest on the principal sum of \$1,805,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 11:00 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$36,100 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers

shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its bid form to determine the issue price for the Bonds. On its bid form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a certain maturity have been sold.

(f) By submitting a bid, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if an for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Steven Wilke, City Manager
City of Lake Mills, Wisconsin

BID FORM

The Common Council
City of Lake Mills, Wisconsin

June 19, 2018

RE: \$1,805,000* Sewerage System and Light and Water Utility Mortgage Revenue Bonds, Series 2018B
DATED: July 11, 2018

For all or none of the above Bonds, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$1,782,438 nor more than \$1,913,300) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2019	_____ % due	2026	_____ % due	2033
_____ % due	2020	_____ % due	2027	_____ % due	2034
_____ % due	2021	_____ % due	2028	_____ % due	2035
_____ % due	2022	_____ % due	2029	_____ % due	2036
_____ % due	2023	_____ % due	2030	_____ % due	2037
_____ % due	2024	_____ % due	2031	_____ % due	2038
_____ % due	2025	_____ % due	2032		

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$36,100, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about July 11, 2018.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: _____ NO: _____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from July 11, 2018 of the above bid is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Lake Mills, Wisconsin, on June 19, 2018.

By: _____ By: _____
Title: _____ Title: _____