

# PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 7, 2017

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**

**Non-Rated**

## CITY OF KIEL, WISCONSIN (Manitowoc and Calumet Counties)

### \$2,740,000\* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2017B

**BID OPENING:** December 12, 2017, 10:00 A.M., C.T.      **CONSIDERATION:** December 12, 2017, 6:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$2,740,000\* General Obligation Corporate Purpose Bonds, Series 2017B (the "Bonds") of the City of Kiel, Wisconsin (the "City") are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purposes of financing community development projects in the City's Tax Incremental District No. 5 and to refund certain obligations of the City. The Bonds are valid and binding general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

**DATE OF BONDS:** December 27, 2017

**MATURITY:** May 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2018	\$50,000	2024	\$180,000	2030	\$200,000
2019	50,000	2025	180,000	2031	210,000
2020	50,000	2026	185,000	2032	150,000
2021	100,000	2027	185,000	2033	150,000
2022	175,000	2028	200,000	2034	150,000
2023	175,000	2029	200,000	2035	150,000

**\*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:** May 1, 2018 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on May 1, 2027 and thereafter are subject to call for prior optional redemption on May 1, 2026 or any date thereafter, at a price of par plus accrued interest.

**MINIMUM BID:** \$2,705,750.

**MAXIMUM BID:** \$2,849,600.

**GOOD FAITH DEPOSIT:** A cashier's check in the amount of \$54,800 may be submitted contemporaneously with the bid or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** To be determined by the City.

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

This Preliminary Official Statement and the information contained herein is deemed by the Issuer to be final as of the date hereof for purposes of SEC Rule 15c2-12(b)(1), except the omission of certain information described in the rule, but is subject to revision, completion or amendment. 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 sale of these securities in 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.



## 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. Quarles and Brady LLP will serve as Disclosure Counsel to the City with respect to the Bonds. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the Bonds.

## 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 City is 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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## **COMMON COUNCIL**

		<u>Term Expires</u>
Michael Steinhardt	Mayor	April 2019
John Brocker	Council President	April 2019
Jeremy Fromm	Aldersperson	April 2019
John Korb	Aldersperson	April 2018
Guy Grube	Aldersperson	April 2018
Bill Krueger	Aldersperson	April 2019
Alice Achter	Aldersperson	April 2018

## **ADMINISTRATION**

Dennis Dederling, City Administrator/Clerk

Marilyn Jaschob, City Treasurer

## **PROFESSIONAL SERVICES**

Gary Jahn, City Attorney, Chilton, Wisconsin

Quarles & Brady LLP, Bond Counsel and Disclosure Counsel, Milwaukee, Wisconsin

Ehlers & Associates, Inc., Municipal Advisors, Pewaukee, 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 Kiel, Wisconsin (the "City") and the issuance of its \$2,740,000\* General Obligation Corporate Purpose Bonds, Series 2017B (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 awarding the sale of the Bonds (the "Award Resolution") to be adopted by the Common Council on December 12, 2017.

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](http://www.ehlers-inc.com) by connecting to the Bond Sales link 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 December 27, 2017. 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 May 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 2019 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 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.

### OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after May 1, 2027 shall be subject to optional redemption prior to maturity on May 1, 2026 or on any date thereafter, at a price of par plus accrued interest.

\* Preliminary, subject to change.

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.

**AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purposes of financing community development projects in the City’s Tax Incremental District No. 5 and to advance refund a portion of certain obligations of the City as follows:

<b>Issue Being Refunded</b>	<b>Date of Refunded Issue</b>	<b>Call Date</b>	<b>Call Price</b>	<b>Maturities Being Refunded</b>	<b>Interest Rate</b>	<b>Principal to be Refunded</b>	<b>CUSIP base <u>493828</u></b>
General Obligation Fire Station Bonds (the “2011 Bonds”)	3/1/11	3/1/21	100%	2023	4.250%	\$165,000	ER4
				2025	4.500%	185,000	ET0
				2028	4.750%	310,000	EW3
				2031	5.000%	<u>355,000</u>	EZ6
<b>Total principal being refunded</b>						<b>\$1,015,000</b>	

**ADVANCE REFUNDING**

The Bonds are being issued in part to finance the advance refunding of the maturities described above of the 2011 Bonds. A portion of the proceeds of the Bonds will be deposited into an escrow account and invested pursuant to an escrow agreement to be entered into between the City and an escrow agent. An escrow agreement will be executed and delivered on the date of issuance of the Bonds. Funds held in the escrow account will be sufficient to pay the interest due on the 2011 Bonds through the call date described above, and to pay the redemption price of the 2011 Bonds on the call date. Actuarial services necessary to ensure the adequacy of the escrow account to provide timely payment of the 2011 Bonds to be refunded will be performed by Ritz & Associates, P.A., a certified public accountant.

## ESTIMATED SOURCES AND USES\*

<b>Sources</b>		
Par Amount of Bonds	<u>\$2,740,000</u>	
<b>Total Sources</b>		<b>\$2,740,000</b>
<b>Uses</b>		
Project Costs	\$1,529,148	
Deposit to Escrow Account	1,123,764	
Estimated Underwriter's Discount	34,250	
Costs of Issuance	50,125	
Contingency	<u>2,713</u>	
<b>Total Uses</b>		<b>\$2,740,000</b>

\* Preliminary, subject to change.

## SECURITY

For the prompt payment of the Bonds with interest thereon and for the levy of taxes sufficient for this purpose, the full faith, credit and resources of the City will be irrevocably pledged. The City will levy a direct, annual, irrevocable tax on all taxable property in the City sufficient to pay the interest on the Bonds when it becomes due and also to pay and discharge the principal on the Bonds at maturity, in compliance with Article XI, Section 3 of the Wisconsin Constitution. Such tax may, under current law, be levied without limitation as to rate or amount.

## RATING

None of the outstanding indebtedness of the City is currently rated, and the City has not requested a rating on the Bonds. A rating for the Bonds may not be requested without contacting Ehlers and receiving the permission of the City.

## 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 the Bonds 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.

The City did not timely file notice of certain bond insurer rating changes during the previous five years. Except to the extent the preceding is deemed to be material, in the previous five years the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. 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](http://www.emma.msrb.org).

## **LEGAL MATTERS**

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 general 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). (See "FORM OF LEGAL OPINION" found in Appendix B).

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

## **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. 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 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, have been audited by Schenck S.C., Sheboygan, Wisconsin, independent auditors (the "Auditor"). The report 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.

**Taxes:** The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

**Interest Rates:** In the future, interest rates for this type of obligation may rise generally, possibly 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

	<b>Manitowoc County</b>	<b>Calumet County</b>	<b>Total</b>
2017 Equalized Value	\$247,952,800	\$37,138,900	\$285,091,700
2017 Equalized Value Reduced by Tax Increment Valuation	\$218,625,200	\$23,354,400	\$241,979,600
2017 Assessed Value	\$226,136,300	\$33,976,000	\$260,112,300

## 2017 EQUALIZED VALUE BY CLASSIFICATION

	<b>2017 Equalized Value (Manitowoc County)<sup>1</sup></b>	<b>2017 Equalized Value (Calumet County)<sup>1</sup></b>	<b>Percent of Total Equalized Value</b>
Residential	\$164,822,200	\$9,000,000	60.971%
Commercial	43,154,300	3,782,100	16.464%
Manufacturing	30,951,700	18,551,200	17.364%
Agricultural	4,000	11,100	0.005%
Undeveloped	18,300	0	0.006%
Agricultural Forest	0	0	0.000%
Forest	13,200	0	0.005%
Personal Property	<u>8,989,100</u>	<u>5,794,500</u>	<u>5.186%</u>
Total	\$247,952,800	\$37,138,900	100.000%

## TREND OF VALUATIONS

<b>Year</b>	<b>Assessed Value</b>	<b>Equalized Value<sup>1</sup></b>	<b>Percent Increase/Decrease in Equalized Value</b>
2013	\$234,726,300	\$248,296,600	4.11%
2014	240,800,800	250,733,900	0.98%
2015	243,680,200	259,571,700	3.52%
2016	248,378,400	272,252,300	4.89%
2017	241,979,600	285,091,700	4.72%

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

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<sup>1</sup> Includes tax increment valuation.

**LARGER TAXPAYERS**

<b>Taxpayer</b>	<b>Type of Business/Property</b>	<b>2017 Equalized Value<sup>1</sup></b>	<b>Percent of City's Total Equalized Value</b>
Sargento Foods, Inc.	Commercial	\$ 22,446,364	7.87%
Land O' Lakes	Commercial	10,347,558	3.63%
Ameriquip Corp.	Industrial	5,760,498	2.02%
Polarware/Stoelting	Industrial	4,842,359	1.70%
Shopko Hometown	Commercial	3,263,217	1.14%
Holland Cold Storage	Industrial	2,926,490	1.03%
Wind Walker	Commercial	2,047,666	0.72%
Piggly Wiggly	Commercial	1,740,872	0.61%
Field of Dreams Assisted Living	Assisted Living Facility	1,404,626	0.49%
HUI	Commercial	1,674,974	0.59%
<b>Total</b>		<b>\$ 56,454,624</b>	<b>19.80%</b>

City's Total 2017 Equalized Value<sup>2</sup> \$285,091,700

**Source:** The City.

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<sup>1</sup> Calculated by dividing the 2017 Assessed Values by the 2017 Aggregate Ratio of assessment for the City.

<sup>2</sup> Includes tax increment valuation.

## DEBT

**DIRECT DEBT**<sup>1</sup> (Includes the Bonds and the Concurrent Obligations, as defined herein)

**General Obligation Debt (see schedules following)**

Total General Obligation Debt* (includes the Bonds)	<u><u>\$12,835,816</u></u>
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**Revenue Debt \* (see schedules following)**

Total Sewer Revenue Debt	<u><u>\$ 6,575,000</u></u>
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Total Water Revenue Debt* (see “Future Financing” herein)	<u><u>\$ 1,130,000</u></u>
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Total Electric Revenue Debt	<u><u>\$ 1,595,000</u></u>
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\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds and excludes the obligations being refunded.

**CITY OF KIEL, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt**  
**(As of December 27, 2017)**

Dated Amount	STF Loan Series 2005		GO Promissory Notes		GO Promissory Notes		GO Refunding Bonds		GO Fire Station Bonds		GO Promissory Notes Series 2012A	
	1/31/2005 \$381,454	3/15	4/3/2008 \$395,000	3/1	2/26/2009 \$1,085,000	3/1	1/12/2010 \$975,000	11/1	3/1/2011 \$1,640,000	3/1	11/13/2012 \$2,680,000	5/1
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017												
2018	22,652	9,755	55,000	1,031	300,000	5,400	160,000	5,600	70,000	10,113	115,000	43,150
2019	23,842	8,566							70,000	7,400	120,000	40,800
2020	25,073	7,334							75,000	4,500	125,000	38,350
2021	26,410	5,998							75,000	1,500	130,000	35,800
2022	27,796	4,612									1,725,000	17,250
2023	29,256	3,152										
2024	30,787	1,621										
2025												
2026												
2027												
2028												
2029												
2030												
2031												
2032												
2033												
2034												
2035												
	185,816	41,038	55,000	1,031	300,000	5,400	160,000	5,600	290,000	23,513	2,215,000	175,350

*continued on next page*



**CITY OF KIEL, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt**  
**(As of December 27, 2017)**

Dated Amount	Tax GO Corp Purp Bonds Series 2014A		GO Promissory Notes Series 2014B		GO Promissory Notes Series 2015A		GO Corp Purp Bonds Series 2016A		STF Loan Series 2017		GO Corp Purp Bonds Series 2017B		Total Principal*	Total Interest*	Principal & Interest*	Principal Outstanding*	Principal %/Paid*	Year
	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal*	Interest*	Principal*						
2017	6/17/2014	60,000 (1)	41,350	125,000	9/16/2015	35,000 (1)	29,900	10/4/2016	47,523	12/15/2017	27,030	12/27/2017	50,000	63,865	0	12,835,816	0.00%	2017
2018	6/17/2014	60,000 (1)	40,150	135,000	35,000 (1)	29,410	47,523	100,000	47,523	12/15/2017	30,136	12/27/2017	50,000	63,265	306,292	11,843,163	7.73%	2018
2019	6/17/2014	65,000 (1)	38,900	140,000	40,000 (1)	28,920	45,523	100,000	45,523	3/15	31,217	5/1	50,000	62,578	296,905	11,222,292	12.57%	2019
2020	6/17/2014	70,000 (1)	37,356	150,000	40,000 (1)	28,120	43,523	100,000	43,523	3/15	31,217	5/1	100,000	61,440	280,765	10,572,082	17.64%	2020
2021	6/17/2014	70,000 (1)	35,500	155,000	45,000 (1)	27,320	41,523	125,000	41,523	3/15	32,310	5/1	175,000	59,178	264,866	9,854,456	23.23%	2021
2022	6/17/2014	105,000	32,831	155,000	50,000 (1)	26,420	39,023	150,000	39,023	3/15	33,440	5/1	175,000	56,115	232,418	7,499,350	41.57%	2022
2023	6/17/2014	110,000	29,200	1,300,000	65,000 (1)	25,220	36,023	160,000	36,023	3/15	34,597	5/1	180,000	52,785	200,037	6,801,654	47.01%	2023
2024	6/17/2014	120,000	25,025	125,000	910,000	23,660	165,000	170,000	32,823	3/15	34,597	5/1	180,000	49,140	182,468	4,921,270	61.66%	2024
2025	6/17/2014	125,000	20,275	125,000	910,000	23,660	170,000	170,000	32,823	3/15	37,075	5/1	185,000	45,215	134,542	3,510,449	72.65%	2025
2026	6/17/2014	130,000	15,013	130,000	910,000	23,660	185,000	185,000	25,783	3/15	38,373	5/1	185,000	41,053	97,653	2,993,373	76.68%	2026
2027	6/17/2014	135,000	9,213	135,000	910,000	23,660	185,000	185,000	25,783	3/15	38,373	5/1	185,000	41,053	83,191	2,465,000	80.87%	2027
2028	6/17/2014	130,000	3,088	130,000	910,000	23,660	185,000	185,000	21,158	3/15	38,373	5/1	200,000	36,525	66,895	1,925,000	85.00%	2028
2029	6/17/2014	130,000	3,088	130,000	910,000	23,660	185,000	185,000	16,088	3/15	38,373	5/1	200,000	36,525	50,800	1,400,000	89.09%	2029
2030	6/17/2014	130,000	3,088	130,000	910,000	23,660	185,000	185,000	10,920	3/15	38,373	5/1	200,000	26,525	37,445	1,005,000	92.17%	2030
2031	6/17/2014	130,000	3,088	130,000	910,000	23,660	185,000	185,000	5,558	3/15	38,373	5/1	210,000	21,038	26,595	600,000	95.33%	2031
2032	6/17/2014	130,000	3,088	130,000	910,000	23,660	185,000	185,000	5,558	3/15	38,373	5/1	150,000	16,013	16,013	450,000	96.49%	2032
2033	6/17/2014	130,000	3,088	130,000	910,000	23,660	185,000	185,000	5,558	3/15	38,373	5/1	150,000	16,013	16,013	300,000	97.66%	2033
2034	6/17/2014	130,000	3,088	130,000	910,000	23,660	185,000	185,000	5,558	3/15	38,373	5/1	150,000	16,013	16,013	150,000	98.83%	2034
2035	6/17/2014	130,000	3,088	130,000	910,000	23,660	185,000	185,000	5,558	3/15	38,373	5/1	150,000	16,013	16,013	0	100.00%	2035
		1,175,000	327,900	2,160,000	291,770	1,220,000	218,970	2,035,000	442,508		300,000	57,446	2,740,000	707,545	2,298,070	15,133,886		

(1) Mandatory redemption amounts.  
 \* Preliminary, subject to change. The City has not yet drawn on the State Trust Fund loan.

**CITY OF KIEL, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Revenue Debt Secured by Sewer System Revenues**  
**(As of December 27, 2017)**

Fiscal Year Ending	Sewerage System Revenue Bonds Series 2015B		Sewerage System Revenue Bonds Series 2017A	
	9/16/2015 \$1,165,000	5/1	5/3/2017 \$5,510,000	5/1
2017				
2018	110,000	21,378	100,000	189,275
2019	120,000	19,790	150,000	185,525
2020	125,000	17,828	165,000	180,800
2021	130,000	15,530	170,000	175,775
2022	135,000	12,878	170,000	170,675
2023	140,000	9,850	175,000	165,500
2024	150,000	6,290	175,000	160,250
2025	155,000	2,170	175,000	155,000
2026			280,000	148,175
2027			300,000	139,475
2028			310,000	129,938
2029			325,000	119,619
2030			340,000	108,388
2031			350,000	96,313
2032			360,000	83,438
2033			375,000	69,656
2034			390,000	55,313
2035			400,000	40,000
2036			400,000	24,000
2037			400,000	8,000
	1,065,000	105,713	5,510,000	2,405,113
			6,575,000	2,510,825
			9,085,825	

Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
0	0	0	6,575,000	0.00%	2017
210,000	210,653	420,653	6,365,000	3.19%	2018
270,000	205,315	475,315	6,095,000	7.30%	2019
290,000	198,628	488,628	5,805,000	11.71%	2020
300,000	191,305	491,305	5,505,000	16.27%	2021
305,000	183,553	488,553	5,200,000	20.91%	2022
315,000	175,350	490,350	4,885,000	25.70%	2023
325,000	166,540	491,540	4,560,000	30.65%	2024
330,000	157,170	487,170	4,230,000	35.67%	2025
280,000	148,175	428,175	3,950,000	39.92%	2026
300,000	139,475	439,475	3,650,000	44.49%	2027
310,000	129,938	439,938	3,340,000	49.20%	2028
325,000	119,619	444,619	3,015,000	54.14%	2029
340,000	108,388	448,388	2,675,000	59.32%	2030
350,000	96,313	446,313	2,325,000	64.64%	2031
360,000	83,438	443,438	1,965,000	70.11%	2032
375,000	69,656	444,656	1,590,000	75.82%	2033
390,000	55,313	445,313	1,200,000	81.75%	2034
400,000	40,000	440,000	800,000	87.83%	2035
400,000	24,000	424,000	400,000	93.92%	2036
400,000	8,000	408,000	0	100.00%	2037

**CITY OF KIEL, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Revenue Debt Secured by Water System Revenues**  
**(As of December 27, 2017)**

**Water System Revenue**  
**Bonds, Series 2017C**

Fiscal Year Ending	12/27/2017		Total Principal*	Total Interest*	Principal & Interest*	Principal Outstanding*	Principal %Paid*	Year
	Amount	Maturity						
2017			0	0	0	1,130,000	0.00%	2017
2018	105,000	5/1	105,000	20,412	125,412	1,025,000	9.29%	2018
2019	105,000		105,000	22,568	127,568	920,000	18.58%	2019
2020	105,000		105,000	20,678	125,678	815,000	27.88%	2020
2021	110,000		110,000	18,634	128,634	705,000	37.61%	2021
2022	110,000		110,000	16,379	126,379	595,000	47.35%	2022
2023	115,000		115,000	13,848	128,848	480,000	57.52%	2023
2024	115,000		115,000	11,120	126,120	365,000	67.70%	2024
2025	120,000		120,000	8,210	128,210	245,000	78.32%	2025
2026	120,000		120,000	5,090	125,090	125,000	88.94%	2026
2027	125,000		125,000	1,750	126,750	0	100.00%	2027
	1,130,000		1,130,000	138,690	1,268,690			

\* Preliminary, subject to change.

**CITY OF KIEL, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Revenue Debt Secured by Electric System Revenues**  
**(As of December 27, 2017)**

**Electric System  
Revenue Bonds  
Series 2016B**

Fiscal Year Ending	10/4/2016		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	Amount	Maturity						
	\$1,595,000	12/1						
2017			0	0	0	1,595,000	0.00%	2017
2018	100,000	32,205	100,000	32,205	132,205	1,495,000	6.27%	2018
2019	100,000	30,205	100,000	30,205	130,205	1,395,000	12.54%	2019
2020	100,000	28,205	100,000	28,205	128,205	1,295,000	18.81%	2020
2021	105,000	26,205	105,000	26,205	131,205	1,190,000	25.39%	2021
2022	110,000	24,105	110,000	24,105	134,105	1,080,000	32.29%	2022
2023	110,000	21,905	110,000	21,905	131,905	970,000	39.18%	2023
2024	115,000	19,705	115,000	19,705	134,705	855,000	46.39%	2024
2025	115,000	17,405	115,000	17,405	132,405	740,000	53.61%	2025
2026	120,000	15,450	120,000	15,450	135,450	620,000	61.13%	2026
2027	120,000	13,290	120,000	13,290	133,290	500,000	68.65%	2027
2028	120,000 (1)	11,010	120,000	11,010	131,010	380,000	76.18%	2028
2029	125,000 (1)	8,490	125,000	8,490	133,490	255,000	84.01%	2029
2030	125,000 (1)	5,865	125,000	5,865	130,865	130,000	91.85%	2030
2031	130,000 (1)	2,990	130,000	2,990	132,990	0	100.00%	2031
	1,595,000	257,035	1,595,000	257,035	1,852,035			

(1) Mandatory Redemption Amounts.

**DEBT LIMIT**

The constitutional 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	\$ 285,091,700
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 14,254,585
Less: General Obligation Debt	<u>(12,835,816)</u>
Unused Debt Limit	<u><u>\$ 1,418,769</u></u>

**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2017 Equalized Value<sup>2</sup></b>	<b>% In City</b>	<b>Total G.O. Debt<sup>3</sup></b>	<b>City's Proportionate Share</b>
Manitowoc County	\$ 5,287,002,200	4.6899%	\$ 25,530,000	\$ 1,197,331
Calumet County	4,002,111,800	0.9280%	15,385,000	142,773
Kiel Area School District	752,066,315	37.9078%	7,889,874	2,990,878
Lakeshore Technical College District	14,830,270,510	1.9224%	30,040,000	<u>577,489</u>
City's Share of Total Overlapping Debt				<u><u>\$ 4,908,471</u></u>

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<sup>1</sup> 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.

<sup>2</sup> Includes tax increment valuation.

<sup>3</sup> Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.

## DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$285,091,700	Debt/ Per Capita 3,839 <sup>1</sup>
Total General Obligation Debt*	\$ 12,835,816	4.50%	\$ 3,343.53
City's Share of Total Overlapping Debt	<u>4,908,471</u>	<u>1.72%</u>	<u>1,278.58</u>
Total*	\$ 17,744,287	6.22%	\$ 4,622.11

## DEBT PAYMENT HISTORY

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

## FUTURE FINANCING

The City expects to issue its \$1,130,000\* Water System Revenue Bonds, Series 2017C (the “Concurrent Obligations”) concurrently with the Bonds. The City is in the preliminary stages of planning a borrowing through the State of Wisconsin Clean Water Fund loan program of approximately \$20 million for sewerage system improvements to be paid out of sewer revenues, which borrowing may occur in 2018 or 2019. Aside from the preceding, the City has no current plans for additional financing in the next 12 months.

\* Preliminary, subject to change.

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<sup>1</sup> Estimated 2017 population.

## TAX LEVIES AND COLLECTIONS

### Manitowoc County

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2012/13	\$950,003	100.00%	\$4.73
2013/14	963,089	100.00%	4.65
2014/15	1,001,230	100.00%	4.88
2015/16	1,013,451	100.00%	4.77
2016/17	1,033,245	100.00%	4.76

### Calumet County

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2012/13	\$95,431	100.00%	\$4.70
2013/14	102,127	100.00%	4.62
2014/15	109,627	100.00%	4.86
2015/16	110,870	100.00%	4.80
2016/17	109,684	100.00%	4.78

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:

### Manitowoc County

<b>Year Levied/ Year Collected</b>	<b>Schools<sup>1</sup></b>	<b>County</b>	<b>Local</b>	<b>Other<sup>2</sup></b>	<b>Total</b>
2012/13	11.56	5.56	4.73	0.13	21.98
2013/14	11.20	5.65	4.65	0.19	21.69
2014/15	10.51	5.64	4.88	0.19	21.22
2015/16	10.76	5.64	4.77	0.19	21.36
2016/17	10.31	5.62	4.76	0.19	20.88

### Calumet County

<b>Year Levied/ Year Collected</b>	<b>Schools<sup>1</sup></b>	<b>County</b>	<b>Local</b>	<b>Other<sup>2</sup></b>	<b>Total</b>
2012/13	11.56	4.77	4.70	0.17	21.20
2013/14	11.20	4.84	4.62	0.17	20.83
2014/15	10.51	4.82	4.86	0.17	20.36
2015/16	10.76	4.68	4.80	0.19	20.43
2016/17	10.31	4.81	4.78	0.22	20.12

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

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

<sup>2</sup> 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.



## 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 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

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

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

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

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

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding

obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

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

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

The Bonds were authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Bonds.

## **THE ISSUER**

### **CITY GOVERNMENT**

The City was incorporated in 1929 and is governed by a Mayor and a six-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to staggered two-year terms. The appointed City Administrator/Clerk and City Treasurer are responsible for administrative details and financial records.

### **EMPLOYEES; PENSIONS**

The City employs a staff of 101, including 24 full-time, 72 part-time and five 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 generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. The total retirement plan contributions (including both the City's and the employee's contributions) for the fiscal year ended December 31, 2014 were \$267,652. During the fiscal years ended December 31, 2015 ("Fiscal Year 2015") and December 31, 2016 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$141,354 and \$140,537, respectively.

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

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by

each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

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

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2016, the City reported a liability of \$234,863 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2015 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.01445329% of the aggregate WRS net pension liability as of December 31, 2015.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note C8 "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:

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Kiel Police Department Local 1362 AFL-CIO	December 31, 2017

## **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 November 30, 2017)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$ 1,452,040
Debt Service	6,337
Capital Projects	65,033
Enterprise Funds	2,091,734
Ambulance	<u>9,038</u>
Total Funds on Hand	<u><u>\$ 3,624,182</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:

	2014	2015	2016
<b>Water</b>			
Total Operating Revenues	\$ 659,973	\$ 763,222	\$ 782,227
Less: Operating Expenses	<u>(617,336)</u>	<u>(624,701)</u>	<u>(626,157)</u>
Operating Income	\$ 42,637	\$ 138,521	\$ 156,070
Plus: Depreciation	180,009	187,310	194,863
Interest Income	<u>781</u>	<u>819</u>	<u>745</u>
Revenues Available for Debt Service	<u><u>\$ 223,427</u></u>	<u><u>\$ 326,650</u></u>	<u><u>\$ 351,678</u></u>
<b>Electric</b>			
Total Operating Revenues	\$ 7,749,949	\$ 8,139,601	\$ 8,526,936
Less: Operating Expenses	<u>(7,308,761)</u>	<u>(7,823,031)</u>	<u>(8,239,173)</u>
Operating Income	\$ 441,188	\$ 316,570	\$ 287,763
Plus: Depreciation	526,567	550,680	573,325
Interest Income	<u>948</u>	<u>963</u>	<u>1,122</u>
Revenues Available for Debt Service	<u><u>\$ 968,703</u></u>	<u><u>\$ 868,213</u></u>	<u><u>\$ 862,210</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$ 1,889,915	\$ 1,937,326	\$ 2,302,564
Less: Operating Expenses	<u>(1,603,284)</u>	<u>(1,494,070)</u>	<u>(1,533,184)</u>
Operating Income	\$ 286,631	\$ 443,256	\$ 769,380
Plus: Depreciation	331,518	341,437	364,245
Interest Income	<u>760</u>	<u>9,981</u>	<u>4,349</u>
Revenues Available for Debt Service	<u><u>\$ 618,909</u></u>	<u><u>\$ 794,674</u></u>	<u><u>\$ 1,137,974</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.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Year End Projected <sup>1</sup>	2018 Budget <sup>2</sup>
Revenues					
Taxes	\$ 482,066	\$ 492,398	\$ 509,933	\$ 520,357	\$ 530,764
Special assessments	815	179	179	422	223
Intergovernmental	762,599	782,788	793,612	804,792	822,008
Licenses and permits	66,803	75,314	78,972	82,994	79,818
Fines and forfeits	50,954	53,979	47,355	51,000	51,500
Public charges for services	177,846	182,160	228,622	239,606	237,046
Intergovernmental charges for services	19,740	19,960	19,980	20,041	20,287
Miscellaneous general revenues	87,157	124,022	98,586	117,866	88,100
Total Revenues	<u>\$ 1,647,980</u>	<u>\$ 1,730,800</u>	<u>\$ 1,777,239</u>	<u>\$ 1,837,078</u>	<u>\$ 1,829,746</u>
Expenditures					
Current:					
General government	\$ 212,850	\$ 186,593	\$ 200,110	\$ 214,094	\$ 209,747
Public safety	991,664	1,026,041	983,297	1,041,977	1,060,341
Public works	569,702	597,916	630,964	659,552	647,595
Health and human services	12,222	14,546	9,299	15,349	9,170
Culture and recreation	137,911	145,941	188,602	194,141	180,984
Conservation and development	6,375	6,369	7,500	24,846	12,650
Total Expenditures	<u>\$ 1,930,724</u>	<u>\$ 1,977,406</u>	<u>\$ 2,019,772</u>	<u>\$ 2,149,959</u>	<u>\$ 2,120,487</u>
<b>Excess of revenues over (under) expenditures</b>	\$ (282,744)	\$ (246,606)	\$ (242,533)	\$ (312,881)	\$ (290,741)
<b>Other Financing Sources (Uses)</b>					
Proceeds of long-term debt	0	0	0	0	
Operating transfers in	422,437	418,150	429,362	441,176	439,818
Operating transfers out	(168,070)	(164,640)	(164,640)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 254,367</u>	<u>\$ 253,510</u>	<u>\$ 264,722</u>	<u>\$ 441,176</u>	<u>\$ 439,818</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	\$ (28,377)	\$ 6,904	\$ 22,189	\$ 128,295	\$ 149,077
General Fund Balance January 1	309,293	280,916	287,820	310,009	438,304
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	<u>\$ 280,916</u>	<u>\$ 287,820</u>	<u>\$ 310,009</u>	<u>\$ 438,304</u>	<u>\$ 587,381</u>
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	0	0	0		
Restricted	17,098	17,713	23,544		
Committed	0	0	0		
Assigned	0	0	0		
Unassigned	263,818	270,107	286,465		
<b>Total</b>	<u>\$ 280,916</u>	<u>\$ 287,820</u>	<u>\$ 310,009</u>		

<sup>1</sup> Projections as part of the 2018 budget adopted November 2, 2017.

<sup>2</sup> Adopted November 2, 2017.

## GENERAL INFORMATION

### LOCATION

The City, with a 2010 U.S. Census population of 3,738, and a current estimated population of 3,839, comprises an area of two square miles and is located approximately 40 miles southeast of the City of Appleton, 48 miles south of the City of Green Bay and 65 miles north of the City of Milwaukee.

### LARGER EMPLOYERS

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Sargento Foods, Inc.	Cheese processing and packaging	500
School District of Kiel Area	Elementary and secondary education	355
Stoelting LLC	Manufacturing	272
Ameriquip Corp.	Manufacturing tractor attachments	125
Land O' Lakes	Cheese production	105
HUI	Metal fabrication	97
The City <sup>1</sup>	Municipal government and services	96
Piggly Wiggly	Supermarket	90
H.G. Weber & Co. Inc.	Manufacturing machinery	62

**Source:** *ReferenceUSA, written and telephone survey (December 2017), Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development.*

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<sup>1</sup> Includes full-time and part-time employees but not seasonal workers.



## BUILDING PERMITS

	2013	2014	2015	2016	2017 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	2	0	2	2	1
Valuation	\$337,000	\$0	\$395,000	\$359,000	\$223,000
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	1	7	4
Valuation	\$0	\$0	\$160,000	\$3,260,000	\$1,892,000
<u>New Commercial/Industrial</u>					
No. of building permits	2	3	2	2	2
Valuation	\$1,887,000	\$28,500,000	\$280,000	\$386,000	\$2,260,000
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	192	200	158	153	163
Valuation	\$5,821,590	\$30,800,000	\$4,640,601	\$7,470,882	\$31,495,461

**Source:** The City.

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<sup>1</sup> As of December 4, 2017.

## U.S. CENSUS DATA

### Population Trend: The City

2000 U.S. Census	3,450
2010 U.S. Census	3,738
2017 Estimated Population	3,839
Percent of Change 2000 - 2010	8.35%

### Income and Age Statistics

	City	Manitowoc County	State of Wisconsin	United States
2015 per capita income	\$24,944	\$26,096	\$28,340	\$28,930
2015 median household income	\$52,439	\$48,398	\$53,357	\$53,889
2015 median family income	\$69,917	\$63,645	\$68,064	\$66,011
2015 median gross rent	\$486	\$614	\$776	\$928
2015 median value owner occupied units	\$121,700	\$126,700	\$165,800	\$178,600
2015 median age	36.5 yrs.	44.2 yrs.	39.0 yrs.	37.6 yrs.
		State of Wisconsin	United States	
City % of 2015 per capita income		88.02%	86.22%	
City % of 2015 median family income		102.72%	105.92%	

### Housing Statistics

	<u>City</u>		
	2000	2015	Percent of Change
All Housing Units	1,498	1,674	11.75%

**Source:** 2000 and 2010 Census of Population and Housing, and 2015 American Community Survey (Based on a five-year estimate), U.S. Census Bureau ([www.factfinder2.census.gov](http://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>	
	Manitowoc County	Manitowoc County	State of Wisconsin
2013	39,591	7.4%	6.7%
2014	40,024	6.1%	5.4%
2015	39,824	5.0%	4.6%
2016	39,967	4.5%	4.1%
2017, October	40,994	3.1%	2.8%

**Source:** Wisconsin Department of Workforce Development.

**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 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 KIEL, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2016**

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Kiel, 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 Kiel, Wisconsin ("the City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note C.1 to the financial statements, in 2016 the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are 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 schedules relating to pensions on page 41 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### ***Other Information***

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

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

### **Report on Summarized Financial Information**

We have previously audited the City of Kiel's 2015 financial statements, and our report dated April 29, 2016, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Schenck SL*

Certified Public Accountants  
Sheboygan, Wisconsin  
May 3, 2017

**CITY OF KIEL, WISCONSIN**  
**Statement of Net Position**  
December 31, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,663,212	\$ 1,442,093	\$ 3,105,305
Receivables			
Taxes	1,385,583	-	1,385,583
Accounts	60,984	894,648	955,632
Special assessments	24,803	10,086	34,889
Loans	22,486	-	22,486
Internal balances	(1,382,162)	1,382,162	-
Inventories and prepaid items	-	325,201	325,201
Restricted assets			
Cash and investments	47,044	883,947	930,991
Capital assets, nondepreciable			
Land	596,358	139,029	735,387
Construction in progress	340,982	423,831	764,813
Capital assets, depreciable			
Land improvements	584,898	-	584,898
Buildings	5,060,913	5,725,522	10,786,435
Machinery and equipment	3,630,815	17,644,688	21,275,503
Infrastructure	1,991,720	18,750,571	20,742,291
Less: Accumulated depreciation	(3,464,716)	(24,337,635)	(27,802,351)
Total capital assets, net of accumulated depreciation	<u>7,803,630</u>	<u>17,783,146</u>	<u>25,586,776</u>
<b>TOTAL ASSETS</b>	<u><b>10,562,920</b></u>	<u><b>23,284,143</b></u>	<u><b>33,847,063</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	<u>742,214</u>	<u>550,906</u>	<u>1,293,120</u>
<b>LIABILITIES</b>			
Accounts payable	269,239	477,891	747,130
Accrued and other current liabilities	35,032	24,170	59,202
Accrued interest payable	101,474	18,076	119,550
Long-term obligations			
Due within one year	890,487	406,319	1,296,806
Due in more than one year	11,043,703	2,574,222	13,617,925
Net pension liability	<u>135,451</u>	<u>99,412</u>	<u>234,863</u>
<b>TOTAL LIABILITIES</b>	<u><b>12,475,386</b></u>	<u><b>3,600,090</b></u>	<u><b>16,075,476</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for subsequent year	1,996,159	-	1,996,159
Deferred inflows related to pension	<u>289,550</u>	<u>212,511</u>	<u>502,061</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>2,285,709</b></u>	<u><b>212,511</b></u>	<u><b>2,498,220</b></u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	(331,241)	15,654,566	15,323,325
Restricted for			
Community development	65,724	-	65,724
Capital projects	617,042	-	617,042
Library	116,393	-	116,393
Retirement of long-term debt	2,694	239,352	242,046
Cemetery perpetual care	8,665	-	8,665
Public safety programs	23,544	-	23,544
Plant replacement	-	644,595	644,595
Unrestricted (deficit)	<u>(3,958,782)</u>	<u>3,483,935</u>	<u>(474,847)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u><b>\$ (3,455,961)</b></u>	<u><b>\$ 20,022,448</b></u>	<u><b>\$ 16,566,487</b></u>

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



**CITY OF KIEL, WISCONSIN**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 308,753	\$ 125,867	\$ 33,957	\$ -
Public safety	1,513,464	252,684	75,010	190,905
Public works	788,656	198,807	232,967	1
Health and human services	58,863	8,848	4,050	-
Culture and recreation	506,913	35,205	112,352	-
Conservation and development	390,268	-	1,562	-
Interest on debt	337,417	15	-	-
<b>Total Governmental Activities</b>	<b>3,904,334</b>	<b>621,426</b>	<b>459,898</b>	<b>190,906</b>
<b>Business-type Activities</b>				
Electric utility	8,257,169	8,526,936	-	16,377
Water utility	628,877	782,227	-	-
Sewer utility	1,568,631	2,302,564	-	-
<b>Total Business-type Activities</b>	<b>10,454,677</b>	<b>11,611,727</b>	<b>-</b>	<b>16,377</b>
<b>Total</b>	<b>\$ 14,359,011</b>	<b>\$ 12,233,153</b>	<b>\$ 459,898</b>	<b>\$ 207,283</b>

General revenues

Taxes

Property taxes

Tax increments

Other taxes

Federal and state grants and other contributions  
not restricted to specific functions

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position (deficit) - January 1

Net position (deficit) - December 31

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total

\$ (148,929)	\$ -	\$ (148,929)
(994,865)	-	(994,865)
(356,881)	-	(356,881)
(45,965)	-	(45,965)
(359,356)	-	(359,356)
(388,706)	-	(388,706)
(337,402)	-	(337,402)
<u>(2,632,104)</u>	<u>-</u>	<u>(2,632,104)</u>

-	286,144	286,144
-	153,350	153,350
-	733,933	733,933
<u>-</u>	<u>1,173,427</u>	<u>1,173,427</u>

<u>(2,632,104)</u>	<u>1,173,427</u>	<u>(1,458,677)</u>
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1,124,321	-	1,124,321
507,887	-	507,887
14,848	-	14,848
550,213	-	550,213
12,509	6,216	18,725
57,324	-	57,324
(539,966)	539,966	-
<u>1,727,136</u>	<u>546,182</u>	<u>2,273,318</u>

(904,968)	1,719,609	814,641
<u>(2,550,993)</u>	<u>18,302,839</u>	<u>15,751,846</u>

<u>\$ (3,455,961)</u>	<u>\$ 20,022,448</u>	<u>\$ 16,566,487</u>
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**CITY OF KIEL, WISCONSIN**

Balance Sheet

Governmental Funds

December 31, 2016

	General	Tax Incremental District No. 4	Tax Incremental District No. 5	Capital Projects
<b>ASSETS</b>				
Cash and investments	\$ 237,022	\$ -	\$ 25,482	\$ 341,419
Receivables				
Taxes	542,979	130,767	94,520	134,484
Accounts	1,037	-	-	-
Special assessments	-	-	24,803	-
Loans	-	-	-	-
Due from other funds	343,396	-	-	-
Restricted assets				
Cash and investments	23,544	-	23,500	-
<b>TOTAL ASSETS</b>	<b>\$ 1,147,978</b>	<b>\$ 130,767</b>	<b>\$ 168,305</b>	<b>\$ 475,903</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 91,604	\$ 31,604	\$ 90,855	\$ 33,955
Accrued and other current liabilities	35,032	-	-	-
Due to other funds	-	133,951	1,472,162	-
<b>Total Liabilities</b>	<b>126,636</b>	<b>165,555</b>	<b>1,563,017</b>	<b>33,955</b>
<b>Deferred Inflows of Resources</b>				
Property taxes levied for subsequent year	711,333	201,279	134,358	207,000
Special assessments	-	-	24,803	-
Loans	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>711,333</b>	<b>201,279</b>	<b>159,161</b>	<b>207,000</b>
<b>Fund Balances (Deficits)</b>				
<b>Restricted</b>				
Community development	-	-	-	-
Capital projects	-	-	-	234,948
Library	-	-	-	-
Retirement of long-term debt	-	-	-	-
Cemetery perpetual care	-	-	-	-
Public safety programs	23,544	-	-	-
<b>Assigned</b>				
Ambulance	-	-	-	-
Fire department	-	-	-	-
Senior citizen programs	-	-	-	-
<b>Unassigned</b>				
General fund	286,465	-	-	-
Capital projects	-	(236,067)	(1,553,873)	-
<b>Total Fund Balances (Deficits)</b>	<b>310,009</b>	<b>(236,067)</b>	<b>(1,553,873)</b>	<b>234,948</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,147,978</b>	<b>\$ 130,767</b>	<b>\$ 168,305</b>	<b>\$ 475,903</b>

(Continued)

Debt Service	Other Governmental	Total
\$ 251,264	\$ 808,025	\$ 1,663,212
272,794	210,039	1,385,583
-	59,947	60,984
-	-	24,803
-	22,486	22,486
-	-	343,396
-	-	47,044
<u>\$ 524,058</u>	<u>\$ 1,100,497</u>	<u>\$ 3,547,508</u>

\$ -	\$ 21,221	\$ 269,239
-	-	35,032
-	119,445	1,725,558
-	140,666	2,029,829

419,890	322,299	1,996,159
-	-	24,803
-	22,486	22,486
<u>419,890</u>	<u>344,785</u>	<u>2,043,448</u>

-	43,238	43,238
-	382,094	617,042
-	116,393	116,393
104,168	-	104,168
-	8,665	8,665
-	-	23,544
-	85,777	85,777
-	27,728	27,728
-	70,596	70,596
-	-	286,465
-	(119,445)	(1,909,385)
<u>104,168</u>	<u>615,046</u>	<u>(525,769)</u>

<u>\$ 524,058</u>	<u>\$ 1,100,497</u>	<u>\$ 3,547,508</u>
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**CITY OF KIEL, WISCONSIN**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**December 31, 2016**

Reconciliation to the Statement of Net Position

Total Fund Balances (Deficits) as shown on previous page \$ (525,769)

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 8,740,970

The City's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:

Net pension liability	(135,451)
Deferred outflows of resources	742,214
Deferred inflows of resources	(289,550)

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

Special assessments	24,803
Loans receivable	22,486

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	\$ (11,830,075)
Debt premium	(104,115)
Accrued interest on long-term obligations	(101,474)
	(12,035,664)

Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4) \$ (3,455,961)

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

**CITY OF KIEL, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	General	Tax Incremental District No. 4	Tax Incremental District No. 5	Capital Projects
<b>Revenues</b>				
Taxes	\$ 509,933	\$ 124,818	\$ 65,952	\$ 215,000
Special assessments	179	-	9,191	-
Intergovernmental	793,612	794	1,562	-
Licenses and permits	78,972	-	-	-
Fines and forfeits	47,355	-	-	-
Public charges for services	228,622	-	-	-
Intergovernmental charges for services	19,980	-	-	-
Miscellaneous	98,586	-	1,196	24,754
<b>Total Revenues</b>	<b>1,777,239</b>	<b>125,612</b>	<b>77,901</b>	<b>239,754</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	200,110	29,941	54,081	-
Public safety	983,297	-	-	-
Public works	630,964	-	-	-
Health and human services	9,299	-	-	-
Culture and recreation	188,602	-	-	-
Conservation and development	7,500	36,918	400,000	-
<b>Debt service</b>				
Principal	-	60,000	5,000	-
Interest and fiscal charges	-	51,447	108,039	8,045
Capital outlay	-	279,709	1,122,064	672,568
<b>Total Expenditures</b>	<b>2,019,772</b>	<b>458,015</b>	<b>1,689,184</b>	<b>680,613</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(242,533)</b>	<b>(332,403)</b>	<b>(1,611,283)</b>	<b>(440,859)</b>
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	255,000	1,245,000	535,000
Transfers in	429,362	-	-	-
Transfers out	(164,640)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>264,722</b>	<b>255,000</b>	<b>1,245,000</b>	<b>535,000</b>
<b>Net Change in Fund Balances</b>	<b>22,189</b>	<b>(77,403)</b>	<b>(366,283)</b>	<b>94,141</b>
<b>Fund Balances (Deficits) - January 1</b>	<b>287,820</b>	<b>(158,664)</b>	<b>(1,187,590)</b>	<b>140,807</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ 310,009</b>	<b>\$ (236,067)</b>	<b>\$ (1,553,873)</b>	<b>\$ 234,948</b>

(Continued)

Debt Service	Other Governmental	Total
\$ 414,338	\$ 317,117	\$ 1,647,158
-	603	9,973
-	116,831	912,799
-	-	78,972
-	-	47,355
-	220,729	449,351
-	25,753	45,733
90,190	44,988	259,714
<u>504,528</u>	<u>726,021</u>	<u>3,451,055</u>
-	1,583	285,715
-	232,435	1,215,732
-	-	630,964
-	48,672	57,971
-	260,144	448,746
-	10,000	454,418
296,328	341,432	702,760
119,181	38,168	324,880
-	25,384	2,099,725
<u>415,509</u>	<u>957,818</u>	<u>6,220,911</u>
<u>89,019</u>	<u>(231,797)</u>	<u>(2,769,856)</u>
-	-	2,035,000
-	164,640	594,002
-	(18,000)	(182,640)
-	146,640	2,446,362
89,019	(85,157)	(323,494)
15,149	700,203	(202,275)
<u>\$ 104,168</u>	<u>\$ 615,046</u>	<u>\$ (525,769)</u>

**CITY OF KIEL, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended December 31, 2016

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (323,494)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements	\$ 1,300,647	
Depreciation expense reported in the statement of activities	<u>(340,303)</u>	
Amount by which capital outlays are greater than depreciation in current period		960,344

Change in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan. (103,255)

Governmental funds report new loans made and loan repayments as revenues and expenditures. However, these transactions are reported as increases and decreases of loans receivable and are not reflected on the statement of activities. New loans exceeded loan repayments in the current period by: 7,534

Governmental funds report special assessments as revenue in the year paid. Special assessments are recognized as revenue in the year assessed on the statement of activities. Change in special assessments in the current year is: (11,130)

Some capital assets acquired during the year were financed with debt. Debt proceeds is reported in the governmental funds as a source of financing. In the statement of net position, however, debt constitutes a long-term liability. The amount of debt reported in the governmental funds statement is: (2,035,000)

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

General obligation debt retired	702,760	
Debt premium	(86,061)	

Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues. (16,666)

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 5 - 6) \$ (904,968)

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



**CITY OF KIEL, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 515,207	\$ 515,207	\$ 509,933	\$ (5,274)
Special assessments	8,703	8,703	179	(8,524)
Intergovernmental	789,827	789,827	793,612	3,785
Licenses and permits	75,622	75,622	78,972	3,350
Fines and forfeits	55,200	55,200	47,355	(7,845)
Public charges for services	207,737	207,737	228,622	20,885
Intergovernmental charges for services	19,980	19,980	19,980	-
Miscellaneous	84,770	84,770	98,586	13,816
<b>Total Revenues</b>	<b>1,757,046</b>	<b>1,757,046</b>	<b>1,777,239</b>	<b>20,193</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	205,975	205,975	200,110	5,865
Public safety	1,025,149	1,025,149	983,297	41,852
Public works	623,375	623,375	630,964	(7,589)
Health and human services	11,600	11,600	9,299	2,301
Culture and recreation	145,500	145,500	188,602	(43,102)
Conservation and development	6,450	6,450	7,500	(1,050)
<b>Total Expenditures</b>	<b>2,018,049</b>	<b>2,018,049</b>	<b>2,019,772</b>	<b>(1,723)</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(261,003)</b>	<b>(261,003)</b>	<b>(242,533)</b>	<b>18,470</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	422,018	422,018	429,362	7,344
Transfers out	(164,640)	(164,640)	(164,640)	-
<b>Total Other Financing Sources (Uses)</b>	<b>257,378</b>	<b>257,378</b>	<b>264,722</b>	<b>7,344</b>
<b>Net Change in Fund Balance</b>	<b>(3,625)</b>	<b>(3,625)</b>	<b>22,189</b>	<b>25,814</b>
<b>Fund Balance - January 1</b>	<b>287,820</b>	<b>287,820</b>	<b>287,820</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 284,195</b>	<b>\$ 284,195</b>	<b>\$ 310,009</b>	<b>\$ 25,814</b>

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

**CITY OF KIEL, WISCONSIN**  
Statement of Net Position  
Proprietary Funds  
December 31, 2016

	Enterprise Funds			
	Electric Utility	Water Utility	Sewer Utility	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 556,363	\$ 885,730	\$ -	\$ 1,442,093
Receivables				
Accounts	693,099	71,487	130,062	894,648
Special assessments	-	1,400	8,686	10,086
Due from other funds	1,472,162	205,962	-	1,678,124
Inventories and prepaid items	275,679	30,716	18,806	325,201
<b>Total Current Assets</b>	<b>2,997,303</b>	<b>1,195,295</b>	<b>157,554</b>	<b>4,350,152</b>
<b>Noncurrent Assets</b>				
<b>Restricted assets</b>				
Cash and investments	146,352	-	737,595	883,947
<b>Capital assets, nondepreciable</b>				
Land	38,556	2,532	97,941	139,029
Construction in progress	274,738	-	149,093	423,831
<b>Capital assets, depreciable</b>				
Buildings	436,438	1,237,133	4,051,951	5,725,522
Machinery and equipment	4,719,438	872,713	12,052,537	17,644,688
Infrastructure	7,898,532	6,326,885	4,525,154	18,750,571
Less: Accumulated depreciation	(8,339,105)	(2,804,141)	(13,194,389)	(24,337,635)
<b>Total Noncurrent Assets</b>	<b>5,174,949</b>	<b>5,635,122</b>	<b>8,419,882</b>	<b>19,229,953</b>
<b>TOTAL ASSETS</b>	<b>8,172,252</b>	<b>6,830,417</b>	<b>8,577,436</b>	<b>23,580,105</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	228,522	104,425	217,959	550,906
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	386,814	8,107	82,970	477,891
Accrued and other current liabilities	14,390	1,536	8,244	24,170
Accrued interest payable	10,142	820	7,114	18,076
Current maturities of long-term obligations	111,327	21,624	273,368	406,319
Due to other funds	90,000	-	205,962	295,962
<b>Total Current Liabilities</b>	<b>612,673</b>	<b>32,087</b>	<b>577,658</b>	<b>1,222,418</b>
<b>Long-term Obligations</b>				
Revenue bonds	1,615,995	-	850,000	2,465,995
General obligation debt	43,291	16,234	48,702	108,227
Net pension liability	40,897	19,189	39,326	99,412
<b>Total Long-term Obligations</b>	<b>1,700,183</b>	<b>35,423</b>	<b>938,028</b>	<b>2,673,634</b>
<b>TOTAL LIABILITIES</b>	<b>2,312,856</b>	<b>67,510</b>	<b>1,515,686</b>	<b>3,896,052</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension	87,425	41,019	84,067	212,511
<b>NET POSITION</b>				
Net investment in capital assets	3,474,949	5,651,366	6,528,251	15,654,566
<b>Restricted for</b>				
Plant replacement	-	-	644,595	644,595
Retirement of long-term debt	146,352	-	93,000	239,352
Unrestricted (deficit)	2,379,192	1,174,947	(70,204)	3,483,935
<b>TOTAL NET POSITION</b>	<b>\$ 6,000,493</b>	<b>\$ 6,826,313</b>	<b>\$ 7,195,642</b>	<b>\$ 20,022,448</b>

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

**CITY OF KIEL, WISCONSIN**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	Enterprise Funds			
	Electric Utility	Water Utility	Sewer Utility	Total
Operating Revenues				
Charges for services	\$ 8,499,357	\$ 770,493	\$ 1,799,265	\$ 11,069,115
Other	27,579	11,734	503,299	542,612
Total Operating Revenues	<u>8,526,936</u>	<u>782,227</u>	<u>2,302,564</u>	<u>11,611,727</u>
Operating Expenses				
Operation and maintenance	7,597,894	420,700	1,141,103	9,159,697
Depreciation	573,325	194,863	364,245	1,132,433
Taxes	67,954	10,594	27,836	106,384
Total Operating Expenses	<u>8,239,173</u>	<u>626,157</u>	<u>1,533,184</u>	<u>10,398,514</u>
Operating Income	<u>287,763</u>	<u>156,070</u>	<u>769,380</u>	<u>1,213,213</u>
Nonoperating Revenues (Expenses)				
Interest income	1,122	745	4,349	6,216
Interest expense	(17,996)	(2,720)	(35,447)	(56,163)
Total Nonoperating Revenues (Expenses)	<u>(16,874)</u>	<u>(1,975)</u>	<u>(31,098)</u>	<u>(49,947)</u>
Income Before Contributions and Transfers	270,889	154,095	738,282	1,163,266
Capital contributions - others	16,377	-	-	16,377
Capital contributions - tax incremental districts	-	394,786	556,542	951,328
Transfers out - tax equivalent	(172,365)	(110,974)	-	(283,339)
Transfers out	-	-	(128,023)	(128,023)
Change in Net Position	114,901	437,907	1,166,801	1,719,609
Net Position - January 1	<u>5,885,592</u>	<u>6,388,406</u>	<u>6,028,841</u>	<u>18,302,839</u>
Net Position - December 31	<u>\$ 6,000,493</u>	<u>\$ 6,826,313</u>	<u>\$ 7,195,642</u>	<u>\$ 20,022,448</u>

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

**CITY OF KIEL, WISCONSIN**  
Combining Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016

	Enterprise Funds			
	Electric Utility	Water Utility	Sewer Utility	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ 8,568,938	\$ 786,022	\$ 2,355,204	\$ 11,710,164
Payments to employees and suppliers	(7,578,012)	(429,911)	(1,179,317)	(9,187,240)
<b>Net Cash Provided by Operating Activities</b>	<u>990,926</u>	<u>356,111</u>	<u>1,175,887</u>	<u>2,522,924</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Change in due to (from) other funds	(1,130,273)	164,481	(164,481)	(1,130,273)
Transfers out - property tax equivalent	(172,365)	(110,974)	-	(283,339)
Transfers out	-	-	(128,023)	(128,023)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(1,302,638)</u>	<u>53,507</u>	<u>(292,504)</u>	<u>(1,541,635)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of capital assets	(689,655)	(64,750)	(739,855)	(1,494,260)
Removal costs paid	(13,050)	-	-	(13,050)
Proceeds of long-term debt	1,595,000	-	-	1,595,000
Debt premium	22,522	-	-	22,522
Principal paid on long-term debt	(104,400)	(37,695)	(186,356)	(328,451)
Interest paid on long-term debt	(10,736)	(2,902)	(38,169)	(51,807)
Special assessment collections	-	600	4,571	5,171
Capital contributions received	16,377	-	-	16,377
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>816,058</u>	<u>(104,747)</u>	<u>(959,809)</u>	<u>(248,498)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	1,122	745	4,349	6,216
<b>Change in Cash and Cash Equivalents</b>	<u>505,468</u>	<u>305,616</u>	<u>(72,077)</u>	<u>739,007</u>
<b>Cash and Cash Equivalents - January 1</b>	<u>197,247</u>	<u>580,114</u>	<u>809,672</u>	<u>1,587,033</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 702,715</u>	<u>\$ 885,730</u>	<u>\$ 737,595</u>	<u>\$ 2,326,040</u>
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>				
Cash and investments in current assets	\$ 556,363	\$ 885,730	\$ -	\$ 1,442,093
Restricted cash and investments	146,352	-	737,595	883,947
<b>Total Cash and Cash Equivalents</b>	<u>\$ 702,715</u>	<u>\$ 885,730</u>	<u>\$ 737,595</u>	<u>\$ 2,326,040</u>
<b>Cash Flows from Operating Activities</b>				
Operating income	\$ 287,763	\$ 156,070	\$ 769,380	\$ 1,213,213
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	573,325	194,863	364,245	1,132,433
Depreciation charged to sewer utility	-	5,839	(5,839)	-
Change in pension related liabilities (assets) and deferred outflows/inflows of resources	17,404	12,074	10,747	40,225
Changes in assets and liabilities				
Accounts receivable	42,002	3,795	52,640	98,437
Inventories and prepaid items	32,470	7,508	(4,375)	35,603
Accounts payable	44,671	(20,320)	(9,114)	15,237
Accrued and other current liabilities	(6,709)	(3,718)	(1,797)	(12,224)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 990,926</u>	<u>\$ 356,111</u>	<u>\$ 1,175,887</u>	<u>\$ 2,522,924</u>
<b>Noncash Capital and Related Financing Activities</b>				
Capital assets financed by the City	\$ -	\$ 394,786	\$ 556,542	\$ 951,328

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

**CITY OF KIEL, WISCONSIN**  
**Statement of Net Position**  
**Fiduciary Funds**  
**December 31, 2016**

	Tax Roll
<b>ASSETS</b>	
Cash and investments	\$ 1,349,930
Receivables	
Taxes	2,504,262
<b>TOTAL ASSETS</b>	<b>\$ 3,854,192</b>
<b>LIABILITIES</b>	
Due to other governments	<b>\$ 3,854,192</b>

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

- 1. Reporting Entity**  
The City of Kiel is a municipal corporation governed by an elected six member council. In accordance with GAAP, the basic financial statements are required to include the City (the primary government) and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.
- 2. Government-Wide and Fund Financial Statements**  
The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.  
The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.  
Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service, capital projects and permanent funds. Proprietary funds include enterprise funds. The City has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**GENERAL FUND**

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

**TAX INCREMENTAL FINANCING DISTRICT NO. 4 CAPITAL PROJECTS FUND**

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities related to the District's project plan.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**TAX INCREMENTAL FINANCING DISTRICT NO. 5 CAPITAL PROJECTS FUND**

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities related to the District's project plan.

**CAPITAL PROJECTS FUND**

This fund accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

**DEBT SERVICE FUND**

This fund is used to account for resources accumulated and payments made for principal and interest on long-term debt other than tax incremental financing districts or enterprise fund debt.

The City reports the following major enterprise funds:

**ELECTRIC UTILITY FUND**

This fund is used to account for the operations of the City's electric utility.

**WATER UTILITY FUND**

This fund is used to account for the operations of the City's water utility.

**SEWER UTILITY FUND**

This fund is used to account for the operations of the City's sewer utility.

Additionally, the government reports the following non-major funds:

**Special revenue funds** account for the proceeds and spending of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes. The City accounts for the activities of the revolving loan, library, ambulance, fire department, and senior citizens fund as special revenue funds.

**Capital projects funds** account for the financial resources to be used for the acquisition and construction of major capital facilities or environmental remediation related to the environmental remediation project plan.

**Permanent funds** account for financial resources to be used for a specific purpose. The City accounts for the cemetery perpetual care as a permanent fund.

The City accounts for property tax collections in an *agency fund*.

**3. Measurement Focus and Basis of Accounting**

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

c. Interfund Receivables and Payables  
During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the fund financial statements.

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

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

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

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

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

f. Capital Assets  
Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$2,500 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements.

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

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

Assets	Governmental Activities		Business-type Activities	
	Years			
Land improvements	20	-	25 - 50	-
Buildings	25 - 50	-	5 - 20	3 - 10
Machinery and equipment	5 - 20	-	35 - 80	25 - 100
Infrastructure	35 - 80	-		

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- g. **Compensated Absences**  
The City's policy allows employees to earn varying amounts of vacation time for each year employed. Upon retirement or termination of employment, the employee is entitled to payment in cash for any unused accrued vacation. Vacation time must be taken in the year earned; therefore, no liability exists at year-end.
- Sick leave is earned at a rate of one day per month of full-time service. Employees are not compensated for unused sick leave upon termination of employment. Therefore, no accrual for earned sick leave is recorded at year-end.

- h. **Deferred Outflows/Inflows of Resources**  
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

- In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. The City also has an additional type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, loans receivable and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts became available.

- i. **Long-term Obligations**  
In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

- In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- j. **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.

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

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

The City has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS**

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



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

1. **Presentation of Sales Taxes**  
The electric utility collects sales tax from certain customers and remits the entire amount to the State of Wisconsin. The electric utility's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.
5. **Use of Estimates**  
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**NOTE B - STEWARDSHIP AND COMPLIANCE**

1. **Budgets and Budgetary Accounting**  
The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:
  - a. During October, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
  - b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, capital projects and debt service funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
  - c. During the year, formal budgetary integration is employed as a management control device for the general, capital projects and debt service funds.
  - d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.
  - e. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2016. Individual amendments throughout the year were not material in relation to the original budget.

**NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)**

2. **Excess of Expenditures Over Budget Appropriations**  
The following expenditure accounts of the general fund had actual expenditures in excess of budget appropriations for the year ended December 31, 2016 as follows:

Fund/Function/Department	Excess Expenditures
General Fund	
General Government	\$
Municipal court	
Law	107
Treasurer	166
Assessment of property	1,175
School patrol	1,334
Building Inspector	73
Public Works	1,516
Director of public works	
Street repair	387
Street machinery repair	2,863
Street cleaning	4,910
Snow removal	936
Street signs and markings	5,236
Garbage containers	6,619
Recycling	926
Culture and Recreation	6,939
Parks	
Recreation department	19,210
Community development	13,076
Community safety	15,965
Conservation and Development	5,218
Dam maintenance	1,164

3. **Deficit Fund Equity**  
The following funds had deficit fund equity as of December 31, 2016:

Fund	Deficit Fund Equity
Capital Projects Funds	
Tax Incremental District No. 4	\$ 236,067
Tax Incremental District No. 5	1,563,873
ER Tax Incremental District	119,445

The City anticipates funding the above deficits from future revenues, including future tax increment levies.

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments  
The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and Investments."  
Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

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

The carrying amount of the City's cash and investments totaled \$5,386,226 on December 31, 2016 as summarized below:

Deposits with financial institutions	\$ 1,402,577
Investments	19,808
Mutual funds	3,963,841
Repurchase agreement	<u>5,386,226</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	\$ 3,105,305
Cash and investments	930,991
Restricted cash and investments	<u>1,349,930</u>
Fiduciary Fund Statement of Net Position	<u>5,386,226</u>

Fair Value Measurements  
The City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following fair value measurements as of December 31, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments	\$ -	\$ 19,808	\$ -
Exchange traded funds			

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

As of December 31, 2016, \$166,636 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

On December 31, 2016, the City held repurchase agreement investments of \$3,963,841 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

Credit Risk

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

Investment Type	Amount	Exempt from Disclosure	AAA	AA	Not Rated
Exchange traded funds	\$ 19,808	\$ -	\$ 19,808	\$ -	\$ -

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Total Investments
Repurchase agreements	Federal agency securities	\$ 3,963,841	99%

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment Type	Amount	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Mutual funds	\$ 19,808	\$ 19,808	\$ -	\$ -
Repurchase agreements	3,983,841	3,983,841	-	-
Totals	\$ 3,983,649	\$ 3,983,649	\$ -	\$ -

2. Property Taxes

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

The City bills and collects its own property taxes and also levies and collects taxes for the Kiel School District, Manitowoc and Calumet Counties, Lakeshore Technical College, and the State of Wisconsin. Collection and remittance of taxes collected on behalf of these other governments are accounted for in a property tax agency fund.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Restricted Assets

Restricted assets on December 31, 2016 totaled \$930,991 and consisted of cash and investments held for the following purposes:

Governmental Funds		
General Fund		\$ 23,544
Public safety programs		
Tax increment District No. 5		
Revenue bond reserve fund		23,500
Enterprise Funds		146,352
Electric Utility		
Revenue bond reserve fund		
Sewer Utility		
Revenue bond reserve fund		93,000
Equipment replacement fund		644,595
Total Sewer Utility		737,595
Total Restricted Assets		\$ 930,991

**CITY OF KIEL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 445,245	\$ 151,113	-	\$ 596,358
Construction in progress	21,852	319,130	-	340,982
Total capital assets, not being depreciated	467,097	470,243	-	937,340
Capital assets, being depreciated:				
Land improvements	579,857	6,041	-	584,898
Buildings	5,060,913	-	-	5,060,913
Machinery and equipment	2,911,434	755,328	35,947	3,630,815
Infrastructure	1,822,685	69,035	-	1,991,720
Subtotals	10,473,889	830,404	35,947	11,268,346
Less accumulated depreciation for:				
Land improvements	214,490	16,332	-	230,822
Buildings	1,143,178	108,592	-	1,251,770
Machinery and equipment	1,692,934	171,612	35,947	1,828,599
Infrastructure	108,758	43,767	-	152,525
Subtotals	3,165,360	340,303	35,947	3,464,716
Total capital assets, being depreciated, net	7,313,529	490,101	-	7,803,630
Governmental activities capital assets, net	\$ 7,780,626	\$ 960,344	\$ -	\$ 8,740,970
Less related long-term debt outstanding				9,072,211
Net investment in capital assets				\$ (31,241)
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 139,029	\$ -	\$ -	\$ 139,029
Construction in progress	1,042,277	342,744	961,190	423,831
Total capital assets, not being depreciated	1,181,306	342,744	961,190	562,860
Capital assets, being depreciated:				
Buildings	5,864,798	60,724	-	5,725,522
Machinery and equipment	15,626,766	2,081,281	63,359	17,644,688
Infrastructure	18,029,985	926,721	206,135	18,750,571
Subtotals	39,321,549	3,068,726	269,494	42,120,781
Less accumulated depreciation	23,483,054	1,132,433	277,852	24,337,555
Total capital assets, being depreciated, net	15,838,495	1,936,293	(6,358)	17,783,146
Governmental activities capital assets, net	\$ 17,019,801	\$ 2,279,037	\$ 952,832	\$ 18,346,006
Less related long-term debt outstanding				2,691,440
Net investment in capital assets				\$ 15,654,566

**CITY OF KIEL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

Governmental activities	\$ 35,807
General government	182,622
Public safety	86,876
Public works	786
Health and human services	34,212
Culture and recreation	-
Total depreciation expense - governmental activities	\$ 340,303
Business-type activities	\$ 573,325
Electric utility	194,863
Water utility	364,245
Sewer utility	-
Total depreciation expense - business-type activities	\$ 1,132,433

5. Interfund Receivable, Payables, and Transfers  
Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2016 are detailed below:

General fund	-	-
Capital project funds	-	-
Tax Incremental District No. 4	-	133,951
Tax Incremental District No. 5	-	1,472,162
ER Tax Incremental District	-	119,445
Enterprise funds	1,472,162	90,000
Electric utility	-	205,962
Water utility	-	-
Sewer utility	-	-
Totals	\$ 2,021,520	\$ 2,021,520

The purpose of these interfunds is to account for the time lag between 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 or to account for temporary cash advances to finance operating cash deficits of other funds.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended December 31, 2016 were as follows:

Purpose	Transfer In	Transfer Out	Amount
Fund Financial Statement Transfers			
Property tax equivalent	General	Electric	\$ 172,365
Property tax equivalent	General	Water Utility	110,974
Operating transfer	General	Sewer Utility	128,023
Library appropriation	Library	General	156,640
Fire department transfer	Fire	General	8,000
Rent and administration charge	General	Ambulance	18,000
Government-Wide Financial Statement Transfers			
Capital assets contributed by City	Water	TID #4	(394,786)
Capital assets contributed by City	Sewer	TID #4	(566,542)
Interfund Eliminations			(182,640)
Net Transfer - Statement of Activities			\$ (539,966)

6. **Short-term Debt**  
The City maintains a short term loan agreement. Loan activity for the year ended December 31, 2016 was as follows:

Description	Beginning Balance	Issued	Redeemed	Ending Balance
First Merit Bank, promissory note issued 7/15/15, principal plus interest due 1/15/16, accruing interest at 1.75%	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -

Total interest paid during the year on short-term debt totaled \$4,483.

7. **Long-term Obligations**  
The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2016:

Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
\$ 1,760,000	\$ 2,035,000	\$ 145,000	\$ 3,650,000	\$ 150,000
8,502,835	-	557,760	7,945,075	711,848
10,262,835	2,035,000	702,760	11,595,075	861,848
18,054	90,190	4,129	104,115	8,639
235,000	-	-	235,000	20,000
\$ 10,515,889	\$ 2,125,190	\$ 706,889	\$ 11,934,190	\$ 890,487
\$ 226,784	\$ -	\$ 66,405	\$ 160,379	\$ 52,152
1,464,686	1,595,000	262,046	2,797,640	352,640
-	22,904	382	22,522	1,527
\$ 1,691,470	\$ 1,617,904	\$ 328,833	\$ 2,980,541	\$ 406,319

Total interest paid during the year on long-term debt totaled \$336,219.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt  
General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/16
General Obligation Bonds					
Refunding Bonds	01/12/10	2.75 - 3.50%	11/01/18	\$ 975,000	\$ 245,000
Bonds	03/01/11	3.00 - 5.00%	03/01/31	1,640,000	1,370,000
Bonds	10/04/16	2.00 - 2.85%	10/01/31	2,035,000	2,035,000
					3,650,000
General Obligation Notes					
State Trust Fund Notes	01/31/05	5.25%	03/15/24	381,464	240,455
Promissory Notes	06/01/07	3.90 - 4.00%	06/01/17	1,850,000	284,969
Promissory Notes	04/03/08	3.35 - 3.75%	03/01/18	385,000	110,000
Promissory Notes	02/26/09	2.90 - 3.60%	09/01/18	1,085,000	435,000
Promissory Notes	11/13/12	0.55 - 2.0%	05/01/22	2,680,000	2,330,000
Promissory Notes	08/17/14	1.00 - 4.75%	03/21/29	1,295,000	1,220,000
Promissory Notes	10/09/14	1.00 - 2.50%	10/01/24	2,235,000	2,235,000
Promissory Notes	08/16/15	1.40 - 2.60%	08/01/25	1,250,000	1,250,000
Total General Obligation Notes				8,105,454	8,105,454
Total General Obligation Debt					\$ 11,755,454

Annual principal and interest maturities of the outstanding general obligation debt of \$11,755,454 on December 31, 2016 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 861,848	\$ 310,664	\$ 52,152	\$ 7,115	\$ 914,000	\$ 317,779
2018	932,500	286,270	12,500	5,682	945,000	291,952
2019	533,500	265,330	13,500	5,025	547,000	270,355
2020	560,000	253,417	15,000	4,329	575,000	257,746
2021	575,500	240,272	15,500	3,529	591,000	243,801
2022 - 2026	6,201,727	751,909	51,727	5,498	6,253,454	757,407
2027 - 2031	1,930,000	179,524	-	-	1,930,000	179,524
	\$ 11,595,075	\$ 2,287,366	\$ 160,379	\$ 31,178	\$ 11,755,454	\$ 2,318,564

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt  
The City's legal margin for creation of additional general obligation debt on December 31, 2016 was \$1,752,993 as follows:

Equalized valuation of the City Statutory limitation percentage	\$ 272,252,300
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	(x) 5%
Total outstanding general obligation debt applicable to debt limitation \$	13,612,615
Less: Amounts available for financing general obligation debt	11,755,454
Debt service fund	(104,168)
Net outstanding general obligation debt applicable to debt limitation	11,859,622
Legal Margin for New Debt	<u>\$ 1,752,993</u>

Revenue Bonds  
Revenue bond debt service requirements are financed from operations of the City's enterprise funds. Revenue bonds outstanding on December 31, 2016, totaled \$3,032,640 and were comprised of the following issues:

Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/16
08/18/97	3.45%	05/01/17	\$ 2,469,987	\$ 167,640
09/16/15	1.00 - 2.60%	05/01/25	1,165,000	1,165,000
06/01/07	3.90 - 4.10%	12/01/17	900,000	105,000
10/04/16	2.00 - 2.30%	12/01/31	1,595,000	1,595,000
<b>Total Revenue Bonds</b>			<b>\$ 3,032,640</b>	

Annual principal and interest maturities of the above outstanding enterprise fund revenue bonds of \$3,032,640 on December 31, 2016 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 20,000	\$ 4,523	\$ 352,640	\$ 62,545	\$ 372,640	\$ 67,068
2018	25,000	4,266	185,000	49,316	210,000	53,582
2019	25,000	3,923	195,000	46,073	220,000	49,996
2020	25,000	3,523	200,000	42,510	225,000	46,033
2021	25,000	3,073	210,000	38,663	235,000	41,736
2022-2028	115,000	6,188	1,035,000	123,570	1,150,000	129,758
2027-2031	-	-	620,000	41,645	620,000	41,645
	<b>\$ 235,000</b>	<b>\$ 25,496</b>	<b>\$ 2,797,640</b>	<b>\$ 404,322</b>	<b>\$ 3,032,640</b>	<b>\$ 429,818</b>

The City has pledged future electric and sewer customer revenues, net of specified operating expenses, to repay the electric and sewer system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the system/utility. The bonds are payable solely from electric and sewer customer net revenues and are payable through 2031. The total principal and interest remaining to be paid on the bonds are \$3,462,458. Principal and interest paid for the current year and total customer net revenues were \$299,733 and \$2,000,184, respectively.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2016, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$6,745,762.

8. Pension Plan:

a. 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.

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

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and 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.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

b. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%
2015	2.8%	2%

c. 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 \$140,537 in contributions from the City.

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

At December 31, 2016, the City reported a liability of \$234,863 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.01445329%, which was an increase of 0.00027711% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$280,944.

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	\$ 38,970	\$ 484,266
Net differences between projected and actual earnings on pension plan investments	959,124	-
Changes in assumptions	164,320	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,795
Employer contributions subsequent to the measurement date	130,706	-
Total	\$ 1,293,120	\$ 502,061

\$130,706 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 301,599	\$ 121,835
2017	301,599	121,835
2018	301,599	121,835
2019	252,350	120,895
2020	5,257	15,861
Total	\$ 1,162,414	\$ 502,061

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

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

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability:	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	3.2%
Inflation:	0.2% - 5.6%
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 percentages 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 Fund	100%	100%	7.9%	5.0%

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

**Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability 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 (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
\$ 1,647,335	\$ 234,863	\$ (868,302)

City's proportionate share of the net pension liability (asset)

**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://leif.wi.gov/publications/cafr.htm>.

f. Payable to the WRS

At December 31, 2016 the City did not report a payable for outstanding contributions to the pension plan for the year ended December 31, 2016.

NOTE D - OTHER INFORMATION

- Risk Management**  
The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City completes an annual review of its insurance coverage to ensure adequate coverage.
- Property Tax Levy Limit**  
Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2016 and 2017 budget years, Wisconsin statutes limit the increase in the maximum allowable tax levy to the percentage change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2016 budget was 1.556%. The actual limit for the City for the 2017 budget was 2.656%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.



**NOTED - OTHER INFORMATION (Continued)**

**3. Tax Incremental Financing Districts**

The City has established separate capital projects funds for the Tax Incremental Financing Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the TID's were created, the property tax base within each TID was "frozen" and increment taxes resulting from increases to the property tax base are used to finance TID improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The Statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The City's districts are still eligible to incur project costs.

Since creation of the above TID's, the City has provided various financing sources to each TID and has also recorded eligible TID project costs in other funds of the City. The foregoing amounts are not recorded as liabilities in the TID capital project funds but can be recovered by the City from any future excess tax increment revenues.

Detail of the amounts recoverable by the City as of December 31, 2016 from future excess tax increment revenues follows:

	Total	TID No. 2	TID No. 4	TID No. 5	ER TID
Net Unreimbursed Project Costs	\$ 9,326,288	\$ 366,903	\$ 2,091,067	\$ 6,618,873	\$ 249,445

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

	Termination Year
Tax Incremental District No. 2	2017
Tax Incremental District No. 4	2031
Tax Incremental District No. 5	2034
ER Tax Incremental District	2021

**4. Contingencies**

a. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF KIEL, WISCONSIN**  
 Schedule of Proportionate Share of the Net Pension Liability (Asset)  
 Wisconsin Retirement System  
 Last 10 Fiscal Years

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.01417618%	\$ 348,205	\$ 1,788,636	19.47%	102.74%
12/31/16	0.01445329%	234,863	1,846,580	12.72%	98.20%

Schedule of Contributions  
 Wisconsin Retirement System  
 Last 10 Fiscal Years

Fiscal Year Ending	Contributions in Relation to the Contractually Required Contributions		Contributions as a Percentage of Covered Payroll	
	Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 141,354	\$ -	\$ 1,788,636	7.90%
12/31/16	140,537	-	1,846,580	7.61%

**SUPPLEMENTARY INFORMATION**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The City is required to present the last ten fiscal years of data, however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

CITY OF KIEL, WISCONSIN  
General Fund

Detailed Comparison of Budgeted and Actual Revenues and Other Financing Sources  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Taxes</b>				
General property taxes	\$ 500,357	\$ 500,357	\$ 494,983	\$ (5,374)
Payment in lieu of taxes	-	-	13	13
Mobile home fees	14,800	14,800	14,835	35
Interest on taxes	50	50	102	52
<b>Total Taxes</b>	<b>515,207</b>	<b>515,207</b>	<b>509,933</b>	<b>(5,274)</b>
<b>Special Assessments</b>				
Sidewalks	8,703	8,703	179	(8,524)
<b>Intergovernmental</b>				
State shared revenues	543,370	543,370	543,376	6
State shared fire insurance	10,800	10,800	11,895	1,095
State transportation aid	193,207	193,207	193,113	(94)
State recycling aid	16,932	16,932	21,423	4,491
State exempt computer aid	4,700	4,700	5,374	674
State connecting streets	18,618	18,618	18,431	(187)
Fire department - DNR	2,200	2,200	-	(2,200)
<b>Total Intergovernmental</b>	<b>789,827</b>	<b>789,827</b>	<b>793,612</b>	<b>3,785</b>
<b>Licenses and Permits</b>				
Operators	700	700	868	168
Liquor and mail beverage	4,582	4,582	4,679	97
Mobile home park	450	450	450	-
Cigarette	225	225	250	25
Bicycle	75	75	-	(75)
Dog and cat	7,500	7,500	7,442	(58)
Building	14,000	14,000	15,334	1,334
Cable franchise fees	48,000	48,000	49,834	1,834
Street privilege	40	40	40	-
Other	50	50	75	25
<b>Total Licenses and Permits</b>	<b>75,622</b>	<b>75,622</b>	<b>78,972</b>	<b>3,350</b>
<b>Fines and Forfeits</b>				
Court penalties and costs	55,200	55,200	47,355	(7,845)

(Continued)

CITY OF KIEL, WISCONSIN  
General Fund

Detailed Comparison of Budgeted and Actual Revenues and Other Financing Sources (Continued)  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Public Charges for Services</b>				
Publication fees	176	176	176	-
Special assessment letters	1,200	1,200	1,440	240
Fire department	1,750	1,750	4,460	2,710
Parking	80	80	110	30
Refuse and garbage collection	195,511	195,511	197,257	1,746
Dog and cat pound fees	20	20	40	20
Cemetery	3,000	3,000	875	(2,125)
Recreation department	6,000	6,000	24,264	18,264
<b>Total Public Charges for Services</b>	<b>207,737</b>	<b>207,737</b>	<b>228,622</b>	<b>20,885</b>
<b>Intergovernmental Charges for Services</b>				
Schleswig Fire Department	19,980	19,980	19,980	-
<b>Miscellaneous</b>				
Interest income	5,570	5,570	7,590	2,020
Miscellaneous general revenue	11,000	11,000	2,200	(8,800)
Rent - City buildings	55,000	55,000	54,839	(161)
Donations	13,200	13,200	33,957	20,757
<b>Total Miscellaneous</b>	<b>84,770</b>	<b>84,770</b>	<b>98,586</b>	<b>13,816</b>
<b>Total Revenues</b>	<b>1,757,046</b>	<b>1,757,046</b>	<b>1,777,239</b>	<b>20,193</b>
<b>Other Financing Sources</b>				
Transfer in - tax equivalent	276,000	276,000	283,339	7,339
Transfer in - sewer utility	128,018	128,018	128,023	5
Transfer in - other	18,000	18,000	18,000	-
<b>Total Other Financing Sources</b>	<b>422,018</b>	<b>422,018</b>	<b>429,362</b>	<b>7,344</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 2,179,064</b>	<b>\$ 2,179,064</b>	<b>\$ 2,206,601</b>	<b>\$ 27,537</b>

CITY OF KIEL, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Expenditures and Other Financing Uses  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
General Government	\$ 11,900	\$ 11,900	\$ 10,401	\$ 1,499
- Council	6,400	6,400	6,507	(107)
- Municipal court	5,000	5,000	5,166	(166)
- Law	5,050	5,050	3,822	1,228
- Mayor	56,625	56,625	54,547	2,078
- Administrator	13,000	13,000	11,092	1,908
- Elections	9,100	9,100	9,100	-
- Accounting and auditing	12,000	12,000	13,175	(1,175)
- Treasurer	14,900	14,900	16,234	(1,334)
- Assessment of property	44,000	44,000	43,336	664
- City hall	28,000	28,000	26,730	1,270
- Property and liability insurance	205,975	205,975	200,110	5,865
- Total General Government	862,000	862,000	823,913	38,087
Public Safety	60	60	30	30
- Police department	-	-	73	(73)
- Court witness fees	41,500	41,500	39,568	1,932
- School patrol	92,840	92,840	89,448	3,392
- Dispatch center	12,249	12,249	12,249	-
- Fire department	16,500	16,500	18,016	(1,516)
- Ambulance	1,025,149	1,025,149	983,297	41,852
- Building inspector	7,409	7,409	7,796	(387)
- Total Public Safety	47,500	47,500	50,363	(2,863)
Public Works	37,300	37,300	42,210	(4,910)
- Director of public works	1,560	1,560	1,121	439
- Street repair	34,500	34,500	27,592	6,908
- Street machinery repair	7,800	7,800	8,736	(936)
- Street machinery expenses	65,000	65,000	70,236	(5,236)
- Garage	165	165	-	165
- Street cleaning	10,250	10,250	16,869	(6,619)
- Snow removal	100,000	100,000	99,654	346
- Curb and gutter	1,260	1,260	825	435
- Street signs and markings	20,000	20,000	8,422	11,578
- Street lighting	14,700	14,700	14,038	662
- Sidewalks	5,600	5,600	5,067	433
- Storm sewers maintenance	4,900	4,900	4,659	241
- Garbage - non-burnable	166,917	166,917	167,843	(926)
- Weed control	98,594	98,594	105,533	(6,939)
- Tree and brush control	623,375	623,375	630,964	(7,589)
- Garbage containers				
- Recycling				
- Total Public Works				

(Continued)

CITY OF KIEL, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Expenditures and Other Financing Uses (Continued)  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Health and Human Services	11,600	11,600	9,299	2,301
- Cemetery	7,600	7,600	4,600	3,000
- Culture and Recreation	30,000	30,000	26,507	3,493
- Historical home - Stoelling	2,200	2,200	1,658	542
- Community center	71,000	71,000	90,210	(19,210)
- Historical home - Bessler	11,600	11,600	27,565	(15,965)
- Parks	11,400	11,400	24,476	(13,076)
- Community development	4,200	4,200	868	3,332
- Recreation department	7,500	7,500	12,718	(5,218)
- Skating rink	145,500	145,500	188,602	(43,102)
- Community safety	2,200	2,200	2,086	114
- Total Culture and Recreation	4,250	4,250	5,414	(1,164)
Conservation and Development	6,450	6,450	7,500	(1,050)
- Regulation devices - clock	2,018,049	2,018,049	2,019,772	(1,723)
- Dam maintenance	156,640	156,640	156,640	-
- Total Conservation and Development	8,000	8,000	8,000	-
Total Expenditures	2,018,049	2,018,049	2,019,772	(1,723)
Other Financing Uses	156,640	156,640	156,640	-
- Transfers out - municipal contribution - library	8,000	8,000	8,000	-
- Transfers out - fire department	164,640	164,640	164,640	-
- Total Other Financing Uses	\$ 2,182,689	\$ 2,182,689	\$ 2,184,412	\$ (1,723)

CITY OF KIEL, WISCONSIN  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2016

	Special Revenue				
	Revolving Loan	Library	Ambulance	Fire Department	Senior Citizens
Cash and investments	\$ 43,238	\$ 120,633	\$ 42,149	\$ 27,728	\$ 71,258
Receivables	-	-	-	-	-
Taxes	-	-	-	-	-
Accounts	-	-	59,947	-	-
Loans	22,486	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 65,724</b>	<b>\$ 120,633</b>	<b>\$ 102,096</b>	<b>\$ 27,728</b>	<b>\$ 71,258</b>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities	\$ -	\$ 4,240	\$ 16,319	\$ -	\$ 662
Accounts payable	-	-	-	-	-
Due to other funds	-	4,240	16,319	-	662
Total Liabilities	-	4,240	16,319	-	662
Deferred Inflows of Resources	-	-	-	-	-
Property taxes levied for subsequent years	-	-	-	-	-
Loans	22,486	-	-	-	-
Total Deferred Inflows of Resources	22,486	-	-	-	-

Fund Balances (Deficits)

Restricted	-	-	-	-	-
Capital projects	-	-	-	-	-
Community development	43,238	-	-	-	-
Library	-	116,393	-	-	-
Cemetery perpetual care	-	-	-	-	-
Assigned	-	-	-	-	-
Ambulance	-	-	85,777	-	-
Fire department	-	-	-	27,728	-
Senior citizen programs	-	-	-	-	70,596
Unassigned	-	-	-	-	-
Capital projects	-	-	-	-	-
Total Fund Balances (Deficits)	43,238	116,393	85,777	27,728	70,596

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

	\$ 65,724	\$ 120,633	\$ 102,096	\$ 27,728	\$ 71,258
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	Capital Projects		Total
	Tax Incremental District No. 2	ER Tax Incremental District	
	\$ 494,354	\$ -	\$ 8,665
	210,039	-	210,039
	-	-	59,947
	-	-	22,486
<b>TOTAL ASSETS</b>	<b>\$ 704,393</b>	<b>\$ -</b>	<b>\$ 8,665</b>

	\$ -	\$ -	\$ 21,221
	-	119,445	119,445
	-	119,445	140,666

	322,299	-	322,299
	322,299	-	22,486
	-	-	344,785

	382,094	-	382,094
	-	-	43,238
	-	-	116,393
	-	-	8,665
	-	-	85,777
	-	-	27,728
	-	-	70,596
	-	(119,445)	(119,445)
	382,094	(119,445)	8,665

	\$ 704,393	\$ -	\$ 8,665
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**CITY OF KIEL, WISCONSIN**  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended December 31, 2016

	Special Revenue				Senior Citizens
	Revolving Loan	Library	Ambulance	Fire Department	
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	-	87,559	9,912	18,691	-
Public charges for services	-	10,765	201,091	900	7,973
Intergovernmental charges for services	-	-	25,753	-	-
Miscellaneous	2,955	2,737	28,354	5,187	4,788
<b>Total Revenues</b>	<b>2,955</b>	<b>101,061</b>	<b>265,110</b>	<b>24,778</b>	<b>12,761</b>
<b>Expenditures</b>					
Current					
General government	-	-	206,987	25,448	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and human services	-	-	-	-	48,672
Culture and recreation	-	260,144	-	-	-
Conservation and development	10,000	-	-	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	16,758	-	-
<b>Total Expenditures</b>	<b>10,000</b>	<b>260,144</b>	<b>223,745</b>	<b>25,448</b>	<b>48,672</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(7,045)</b>	<b>(159,083)</b>	<b>41,365</b>	<b>(670)</b>	<b>(35,911)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	156,640	-	8,000	-
Transfers out	-	-	(18,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>156,640</b>	<b>(18,000)</b>	<b>8,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(7,045)</b>	<b>(2,443)</b>	<b>23,365</b>	<b>7,330</b>	<b>(35,911)</b>
<b>Fund Balances (Deficit) - January 1</b>	<b>50,283</b>	<b>118,836</b>	<b>62,412</b>	<b>20,398</b>	<b>106,507</b>
<b>Fund Balances (Deficit) - December 31</b>	<b>\$ 43,238</b>	<b>\$ 116,393</b>	<b>\$ 85,777</b>	<b>\$ 27,728</b>	<b>\$ 70,596</b>

  

	Capital Projects		Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
	Tax Incremental District No. 2	ER Tax Incremental District		
	\$ 317,117	\$ -	\$ -	\$ 317,117
	603	-	-	603
	325	343	-	116,831
	-	-	-	220,729
	-	-	-	25,753
	967	-	-	44,988
	<b>319,013</b>	<b>343</b>	<b>-</b>	<b>726,021</b>
	1,583	-	-	1,583
	-	-	-	232,435
	-	-	-	48,672
	-	-	-	260,144
	-	-	-	10,000
	341,432	-	-	341,432
	34,180	3,988	-	38,168
	-	8,626	-	25,364
	<b>377,195</b>	<b>12,614</b>	<b>-</b>	<b>957,818</b>
	(58,182)	(12,271)	-	(231,797)
	-	-	-	164,640
	-	-	-	(18,000)
	-	-	-	146,640
	(58,182)	(12,271)	-	(85,157)
	440,276	(107,174)	8,665	700,203
	<b>\$ 362,094</b>	<b>\$ (119,445)</b>	<b>\$ 8,665</b>	<b>\$ 615,046</b>

CITY OF KIEL, WISCONSIN  
Water Utility Enterprise Fund

Comparative Statements of Revenues, Expenses and Changes in Fund Net Position  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Operating Revenues</b>		
Charges for Services		
Measured sales		
Residential	\$ 247,895	\$ 249,997
Multi-Family Residential	6,781	6,494
Commercial	29,666	30,979
Industrial	277,113	257,454
Public authorities	11,749	10,656
Private fire protection	5,172	5,172
Public fire protection	182,117	191,211
Total Charges for Services	770,493	751,963
Other Operating Revenues		
Forfeited discounts	1,827	1,212
Other water revenues	9,907	10,047
Total Other Operating Revenues	11,734	11,259
Total Operating Revenues	782,227	763,222
<b>Operating Expenses</b>		
Operation and Maintenance		
Pumping	95,097	108,112
Water treatment	21,776	14,266
Transmission and distribution	141,222	154,790
Customer accounts	23,426	23,804
Administrative and general	139,179	123,094
Total Operation and Maintenance	420,700	424,066
Depreciation	194,863	187,310
Taxes	10,594	13,325
Total Operating Expenses	626,157	624,701
Operating Income	156,070	138,521
<b>Nonoperating Revenues (Expenses)</b>		
Interest revenue	745	819
Interest expense	(2,720)	(4,171)
Amortization of debt discount	(1,875)	(3,352)
Total Nonoperating Revenues (Expenses)	154,095	135,169
Income Before Contributions and Transfers	394,766	288,110
Capital contributions - tax incremental districts	(110,974)	(107,469)
Transfers out - tax equivalent	437,907	315,810
Change in Net Position	6,388,405	6,072,596
Net Position - January 1	\$ 6,826,313	\$ 6,388,406
Net Position - December 31		

CITY OF KIEL, WISCONSIN  
Sewer Utility Enterprise Fund

Comparative Statements of Revenues, Expenses and Changes in Fund Net Position  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Operating Revenues</b>		
Charges for Services		
Measured sales		
Residential	\$ 411,288	\$ 402,042
Commercial	56,672	55,325
Industrial	976,770	816,891
Public authorities	13,553	11,794
Other sewage services	340,982	648,782
Total Charges for Services	1,799,265	1,934,834
Other Operating Revenues		
Forfeited discounts	1,852	1,043
Other sewer revenues	501,447	1,449
Total Other Operating Revenues	503,299	2,492
Total Operating Revenues	2,302,564	1,937,326
<b>Operating Expenses</b>		
Operation and Maintenance		
Operation	831,507	761,049
Maintenance	150,143	186,601
Customer accounts	47,688	52,235
Administrative and general	111,765	123,952
Total Operation and Maintenance	1,141,103	1,123,837
Depreciation	364,245	341,437
Taxes	27,836	28,796
Total Operating Expenses	1,533,184	1,494,070
Operating Income	769,380	443,256
<b>Nonoperating Revenues (Expenses)</b>		
Interest revenue	4,349	9,981
Interest expense	(35,397)	(61,181)
Amortization of debt discount	(50)	-
Total Nonoperating Revenues (Expenses)	(31,098)	(51,200)
Income Before Contributions and Transfers	738,282	392,056
Capital contributions - tax incremental districts	556,642	336,232
Transfers out	(128,023)	(128,023)
Change in Net Position	1,166,801	600,265
Net Position - January 1	6,028,841	5,428,576
Net Position - December 31	\$ 7,195,642	\$ 6,028,841

**CITY OF KIEL, WISCONSIN**  
Electric Utility Enterprise Fund

Comparative Statements of Revenues, Expenses and Changes in Fund Net Position  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Operating Revenues</b>		
Charges for Services		
Residential	\$ 2,098,315	\$ 2,075,141
Small commercial and industrial	1,079,491	1,089,599
Large commercial and industrial	5,152,038	4,777,961
Public street and highway lighting	108,760	107,924
Interdepartmental sales	60,753	57,582
Total Charges for Services	<u>8,499,357</u>	<u>8,108,207</u>
Other Operating Revenues		
Forfeited discounts	14,365	12,760
Rents from electric property	5,689	5,689
Other electric revenues	7,525	12,815
Total Other Operating Revenues	<u>27,579</u>	<u>31,394</u>
Total Operating Revenues	<u>8,526,936</u>	<u>8,139,601</u>
<b>Operating Expenses</b>		
Operation and Maintenance		
Purchased power	6,718,204	6,417,766
Distribution	364,423	371,924
Customer accounts	60,787	57,423
Administrative and general	454,480	356,266
Total Operation and Maintenance	<u>7,597,894</u>	<u>7,203,379</u>
Depreciation	573,325	550,680
Taxes	67,954	68,972
Total Operating Expenses	<u>8,239,173</u>	<u>7,823,031</u>
Operating Income	287,763	316,570
Nonoperating Revenues (Expenses)		
Interest income	1,122	963
Interest and fiscal charges	(17,996)	(14,821)
Total Nonoperating Revenues (Expenses)	<u>(16,874)</u>	<u>(13,858)</u>
Income before Contributions and Transfers	270,889	302,712
Capital contributions - others	16,377	6,620
Capital contributions - tax incremental districts	-	29,244
Transfer out - tax equivalent	<u>(172,365)</u>	<u>(164,658)</u>
Change in Net Position	114,901	173,918
Net Position - January 1	5,885,592	5,711,674
Net Position - December 31	<u>\$ 6,000,493</u>	<u>\$ 5,885,592</u>

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





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

To the City Council  
City of Kiel, 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 Kiel, 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 Kiel's basic financial statements, and have issued our report thereon dated May 3, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Kiel, 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 Kiel, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kiel, Wisconsin's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-001, 2016-002, and 2016-003 to be material weaknesses.

**Compliance and Other Matters**

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

**City of Kiel, Wisconsin's Response to Findings**

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

**Purpose of this Report**

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

S. Schenk SC

Certified Public Accountants  
Sheboygan, Wisconsin  
May 3, 2017

**CITY OF KIEL, WISCONSIN**  
 Schedule of Findings and Responses  
 For the Year Ended December 31, 2016

**Section 1 - Internal Control Over Financial Reporting**

Finding No.	Control Deficiencies
-------------	----------------------

**2016-001 Segregation of Duties**  
 Repeat of Finding 2014-001

**Condition:** The City has a limited number of employees to essentially complete all financial and recordkeeping duties. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.

**Criteria:** Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.

**Cause:** The lack of segregation of duties is due to the limited number of employees and the size of the City's operations. In addition, the City has not completed a formal risk assessment and review of internal controls to identify additional mitigating and compensating controls which could be implemented to reduce the risk of errors or intentional fraud.

**Effect:** Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

**Recommendation:** We recommend the City Council continue to monitor the transactions and the financial records of the City. We also recommend that the City consider performing a risk assessment of its operations and current procedures to identify and implement mitigating controls to reduce the risk of errors and intentional fraud.

**Management Response:** Management and the City Council are conscious of the City's staffing limitations. The City Council will continue to monitor the transactions and financial records of the City. At this time, Management believes that the incremental cost of adding additional office personnel to further improve segregating cash receipts, disbursement and general ledger maintenance responsibilities is not a practical alternative due to the current budget constraints.

**CITY OF KIEL, WISCONSIN**  
 Schedule of Findings and Responses (Continued)  
 For the Year Ended December 31, 2016

**Section 1 - Internal Control Over Financial Reporting (Continued)**

Finding No.	Control Deficiencies
-------------	----------------------

**2016-002 Preparation of Annual Financial Report**  
 Repeat of Finding 2014-002

**Condition:** Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the City contracts with us to compile the Wisconsin Municipal Financial Report Form C and the Public Service Commission Report.

**Criteria:** The preparation and review of the annual financial report, municipal financial report, and public service commission report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required state financial reports.

**Cause:** City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

**Effect:** Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

**Recommendation:** We recommend the City continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report, municipal financial report, and public service commission report.

**Management Response:** Management believes the cost for additional staff time and training to prepare year end closing entries and reports outweigh the benefits to be received. Management will continue to review and approve the annual financial report prior to issuance. Management will also review and approve the Wisconsin Municipal Financial Report Form C and the Public Service Commission Report.

**CITY OF KIEL, WISCONSIN**  
 Schedule of Findings and Responses (Continued)  
 For the Year Ended December 31, 2016

**Section I - Internal Control Over Financial Reporting (Continued)**

Finding No.	Control Deficiencies
-------------	----------------------

**2016-003 Adjustments to the City's Financial Records**

Repeat of Finding 2014-003

**Condition:** As part of our audit, we proposed adjusting journal entries that were material to the City's financial statement.

**Criteria:** Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.

**Cause:** While City staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.

**Effect:** Year-end financial records prepared by the City may contain material misstatements.

**Recommendation:** We recommend that the City consider designating an individual to obtain additional training in order to prepare the adjusting and closing entries. We are available to assist the individual in obtaining the understanding to prepare these entries.

**Management Response:** Management believes the cost for additional staff time and training to prepare year end closing entries outweigh the benefits to be received.

**Section II - Compliance and Other Matters**

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2016.

**FORM OF LEGAL OPINION**

*(See following pages.)*

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

December 27, 2017

Re: City of Kiel, Wisconsin ("Issuer")  
\$2,740,000 General Obligation Corporate Purpose Bonds, Series 2017B,  
dated December 27, 2017 ("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 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>
2018	\$ 50,000	___%
2019	50,000	___
2020	50,000	___
2021	100,000	___
2022	175,000	___
2023	175,000	___
2024	180,000	___
2025	180,000	___
2026	185,000	___
2027	185,000	___
2028	200,000	___
2029	200,000	___
2030	200,000	___
2031	210,000	___
2032	150,000	___
2033	150,000	___
2034	150,000	___
2035	150,000	___

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

The Bonds maturing on May 1, 2027 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on May 1, 2026 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 resolution awarding the Bonds, 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 Bonds have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Bonds, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.

3. 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. 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.

In rendering our opinion regarding exemption from present federal income taxes, we have relied on the report of Ritz & Associates, Certified Public Accountants, as to, among other matters, the yield on the Bonds and investments relative to the refunding transaction.

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.

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](http://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 Kiel, Manitowoc and Calumet, Wisconsin (the "Issuer") in connection with the issuance of \$2,740,000 General Obligation Corporate Purpose Bonds, Series 2017B, dated December 27, 2017 (the "Securities"). The Securities are being issued pursuant to resolutions adopted on November 14, 2017 and December 12, 2017 (collectively, 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](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

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

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

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

"Final Official Statement" means the Final Official Statement dated December 13, 2017, delivered in connection with the Securities, which is available from the MSRB.

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

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

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

"Issuer Contact" means the City Administrator-Clerk of the Issuer who can be contacted at City Hall, 621 - 6th Street, P.O. Box 98, Kiel, Wisconsin 53042, phone (920) 894-2909, fax (920) 894-2585.

"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 ending 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. TAX LEVIES AND COLLECTIONS - Tax Levies and Collections

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 27th day of December, 2017.

(SEAL)

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Michael Steinhardt  
Mayor

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Dennis Dederling  
City Administrator-Clerk



**NOTICE OF SALE**

**\$2,740,000\* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2017B  
CITY OF KIEL, WISCONSIN**

Bids for the purchase of \$2,740,000\* General Obligation Corporate Purpose Bonds, Series 2017B (the "Bonds") of the City of Kiel, 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 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on December 12, 2017, 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 6:00 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 67.04, Wisconsin Statutes, for the public purposes of financing community development projects in the City's Tax Incremental District No. 5 and to refund certain obligations of the City. The Bonds are valid and binding general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount.

**DATES AND MATURITIES**

The Bonds will be dated December 27, 2017, 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>
2018	\$50,000	2024	\$180,000	2030	\$200,000
2019	50,000	2025	180,000	2031	210,000
2020	50,000	2026	185,000	2032	150,000
2021	100,000	2027	185,000	2033	150,000
2022	175,000	2028	200,000	2034	150,000
2023	175,000	2029	200,000	2035	150,000

**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 May 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 2019 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, 2027 shall be subject to optional redemption prior to maturity on May 1, 2026 or 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 December 27, 2017, 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 MATTERS

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 general 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). (See "FORM OF LEGAL OPINION" found in Appendix B).

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

## SUBMISSION OF BIDS

Bids must not be for less than \$2,705,750 nor more than \$2,849,600 plus accrued interest on the principal sum of \$2,740,000 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](mailto: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 10:00 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, 2<sup>nd</sup> 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 \$54,800 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. Award of the Bonds will be made subject to expiration of the petition period provided for under 67.05(7)(b) Wis. Stats without the filing of a sufficient petition for a referendum.

### **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 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, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. 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) In the event that the competitive sale requirements are not satisfied, the City shall treat the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule") applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

(d) By submitting a bid, 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 (5<sup>th</sup>) 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.

(e) 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 a 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.

(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 a party to such retail distribution agreement, as applicable, to 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 comply with the hold-the-offering-price rule, if applicable, in each case if and 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](http://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

Dennis Dederling, City Administrator  
City of Kiel, Wisconsin





# BID FORM

**The Common Council  
City of Kiel, Wisconsin**

**December 12, 2017**

**RE: \$2,740,000\* General Obligation Corporate Purpose Bonds, Series 2017B**  
**DATED: December 27, 2017**

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 \$2,705,750 nor more than \$2,849,600) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

	% due	2018		% due	2024		% due	2030
	% due	2019		% due	2025		% due	2031
	% due	2020		% due	2026		% due	2032
	% due	2021		% due	2027		% due	2033
	% due	2022		% due	2028		% due	2034
	% due	2023		% due	2029		% due	2035

\* 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 2019 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%. A rating for this issue may not be requested without contacting Ehlers and receiving the permission of the City.

We enclose our Deposit in the amount of \$54,800, 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 December 27, 2017.

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 the Bonds.

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: .

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 December 27, 2017 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 Kiel, Wisconsin, on December 12, 2017.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_