

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 5, 2018

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

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Non-Rated

CITY OF MARKESAN, WISCONSIN (Green Lake County)

\$1,645,000* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2018A

BID OPENING: February 13, 2018, 10:30 A.M., C.T.

CONSIDERATION: February 13, 2018, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,645,000* General Obligation Corporate Purpose Bonds, Series 2018A (the "Bonds") of the City of Markesan, Wisconsin (the "City") are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purpose of financing street improvements and current refunding 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: March 8, 2018

MATURITY: March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$115,000	2025	\$120,000	2030	\$140,000
2021	120,000	2026	125,000	2031	140,000
2022	115,000	2027	130,000	2032	140,000
2023	115,000	2028	130,000		
2024	120,000	2029	135,000		

***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: September 1, 2018 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on March 1, 2028 and thereafter are subject to call for prior optional redemption on March 1, 2027 or any date thereafter, at a price of par plus accrued interest.

MINIMUM BID: \$1,624,438.

MAXIMUM BID: \$1,743,700.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$32,900 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: To be determined by the City.

BOND & DISCLOSURE COUNSEL: Quarles & Brady LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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



REPRESENTATIONS

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

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Quarles and Brady 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>
Rich Slate	Mayor	April 2019
David Abendroth	Aldersperson	April 2018
Stephen Bieszki	Aldersperson	April 2019
Brenda Henke	Aldersperson	April 2019
Adam Thiem	Aldersperson	April 2019
Dennis Triemstra	Aldersperson	April 2018
Stephanie Zastrow	Aldersperson	April 2018

ADMINISTRATION

Elizabeth Amend, Clerk/Treasurer

PROFESSIONAL SERVICES

Daniel Sondalle, City Attorney, Princeton, Wisconsin

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Markesan, Wisconsin (the "City") and the issuance of its \$1,645,000* General Obligation Corporate Purpose Bonds, Series 2018A (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 February 13, 2018.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, Wisconsin, (262) 785-1520, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the 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 March 8, 2018. The Bonds will mature on March 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing September 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** 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.

The City will name a paying agent (the "Paying Agent") at the time of sale. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after March 1, 2028 shall be subject to optional redemption prior to maturity on March 1, 2027 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.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purpose of financing street improvements and current refunding certain obligations of the City (collectively, the “Prior Issues”) as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rate	Principal to be Refunded
Bank Loan	4/20/17	3/9/18	100%	2018	3.960%	<u>\$1,270,583</u>
Total principal being refunded						\$1,270,583

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rate	Principal to be Refunded
Bank Loan	5/22/17	3/9/18	100%	2018	3.000%	<u>\$35,139</u>
Total principal being refunded						\$35,139

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	\$1,645,000	
Grants Received	199,000	
Estimated Interest Earnings	<u>250</u>	
Total Sources		\$1,844,250
Uses		
Current Refunding	\$1,344,286	
Project Costs	428,098	
Contingency	4,761	
Estimated Underwriter's Discount	20,562	
Finance Related Expenses	36,275	
Capitalized Interest	<u>10,268</u>	
Total Uses		\$1,844,250

*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.

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

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on 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.

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. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

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

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

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

Original Issue Discount

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

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

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

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Bonds, a portion of the original issue discount that is accrued in each year will be included in adjusted current earnings for purposes of calculating the corporation's alternative minimum tax liability. Corporate

owners of any Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018.

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

Bond Premium

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The 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 Johnson Block & Company, Inc., Mineral Point, 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 Official Statement. The Auditor's report states that Library accounts and activities have not been included in the City's financial statements, leading to a qualified opinion from the Auditor.

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

2017 Equalized Value	\$70,520,000
2017 Equalized Value Reduced by Tax Increment Valuation	\$68,187,200
2017 Assessed Value	\$70,531,800

2017 EQUALIZED VALUE BY CLASSIFICATION

	2017 Equalized Value¹	Percent of Total Equalized Value
Residential	\$47,744,200	67.703%
Commercial	15,374,400	21.801%
Manufacturing	4,283,400	6.074%
Agricultural	109,100	0.155%
Undeveloped	286,400	0.406%
Forest	188,000	0.267%
Other	423,800	0.601%
Personal Property	<u>2,110,700</u>	<u>2.993%</u>
Total	<u><u>\$70,520,000</u></u>	<u><u>100.000%</u></u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value¹	Percent Increase/Decrease in Equalized Value
2013	\$67,297,100	\$68,152,700	1.32%
2014	69,935,100	68,983,900	1.22%
2015	68,776,100	70,170,200	1.72%
2016	70,502,300	71,351,200	1.68%
2017	70,531,800	70,520,000	-1.16%

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

¹ Includes tax increment valuation.

LARGER TAXPAYERS

Taxpayer	Type of Business/Property	2017 Equalized Value¹	Percent of City's Total Equalized Value
Del Monte Foods Inc.	Manufacturing/Food Processing	\$ 2,575,664	3.65%
Barrett House of Markesan LLC	CBRF-Nursing Home	1,376,467	1.95%
Agnesian Healthcare Inc.	Medical Clinic	1,259,487	1.79%
Robin II Inc.	Manufacturing	884,150	1.25%
Avalon Precision Casting Co LLC	Manufacturing	842,957	1.20%
Markesan State Bank	Financial Institution	717,179	1.02%
WHPC NIBP Portolio LLC	Apartments	636,592	0.90%
RC Partnership	Grocery Store	598,699	0.85%
Markesan Apartments LLC	Apartments	550,107	0.78%
Landmark Services Co-op	Gas Company	463,622	0.66%
Total		\$ 9,904,924	14.05%
City's Total 2017 Equalized Value ²		\$70,520,000	

Source: The City.

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

² Includes tax increment valuation.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Bonds)*	<u>\$1,885,292</u>
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Revenue Debt (see schedules following)

Total revenue debt secured by water revenues	<u>\$ 1,960,178</u>
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Total revenue debt secured by sewer revenues	<u>\$ 563,196</u>
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*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds and excludes the Prior Issues being refunded.

**City of Markesan, Wisconsin
Schedule of Bonded Indebtedness
General Obligation Debt
(As of March 8, 2018)**

Fiscal Year Ending	GO Prom Notes		GO Notes		Taxable GO Prom Notes		GO Corp Purp Bonds		Principal Outstanding*	Principal %Paid	Year
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest			
2018	3/26/2009 \$1,575,000	3/1	3,990	3,990	5/28/2013 \$99,630	2/1 & 8/1	1/23/2018 \$33,000	3/8/2018 \$1,645,000*	1,867,423	0.95%	2018
2019			190,000	3,990			Monthly		1,657,259	12.10%	2019
2020				949	8,972	949			1,530,957	18.79%	2020
2021				196	9,195	196			1,410,000	25.21%	2021
2022									1,295,000	31.31%	2022
2023									1,180,000	37.41%	2023
2024									1,060,000	43.78%	2024
2025									940,000	50.14%	2025
2026									815,000	56.77%	2026
2027									685,000	63.67%	2027
2028									555,000	70.56%	2028
2029									420,000	77.72%	2029
2030									280,000	85.15%	2030
2031									140,000	92.57%	2031
2032									0	100.00%	2032
			190,000	7,980	18,167	1,145	32,124	1,645,000	418,109	2,303,401	
									1,885,292		

City of Markesan, Wisconsin
Schedule of Bonded Indebtedness
Revenue Debt Secured by Water Revenues
(As of March 8, 2018)

Fiscal Year Ending	12/28/2010		6/14/2017		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	Amount	Interest	Principal	Interest						
2018	\$762,100	20,408	57,304	14,005	69,604	34,413	104,016	1,890,574	3.55%	2018
2019		20,036	57,947	13,359	70,647	33,394	104,041	1,819,927	7.15%	2019
2020		19,652	58,597	12,705	71,697	32,356	104,053	1,748,230	10.81%	2020
2021		19,256	59,254	12,044	72,754	31,299	104,054	1,675,476	14.52%	2021
2022		18,848	59,919	11,375	73,819	30,223	104,042	1,601,657	18.29%	2022
2023		18,428	60,592	10,699	74,892	29,126	104,018	1,526,765	22.11%	2023
2024		17,996	61,271	10,015	75,971	28,011	103,982	1,450,794	25.99%	2024
2025		17,550	61,959	9,324	77,259	26,874	104,133	1,373,535	29.93%	2025
2026		17,088	62,654	8,625	78,354	25,713	104,067	1,295,181	33.93%	2026
2027		16,614	63,367	7,918	79,467	24,532	103,999	1,215,714	37.98%	2027
2028		16,127	64,068	7,203	80,768	23,330	104,097	1,134,946	42.10%	2028
2029		15,623	64,787	6,480	81,887	22,103	103,989	1,053,059	46.28%	2029
2030		15,105	65,514	5,749	83,214	20,854	104,068	969,846	50.52%	2030
2031		14,571	66,249	5,010	84,449	19,581	104,030	885,397	54.83%	2031
2032		14,021	66,992	4,262	85,792	18,283	104,075	799,605	59.21%	2032
2033		13,452	67,744	3,507	87,044	16,959	104,002	712,561	63.65%	2033
2034		12,869	68,504	2,742	88,404	15,611	104,015	624,157	68.16%	2034
2035		12,267	69,272	1,969	89,772	14,236	104,009	534,385	72.74%	2035
2036		11,648	70,050	1,188	91,150	12,835	103,985	443,236	77.39%	2036
2037		11,010	70,836	397	92,636	11,407	104,043	350,600	82.11%	2037
2038		10,352	71,631		94,183	10,352	32,752	328,200	83.26%	2038
2039		9,674	72,436		95,810	9,674	32,774	305,100	84.44%	2039
2040		8,976	73,251		97,427	8,976	32,776	281,300	85.65%	2040
2041		8,256	74,076		99,083	8,256	32,856	256,700	86.90%	2041
2042		7,514	74,911		100,825	7,514	32,714	231,500	88.19%	2042
2043		6,752	75,756		102,608	6,752	32,752	205,500	89.52%	2043
2044		5,966	76,611		104,545	5,966	32,766	178,700	90.88%	2044
2045		5,156	77,476		106,532	5,156	32,756	151,100	92.29%	2045
2046		4,322	78,351		108,574	4,322	32,722	122,700	93.74%	2046
2047		3,462	79,236		110,672	3,462	32,862	93,300	95.24%	2047
2048		2,574	80,141		112,815	2,574	32,774	63,100	96.78%	2048
2049		1,662	81,066		115,007	1,662	32,762	32,000	98.37%	2049
2050		722	82,008		117,250	722	32,722	0	100.00%	2050
		683,300	397,947	1,276,878	148,576	546,523		2,506,701		

*Loan schedule based upon full draw of loan proceeds.

**City of Markesan, Wisconsin
Schedule of Bonded Indebtedness
Revenue Debt Secured by Sewer Revenues
(As of March 8, 2018)**

**Sewerage System
Revenue Bonds
Series 2017**

Fiscal Year Ending	Dated Amount	Maturity	6/14/2017		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
			Principal	Interest						
	\$563,196*	5/1								
2018			22,315	13,139	22,315	13,139	35,454	540,881	3.96%	2018
2019			22,846	12,601	22,846	12,601	35,447	518,035	8.02%	2019
2020			23,390	12,051	23,390	12,051	35,441	494,645	12.17%	2020
2021			23,947	11,488	23,947	11,488	35,434	470,698	16.42%	2021
2022			24,517	10,911	24,517	10,911	35,427	446,182	20.78%	2022
2023			25,100	10,320	25,100	10,320	35,420	421,082	25.23%	2023
2024			25,697	9,716	25,697	9,716	35,413	395,384	29.80%	2024
2025			26,309	9,097	26,309	9,097	35,406	369,075	34.47%	2025
2026			26,935	8,463	26,935	8,463	35,399	342,140	39.25%	2026
2027			27,576	7,815	27,576	7,815	35,391	314,564	44.15%	2027
2028			28,233	7,151	28,233	7,151	35,383	286,331	49.16%	2028
2029			28,904	6,471	28,904	6,471	35,375	257,427	54.29%	2029
2030			29,592	5,775	29,592	5,775	35,367	227,834	59.55%	2030
2031			30,297	5,062	30,297	5,062	35,359	197,538	64.93%	2031
2032			31,018	4,332	31,018	4,332	35,350	166,520	70.43%	2032
2033			31,756	3,585	31,756	3,585	35,341	134,764	76.07%	2033
2034			32,512	2,820	32,512	2,820	35,332	102,252	81.84%	2034
2035			33,286	2,038	33,286	2,038	35,323	68,967	87.75%	2035
2036			34,078	1,236	34,078	1,236	35,314	34,889	93.81%	2036
2037			34,889	415	34,889	415	35,304	0	100.00%	2037
			563,196	144,485	563,196	144,485	707,681			

*Loan schedule based upon full draw of loan proceeds.

DEBT LIMIT*

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

Equalized Value	\$70,520,000
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 3,526,000
Less: General Obligation Debt* (includes the Bonds)	<u>(1,885,292)</u>
Unused Debt Limit*	<u><u>\$ 1,640,708</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2017 Equalized Value²	% In City	Total G.O. Debt³	City's Proportionate Share
Green Lake County	\$ 2,277,060,000	3.0970%	\$ 14,125,000	\$ 437,451
Moraine Park Technical College District	26,519,160,102	0.2659%	23,320,000	62,008
Markesan School District	627,316,472	11.2415%	805,000	<u>90,494</u>
City's Share of Total Overlapping Debt				<u><u>\$ 589,953</u></u>

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

² Includes tax increment valuation.

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

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$70,520,000	Debt/ Per Capita 1,434¹
Total General Obligation Debt*	\$ 1,885,292	2.67%	\$ 1,314.71
City's Share of Total Overlapping Debt	<u>589,953</u>	<u>0.84%</u>	<u>411.40</u>
Total*	\$ 2,475,245	3.51%	\$ 1,726.11

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

The City expects to issue approximately \$2,000,000 Sewerage System Revenue Bonds through the State's Clean Water Fund Loan program in 2018. The City has no other current plans for additional financing in the next 12 months.

¹ Estimated 2017 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$497,568	100%	\$7.50
2014/15	597,568	100%	8.92
2015/16	639,714	100%	9.39
2016/17	648,593	100%	9.44
2017/18	654,749	100%	9.60

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

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

PROPERTY TAX RATES

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

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total
2013/14	\$13.80	\$6.33	\$7.50	\$0.17	\$27.80
2014/15	11.63	6.40	8.92	0.17	27.12
2015/16	11.23	6.35	9.39	0.17	27.14
2016/17	11.15	6.35	9.44	0.18	27.12
2017/18	10.92	6.35	9.60	0.00	26.87

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

LEVY LIMITS

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

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

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

² Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included. State property taxes were eliminated in the State's 2017-19 budget act.

majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

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

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

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

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

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

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

The 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 originally incorporated as a Village in 1858 and became a City in 1959 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 two-year terms. The appointed Clerk-Treasurer is responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of eight full-time, 52 part-time, and one 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 employees' contributions) for the fiscal year ended December 31, 2014 were \$66,272. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015") and the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$33,330 and \$30,680 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 \$52,943 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 .00325812% 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 13 in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

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 December 31, 2017)

Fund	Total Cash and Investments
General	\$ 991,984
Enterprise Funds	696,609
Tax Incremental District	54,715
Total Funds on Hand	<u><u>\$ 1,743,308</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
Water and Wastewater			
Total Operating Revenues	\$ 412,751	\$ 406,459	\$ 456,663
Less: Operating Expenses	<u>(484,603)</u>	<u>(474,603)</u>	<u>(428,760)</u>
Operating Income	\$ (71,852)	\$ (68,144)	\$ 27,903
Plus: Depreciation	179,717	181,558	182,703
Interest Income	<u>1,351</u>	<u>2,915</u>	<u>3,154</u>
Revenues Available for Debt Service	<u><u>\$ 109,216</u></u>	<u><u>\$ 116,329</u></u>	<u><u>\$ 213,760</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.

FISCAL YEAR ENDING DECEMBER 31					
COMBINED STATEMENT	2014	2015	2016	2017	2018 Adopted
	Audited	Audited	Audited	Unaudited¹	Budget²
Revenues					
Taxes and special assessments	\$ 557,269	\$ 657,307	\$ 522,856	\$ 666,484	\$ 669,675
Intergovernmental	527,239	547,566	514,197	980,473	514,291
Licenses and permits	16,457	15,344	16,436	7,831	8,450
Public charges for services	2,999	4,765	9,030	8,160	6,400
Fines, forfeits & penalties	0	0	0	0	8,500
Intergovernmental charges for services	0	0	0	0	16,500
Miscellaneous general revenues	33,896	61,622	41,351	43,771	24,862
Total Revenues	\$ 1,137,860	\$ 1,286,604	\$ 1,103,870	\$ 1,706,719	\$ 1,248,678
Expenditures					
Current:					
General government	\$ 378,383	\$ 351,652	\$ 203,428	\$ 346,648	\$ 347,135
Public safety	330,910	361,950	454,028	349,391	417,520
Public works	226,215	238,602	271,659	220,498	232,220
Health and human services	535	0	10,945	7,735	7,300
Conservation and development	0	0	1,502	125	2,550
Culture, education and recreation	85,066	98,399	97,645	89,183	82,700
Capital outlay	62,448	102,103	180,593	1,638,339	474,998
Total Expenditures	\$ 1,083,557	\$ 1,152,706	\$ 1,219,800	\$ 2,651,919	\$ 1,564,423
Excess of revenues over (under) expenditures	\$ 54,303	\$ 133,898	\$ (115,930)	\$ (945,200)	\$ (315,745)
Other Financing Sources (Uses)					
Proceeds of long-term debt/capital lease	27,495	0	0	1,127,161	1,680,000
Current refunding of debt obligations and debt issue costs					(1,252,246)
Operating transfers in	0	0	53,169	45,774	51,774
Operating transfers out	(220,593)	(220,411)	(84,625)	(218,413)	(216,487)
Total Other Financing Sources (Uses)	\$ (193,098)	\$ (220,411)	\$ (31,456)	\$ 954,522	\$ 263,041
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ (138,795)	\$ (86,513)	\$ (147,386)	\$ 9,322	\$ (52,704)
General Fund Balance January 1	547,001	408,206	321,693	742,389	751,711
Prior Period Adjustment	0	0	568,082 ³	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	\$ 408,206	\$ 321,693	\$ 742,389	\$ 751,711	\$ 699,007
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	149,892	139,159	656,565	576,827	
Restricted	0	0	0	0	
Committed	0	0	0	0	
Assigned	200,716	110,337	85,824	117,249	
Unassigned	57,598	72,197	0	57,635	
Total	\$ 408,206	\$ 321,693	\$ 742,389	\$ 751,711	\$

¹ Unaudited data is as of December 31, 2017.

² The 2018 budget was adopted on December 12, 2017.

³ This adjustment reflects an advance receivable owed by TID No. 1 to the General Fund which had previously been recorded as a transfer out of the General Fund to TID No. 1.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 1,476 and a current estimated population of 1,434 comprises an area of 2.33 square miles and is located in Green Lake County approximately 30 miles northeast of the City of Portage and 50 miles northeast of the City of Madison.

LARGER EMPLOYERS¹

Larger employers in the area include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Precision Metalsmiths, Inc.	Investment casting foundry	120
Markesan Resident Home	Skilled nursing care and assisted living	111
Markesan School District	Elementary and secondary education	109
Del Monte Corp.	Canning factory	75
City of Markesan	Municipal government services	61
Piggly Wiggly	Grocery store	45
Berlin Journal Newspapers	Newspaper publishing	40
Barrett House of Markesan	Nursing home	24
Gelhar Company, Inc.	Foundry sand processing	23
Wegner Motorsports Inc.	Manufacture race engines	22

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

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

BUILDING PERMITS

	2014	2015	2016	2017	2018 ¹
<u>New Single Family Homes</u>					
No. of building permits	28	41	27	23	0
Valuation	\$177,045	\$690,574	\$345,941	\$88,213	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	0	0	0
Valuation	\$0	\$0	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	7	2	2	2	0
Valuation	\$462,000	\$1,400	\$16,000	\$20,000	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	35	43	29	25	0
Valuation	\$639,045	\$691,974	\$361,941	\$108,213	\$0

Source: The City.

¹ As of January 16, 2018.

U.S. CENSUS DATA

Population Trend: City

2000 U.S. Census	1,396
2010 U.S. Census	1,476
2017 Estimated Population	1,434
Percent of Change 2000 - 2010	5.73%

Income and Age Statistics

	City	Green Lake County	State of Wisconsin	United States
2016 per capita income	\$20,496	\$26,115	\$29,253	\$29,829
2016 median household income	\$40,114	\$47,174	\$54,610	\$55,322
2016 median family income	\$53,810	\$61,327	\$69,925	\$67,871
2016 median gross rent	\$500	\$618	\$789	\$949
2016 median value owner occupied units	\$110,000	\$137,800	\$167,000	\$184,700
2016 median age	42.0 yrs.	45.4 yrs.	39.1 yrs.	37.7 yrs.

	State of Wisconsin	United States
City % of 2016 per capita income	70.06%	68.71%
City % of 2016 median family income	76.95%	79.28%

Housing Statistics

	<u>City</u>		
	2000	2016	Percent of Change
All Housing Units	627	647	3.19%

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

EMPLOYMENT/UNEMPLOYMENT DATA

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

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Green Lake County	Green Lake County	Green Lake County	State of Wisconsin
2013	9,407		7.9%	6.7%
2014	9,408		6.4%	5.4%
2015	9,459		5.4%	4.6%
2016	9,279		5.0%	4.1%
2017, November	9,461		3.0%	2.7%

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 MARKESAN, WISCONSIN

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the year ended December 31, 2016

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

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 DECEMBER 31, 2016
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INDEPENDENT AUDITOR’S REPORT

To the City Council
City of Markesan, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Markesan, Wisconsin (“City”), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Governmental Fund – General Fund	Unmodified
Governmental Fund – Debt Service	Unmodified
Governmental Fund – Tax Incremental District	Unmodified
Governmental Fund – Library	Adverse
Enterprise Fund – Water and Wastewater Utility	Unmodified

Basis for Adverse Opinion on Library Fund and Qualified Opinion on Governmental Activities

The Library accounts and activity have not been included in the City's financial statements. Accounting principles generally accepted in the United States of America require the presentation of this financial activity as a governmental fund and as part of the governmental activities, thus increasing assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, and changing net position. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the governmental activities and the omitted fund has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Library Fund and Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Library Fund of the City as of December 31, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the matter described in the "Basis for Adverse Opinion on Library Fund and Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

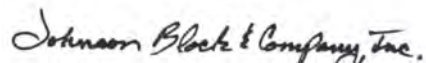
Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the Wisconsin Retirement System schedules on pages 45-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Johnson Block & Company, Inc.
May 30, 2017
Mineral Point, Wisconsin

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 521,476	\$ 132,340	\$ 653,816
Cash and investments - restricted		529,186	529,186
Receivables			
Taxes	483,647		483,647
Customer	14,051	103,561	117,612
Prepaid expenses	164		164
Internal Balances	(96,335)	96,335	
Inventories		4,545	4,545
Total current assets	<u>923,003</u>	<u>865,967</u>	<u>1,788,970</u>
Noncurrent assets:			
Capital assets:			
Land	174,077	57,406	231,483
Other capital assets	7,668,892	7,893,985	15,562,877
Less: accumulated depreciation	(3,381,766)	(4,101,377)	(7,483,143)
Net capital assets	4,461,203	3,850,014	8,311,217
Restricted assets:			
Restricted cash - trust and perpetual accounts	65,481		65,481
Receivables:			
Non-utility property		1,644	1,644
Special assessments receivable		2,247	2,247
Total noncurrent assets	<u>4,526,684</u>	<u>3,853,905</u>	<u>8,380,589</u>
Total assets	<u>5,449,687</u>	<u>4,719,872</u>	<u>10,169,559</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	241,064	55,448	296,512
Total deferred outflows of resources	<u>241,064</u>	<u>55,448</u>	<u>296,512</u>
Total assets and deferred outflows of resources	<u>\$ 5,690,751</u>	<u>\$ 4,775,320</u>	<u>\$ 10,466,071</u>

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

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

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 29,554	\$ 15,301	\$ 44,855
Accrued and other current liabilities	9,809		9,809
Accrued interest	8,229		8,229
Current portion of long-term obligations	205,146	1,388	206,534
Total current liabilities	252,738	16,689	269,427
Current liabilities (payable from restricted assets):			
Current portion of mortgage revenue bonds payable		12,000	12,000
Accrued interest		1,172	1,172
Total current liabilities (payable from restricted assets)		13,172	13,172
Noncurrent liabilities:			
Compensated absences	46,694	22,402	69,096
Net pension liability	43,043	9,900	52,943
Pension prior service liability	35,245	8,048	43,293
General obligation bonds and notes payable	588,982		588,982
Capital lease payable	11,308		11,308
Mortgage revenue bonds		695,300	695,300
Less: current portion	(205,146)	(13,388)	(218,534)
Total noncurrent liabilities	520,126	722,262	1,242,388
Total liabilities	772,864	752,123	1,524,987
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	720,864		720,864
Deferred pension inflows	92,642	21,309	113,951
Total deferred inflows of resources	813,506	21,309	834,815
NET POSITION			
Net investment in capital assets	4,461,203	3,154,714	7,615,917
Restricted for:			
Debt service		70,890	70,890
Equipment replacement		458,296	458,296
Nonexpendable trust and perpetual care	65,481		65,481
Unrestricted	(422,303)	317,988	(104,315)
Total net position	4,104,381	4,001,888	8,106,269
Total liabilities, deferred inflow of resources, and net position	\$ 5,690,751	\$ 4,775,320	\$ 10,466,071

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

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

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business Type Activities	Total
<u>Functions/Programs</u>						
Primary government:						
Governmental activities:						
General government	\$ 248,155	\$ 6,523	\$ 11,438	\$	\$ (241,632)	\$ (241,632)
Public safety	507,489	10,711	81,902		(485,340)	(485,340)
Public works	425,968	3,906			(340,160)	(340,160)
Health and human services	10,945	2,000			(8,945)	(8,945)
Culture and recreation	125,143				(125,143)	(125,143)
Other expenditures	602				(602)	(602)
Debt service	25,878				(25,878)	(25,878)
Conservation and development	1,502				(1,502)	(1,502)
Total governmental activities	1,345,682	23,140	93,340		(1,229,202)	(1,229,202)
Business-type activities:						
Water and wastewater	462,859	456,663			(6,196)	(6,196)
Total business-type activities	462,859	456,663			(6,196)	(6,196)
Total primary government	1,808,541	479,803	93,340		(1,229,202)	(1,235,398)
General Revenues and Transfers:						
Property taxes					639,525	639,525
General purposes					54,397	54,397
Tax increments					18,419	18,419
Other taxes						
Intergovernmental revenues not restricted for specific purposes					424,497	424,497
Investment income					542	3,154
Miscellaneous					43,216	43,216
Transfers					45,774	(45,774)
Total general revenues and transfers					1,226,370	1,183,750
Changes in net position					(2,832)	(51,648)
Net position - beginning, as previously reported					4,143,124	8,202,029
Prior period adjustment					(35,911)	(44,112)
Net position - beginning, as restated					4,107,213	8,157,917
Net position - ending					\$ 4,104,381	\$ 8,106,269

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

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

	General	Debt Service	Tax Incremental District #1	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 441,324	\$	\$ 80,152	\$ 521,476
Restricted cash and investments	65,481			65,481
Receivables:				
Accounts	14,051			14,051
Taxes	415,369		45,791	461,160
Delinquent personal property taxes	22,487			22,487
Advance due from other funds	568,433			568,433
Prepaid expenses	164			164
Total assets	\$ 1,527,309	\$	\$ 125,943	\$ 1,653,252
LIABILITIES				
Accounts payable	\$ 29,554			\$ 29,554
Accrued payroll liabilities	9,809			9,809
Due to other funds	96,335			96,335
Advance due to other funds			568,433	568,433
Total liabilities	135,698		568,433	704,131
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	649,222		71,642	720,864
FUND BALANCES				
Nonspendable	656,565			656,565
Assigned	85,824			85,824
Unassigned (deficit)			(514,132)	(514,132)
Total fund balances	742,389		(514,132)	228,257
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,527,309	\$	\$ 125,943	\$ 1,653,252

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

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

Total fund balances - governmental funds: \$ 228,257

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

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

Governmental capital assets	7,842,969	
Governmental accumulated depreciation	(3,381,766)	4,461,203

Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan.

These items are reflected in the statement of net position and are being amortized with pension expense in the statement of activities.

The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.

Deferred outflows of resources	241,064	
Deferred inflows of resources	(92,642)	

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported in the fund statements:

General obligation bonds and notes payable	(588,982)	
Capital lease payable	(11,308)	
Accrued interest on debt	(8,229)	
Compensated absences	(46,694)	
Net pension liability	(43,043)	
Pension prior service liability	(35,245)	(733,501)

Total net position - governmental activities		<u><u>\$ 4,104,381</u></u>
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The notes to the basic financial statements are an integral part of this statement.

Exhibit A-5
City of Markesan, Wisconsin
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Debt Service	Tax Incremental District #1	Total Governmental Funds
REVENUES				
Taxes	\$ 522,856	\$ 135,088	\$ 54,397	\$ 712,341
Intergovernmental	514,197		3,639	517,836
Licenses and permits	16,436			16,436
Public charges for services	9,030			9,030
Miscellaneous	41,351		82	41,433
Total revenues	1,103,870	135,088	58,118	1,297,076
EXPENDITURES				
Current:				
General government	203,428			203,428
Public safety	454,028			454,028
Public works	271,659			271,659
Health and human services	10,945			10,945
Culture and recreation	97,645			97,645
Conservation and development	1,502			1,502
Other expenditures			601	601
Capital outlay:	180,593			180,593
Debt service:				
Principal		191,483		191,483
Interest		28,230		28,230
Total expenditures	1,219,800	219,713	601	1,440,114
Excess of revenues over (under) expenditures	(115,930)	(84,625)	57,517	(143,038)
OTHER FINANCING SOURCES (USES)				
Transfers in	53,169	84,625		137,794
Transfers out	(84,625)		(7,395)	(92,020)
Total other financing sources (uses)	(31,456)	84,625	(7,395)	45,774
Net change in fund balances	(147,386)		50,122	(97,264)
Fund balance - beginning, as previously reported	321,693		3,828	325,521
Prior period adjustment	568,082		(568,082)	
Fund balance - beginning, as restated	889,775		(564,254)	325,521
Fund balance - ending	\$ 742,389	\$	\$ (514,132)	\$ 228,257

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

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

Net change in fund balances - total governmental funds		\$ (97,264)
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay reported in governmental fund statements	162,493	
Depreciation expenses reported in the statement of activities	<u>(223,771)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period:		(61,278)
Compensated absences are reported in the governmental funds when amounts are paid. The statement of activities reports the amount earned during the year.		
The difference between the amount paid and earned was:		20,241
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:		191,483
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid during the current period	28,230	
The amount of interest accrued during the current period	<u>(25,877)</u>	
Interest paid is greater (less) than interest accrued by:		2,353
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan.		
Pension expense in the statement of activities is actuarially determined by the defined benefit pension plan as the difference between the net pension liability from the prior year to the current year, with some adjustments.		
Difference between the required contributions into the defined benefit plan and the actuarially determined change in net pension liability between years, with adjustments.		(58,367)
Change in net position - governmental activities		\$ (2,832)

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

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

	<u>Water and Wastewater Utility</u>
ASSETS	
Current assets:	
Cash and investments	\$ 132,340
Restricted cash:	
Water revenue bond funds	70,890
Replacement fund	458,296
Receivables:	
Customer	103,561
Due from other funds	96,335
Inventories	<u>4,545</u>
Total current assets	<u>865,967</u>
Noncurrent assets:	
Capital assets:	
Plant in service	7,951,391
Less: accumulated depreciation:	<u>(4,101,377)</u>
Net capital assets	3,850,014
Non-utility property	1,644
Special assessments	<u>2,247</u>
Total noncurrent assets	<u>3,853,905</u>
Total assets	<u>4,719,872</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension outflows	<u>55,448</u>
Total assets and deferred outflows of resources	<u><u>\$ 4,775,320</u></u>

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

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

	Water and Wastewater Utility
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 15,301
Current portion of long-term obligations	1,388
Total current liabilities	16,689
Current liabilities (payable from restricted assets):	
Current portion of mortgage revenue bonds payable	12,000
Accrued interest	1,172
Total current liabilities (payable from restricted assets)	13,172
Long-term liabilities:	
Build America bonds	695,300
Compensated absences	22,402
Net pension liability	9,900
Pension prior service liability	8,048
Less: current portion	(13,388)
Total long-term liabilities	722,262
Total liabilities	752,123
DEFERRED INFLOWS OF RESOURCES	
Pension inflows	21,309
NET POSITION	
Net investment in capital assets	3,154,714
Restricted	529,186
Unrestricted	317,988
Total net position	4,001,888
Total liabilities, deferred inflows of resources, and net position	\$ 4,775,320

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

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

	<u>Water and Wastewater Utility</u>
OPERATING REVENUES	
Water and wastewater charges for services	<u>456,663</u>
Total operating revenues	<u>456,663</u>
OPERATING EXPENSES	
Operation and maintenance	239,303
Depreciation expense	182,703
Taxes	<u>6,754</u>
Total operating expenses	<u>428,760</u>
Total operating income	<u>27,903</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	(21,099)
Interest income	3,154
Debt issuance costs	<u>(13,000)</u>
Total net nonoperating revenues (expenses)	<u>(30,945)</u>
Income (loss) before contributions and transfers	(3,042)
Transfer of tax equivalent	<u>(45,774)</u>
Change in net position	<u>(48,816)</u>
Net position - beginning, as previously reported	4,058,905
Prior period adjustment	<u>(8,201)</u>
Net position - beginning, as restated	<u>4,050,704</u>
Net position - ending	<u><u>\$ 4,001,888</u></u>

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

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

	<u>Water and Wastewater Utility</u>
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	
Received from customers	\$ 441,019
Payments to employees	(102,800)
Payments for employee benefits and payroll taxes	(61,822)
Payments to suppliers	<u>(85,568)</u>
Net cash flows from operating activities	<u>190,829</u>
CASH FLOWS (USED BY) NONCAPITAL FINANCING ACTIVITIES	
Paid to municipality for tax equivalent	(45,774)
Paid to municipality for cash flow	<u>(70,000)</u>
Net cash flows (used by) noncapital financing activities	<u>(115,774)</u>
CASH FLOWS (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(137,242)
Debt retired	(11,700)
Interest paid and debt issuance costs	<u>(34,123)</u>
Net cash flows (used by) capital and related financing activities	<u>(183,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments purchased	(468,951)
Interest income	<u>3,154</u>
Net cash flows from (used by) investing activities	<u>(465,797)</u>
Net change in cash and cash equivalents	(573,807)
Cash and cash equivalents - beginning of the year	<u>766,382</u>
Cash and cash equivalents - end of the year	<u>\$ 192,575</u>
Reconciliation of cash and cash equivalents to statement of net position accounts	
Cash and investments	\$ 132,340
Restricted cash:	
Water revenue bond funds	70,890
Replacement fund	<u>458,296</u>
Total cash and investments	661,526
Less: noncash equivalents	<u>(468,951)</u>
Total cash and cash equivalents	<u>\$ 192,575</u>

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

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

	Water and Wastewater Utility
Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income	\$ 27,903
Noncash items in operating income:	
Depreciation expense	185,196
Pension expense	(24,392)
Changes in assets and liabilities:	
Customer accounts receivable	(15,644)
Material and supplies	30
Due from other funds	(14,929)
Accounts payable	10,263
Compensated absences	22,402
	22,402
Net cash provided by operating activities	\$ 190,829

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

Exhibit A-10
City of Markesan, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2016

	Tax Collection Fund
ASSETS	
Cash and investments	\$ 438,413
Taxes receivable	775,601
Total assets	\$ 1,214,014
 LIABILITIES	
Due to other taxing units	1,214,014
Total liabilities	\$ 1,214,014

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

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

City of Markesan, Wisconsin
December 31, 2016
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Markesan is located in Green Lake County, Wisconsin. The accounting policies of the City of Markesan conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. Significant accounting policies and principles of the City of Markesan are summarized below:

A. Reporting Entity

The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

B. Government-Wide and Fund Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

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

Fund Financial Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

Major Governmental Funds:

The City reports the following major governmental funds:

- General Fund – Accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- Debt Service Fund – Accounts for the City's resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- Tax Incremental District #1 Fund – Accounts for the activity of tax incremental district #1.

Major Enterprise Fund:

The City reports the following major enterprise fund:

- Water and Wastewater Utility – Accounts for operations of the water and wastewater system.

The City does not have any nonmajor governmental or enterprise funds.

In addition, the City reports the following fund type:

Agency Fund – Accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

- Tax agency

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Revenues and expenditures arising from non-exchange transactions, such as property and sales taxes, fines, and grants are recorded according to the standards in Governmental Accounting Standards.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

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

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

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

E. Receivables

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

Property tax calendar – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October 2019

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the City and the utilities because they have the right by law to place delinquent bills on the tax roll.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories

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

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

G. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

H. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$500 and an estimated useful life in excess of four years. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at acquisition value.

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

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

	Years
Buildings	10 to 40
Machinery and Equipment	5 to 15
Infrastructure	25 to 75

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Fund Financial Statements

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

I. Compensated Absences

It is the City's policy to permit employees to earn varying amounts of vacation pay for each year employed. Upon retirement or termination of employment, the employee is entitled to payment in cash for unused vacation hours. The City allows twelve sick days per year, cumulative to ninety days. Upon retirement under WRS eligibility rules, any regular full-time employee may convert his/her accumulated sick leave at his/her current rate of compensation to be used to pay health insurance premiums. All vacation and sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability will be liquidated by the general fund and proprietary fund. Total compensated absences as of December 31, 2016, totaled \$69,096.

J. Claims and Judgments

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

K. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications

Government-Wide Statements

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

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

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.

Fund Statements

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

- Nonspendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed, may be assigned. Assignments may take place after the end of the reporting period.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative fund balances for any governmental fund if expenditures exceed amounts restricts, committed, or assigned for those purposes.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity Classifications (Continued)

The City does not have a fund balance policy. When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the City considers restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the City’s committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The Council of the City of Markesan, Wisconsin, the City’s highest level of decision-making authority, may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the City Council. Commitments of fund balance, once made, can be modified only by the majority vote of the City Council.

M. Transfers

Transfers include the following:

- Payment from the general fund to the debt service fund to make principal and interest payments
- Payment in lieu of taxes charged to the water and wastewater utility by the general fund
- Interest payments by the tax incremental district on advances made by the general fund

N. Income Tax

Municipal utilities are exempt from income taxes; therefore, no income tax liability is recorded by the Markesan Utilities.

O. Risk Management

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

P. Encumbrances

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

Q. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been reflected in the government financial statements. Delinquent real estate taxes of the City are paid in full by the County, which assumes the responsibility for collection. In addition, delinquent user charges are placed on the tax roll if not collected.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S. Pensions

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

T. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. As of December 31, 2016, the City has one item that qualifies for reporting in this category. The deferred outflows of resources were derived from the WRS pension system and are discussed in Note 13.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resource (revenue) until then. The City has two items that qualify for reporting in the category. Deferred inflows of resources related to the WRS pension system are discussed in Note 13 and the remaining deferred inflows of resources are discussed in Note 5.

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

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

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

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

NOTE 3

CASH AND INVESTMENTS

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

Petty cash/cash on hand	\$ 85
Wisconsin Local Government Investment Pool	36
Deposits with financial institutions	1,686,775
Total cash	<u>\$ 1,686,896</u>

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

Exhibit A-1:	
Cash and investments	\$ 653,816
Cash and investments - restricted	529,186
Restricted cash - trust and perpetual accounts	65,481
Exhibit A-10:	
Cash and investments	438,413
Total cash and investments	<u>\$ 1,686,896</u>

NOTE 3 CASH AND INVESTMENTS

Investments Authorized by Wisconsin State Statutes

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

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

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's policy does not limit 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 Village's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Village's investments by maturity:

Investment Type	Amount	Remaining Maturity 12 months or less
Certificates of deposit	\$ 534,431	\$ 534,431

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's policy does not further limit its investment choices.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the City would not be able to recover the value of its investment of collateral securities that are in possession of another party. The City's investment policies do not address these risks.

Federal Deposit Insurance Corporation (FDIC) Insurance

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

Collateralization of Public Unit Deposits

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

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

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing resulted in temporary balances exceeding insured amounts. As of December 31, 2016, \$723,732 of the City's deposits were insured by the FDIC, and \$800,000 of the City's deposits with financial institutions were in excess of federal depository insurance limits. Of this amount, \$762,228 would be insured by the State of Wisconsin Guarantee Fund, provided funds are available at the time of any potential loss.

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Wisconsin Local Government Investment Pool

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board (SWIB). The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the City's share of the LGIP's assets was substantially equal to the amount reported in these statements.

Concentration of Credit Risk

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

NOTE 4 RESTRICTED ASSETS

Restricted assets on December 31, 2016, consisted of the following:

General Fund:	
PHELPS MEMORIAL TRUST	\$ 22,561
Cemetery perpetual care	42,920
Total governmental funds	<u>\$ 65,481</u>
Water and Wastewater Utility:	
Replacement fund	\$ 458,296
Water revenue bond funds	
Depreciation fund	6,021
Reserve fund	21,432
Redemption fund	43,437
Total proprietary funds	<u>\$ 529,186</u>

NOTE 5 DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer inflow recognition in connection with resources that have been received, but not yet earned. At December 31, 2016, deferred property tax revenue of \$720,864 is reflected as a component of deferred inflows of resources.

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 6 CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 174,077	\$ 70,140	\$ —	\$ 174,077
Construction work in progress	<u>174,077</u>	<u>70,140</u>	<u>—</u>	<u>70,140</u>
Total	2,409,713	30,792	(9,979)	2,409,713
Equipment and furnishings	763,324	61,561	(9,979)	784,137
Infrastructure	4,343,341	92,353	(9,979)	4,404,902
Total other capital assets at historical costs	<u>7,516,378</u>	<u>154,706</u>	<u>(19,957)</u>	<u>7,598,752</u>
Less accumulated depreciation:				
Buildings and improvements	949,130	60,281	—	1,009,411
Equipment and furnishings	546,906	48,869	(9,979)	585,796
Infrastructure	1,671,938	114,621	—	1,786,559
Total accumulated depreciation	<u>3,167,974</u>	<u>223,771</u>	<u>(9,979)</u>	<u>3,381,766</u>
Net other capital assets	4,348,404	(131,418)	—	4,216,986
Total net capital assets	<u>\$ 4,522,481</u>	<u>\$ (61,278)</u>	<u>\$ —</u>	<u>\$ 4,461,203</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 34,770
Public safety	12,608
Public works	148,895
Culture and recreation	27,498
Total depreciation for governmental activities	<u>\$ 223,771</u>

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Removals	Ending Balance
Land	\$ 57,406	\$ 92,875	\$	\$ 150,281
Construction work in progress	2,739	92,875		95,614
Total capital assets not being depreciated	60,145	92,875		153,020
Capital assets being depreciated:				
Property and equipment	7,762,204	44,367	(8,200)	7,798,371
Total capital assets being depreciated	7,762,204	44,367	(8,200)	7,798,371
Total accumulated depreciation	3,924,381	185,196	(8,200)	4,101,377
Net capital assets being depreciated	3,837,823	(140,829)		3,696,994
Total net capital assets	\$ 3,897,968	\$ (47,954)	\$	\$ 3,850,014

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 56,635
Wastewater	126,068
Per Exhibit A-8	182,703
Allocated from water to wastewater	2,493
Total additions to accumulated depreciation	\$ 185,196

NOTE 7 LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within	
					One Year	More Than One Year
Governmental Activities						
Notes Payable	\$ 775,319	\$ (186,337)	\$ 588,982	\$ 192,031		
Capital Lease	16,454	(5,146)	11,308	5,478		
Compensated Absences	66,935	(20,241)	46,694	7,637		
Total Governmental Activities	\$ 858,708	\$ (211,724)	\$ 646,984	\$ 205,146		
Business-Type Activities						
Mortgage Revenue Bonds	\$ 707,000	\$ (11,700)	\$ 695,300	\$ 12,000		
Compensated Absences	22,402		22,402	1,388		
Total Business-Type Activities	\$ 707,000	\$ (11,700)	\$ 717,702	\$ 13,388		

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2016, was \$3,567,560. There was \$588,982 of general obligation debt outstanding at year-end as follows:

	Date of Maturity	Interest Rates	Original Amount	Balance 12/31/16
G.O. Note Payable	3/26/2009	3.8-4.2%	\$ 1,575,000	\$ 545,000
G.O. Note Payable	8/1/2013	4.2%	91,025	43,982
Total Governmental General Obligation Debt				\$ 588,982

Debt service requirements to maturity are as follows:

Years	General Obligation Debt	
	Principal	Interest
2017	\$ 192,031	\$ 20,175
2018	197,753	12,527
2019	199,198	4,183
Totals	\$ 588,982	\$ 36,885

Capital Lease

The original cost of leased equipment under capital leases as of December 31, 2016 was \$27,495. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2016:

Year Ended December 31,	2017	2018
	\$ 6,207	6,207
Less: Interest		(1,106)
Remaining Principal Balance	\$ 11,308	

Revenue Bonds

Revenue bonds are payable only from revenues derived from the operation of the utility.

Revenue debt payable at December 31, 2016, consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Balance	
				Original Amount	12/31/16
Revenue Bonds	12/28/2010	12/1/1950	3.0%	\$ 762,100	\$ 695,300
Total Business-Type Revenue Debt				\$ 762,100	\$ 695,300

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

Debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2017	\$ 12,000	\$ 20,869	\$ 32,869
2018	12,300	20,408	32,708
2019	12,700	20,036	32,736
2020	13,100	19,652	32,752
2021	13,500	19,256	32,756
2022-2026	73,900	89,909	163,809
2027-2031	85,800	78,039	163,839
2032-2036	99,600	64,255	163,855
2037-2041	115,700	48,267	163,967
2042-2046	134,000	29,707	163,707
2047-2050	122,700	8,420	131,120
Totals	\$ 695,300	\$ 418,818	\$ 1,114,118

The mortgage revenue bonds are secured by a mortgage lien upon the system. The system shall remain subject to the lien until payment in full of the principal and interest on the bonds.

NOTE 8 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund		Amount
	Water and Wastewater Utility	General Fund	
			\$ 96,335
General Fund			
		Tax Incremental District #1	\$ 568,433

The general fund advanced funds to the tax incremental financing district several times since the district was created. Repayments on amounts due by the TIF district will be made from tax increments collected annually as sufficient revenues are generated. Interest of \$7,395 was charged on advance funds during 2016 and is reflected as a transfer to the general fund.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 8 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED)

The following is a schedule of interfund transfers:

Fund Transfer To	Fund Transferred From	Amount
Debt Service Fund	General Fund - debt payments	\$ 84,625
General Fund	Water Utility - tax equivalent	45,774
General Fund	Tax Incremental District #1 - interest	7,395
Total		\$ 137,794

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move fund balances whose designated purpose has been removed.

NOTE 9 GOVERNMENTAL FUND BALANCES

Fund balance as of December 31, 2016, includes the following items:

Nonspendable:		
General Fund:		
Advance to TID #1	\$ 568,433	
Phelps memorial trust	22,560	
Cemetery perpetual care	42,921	
Delinquent personal property taxes	22,487	
Prepaid expenses	164	
Total nonspendable	\$ 656,565	
Assigned:		
Machines, streets, and fire	\$ 26,671	
General accounting	12,500	
City Hall	22,738	
Codification	6,115	
Emergency government	5,000	
Garage and sheds	3,000	
Parking lots	500	
Recycling center	500	
Cemetery	3,000	
Library	800	
Parks	5,000	
Total assigned	\$ 85,824	

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 10

GOVERNMENTAL ACTIVITIES NET POSITION

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

Net investment in capital assets	\$ 244,217
Land and construction work in progress	4,216,986
Other capital assets, net of accumulated depreciation	(600,290)
Less: related long-term debt outstanding	3,860,913
Total net investment in capital assets	<u>22,560</u>
Restricted for:	
Pheps memorial trust	42,921
Cemetery perpetual care	177,987
Unrestricted	<u>\$ 4,104,381</u>
Total governmental activities net position	

NOTE 11

NET POSITION – PROPRIETARY FUNDS

The following calculation supports the utility net position net investment in capital assets:

Net investment in capital assets:	\$ 7,951,391
Plant in service	(4,101,377)
Accumulated depreciation	3,850,014
Sub-total	(695,300)
Less: capital related debt	<u>\$ 3,154,714</u>
Total net investment in capital assets	

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

Restricted:	
Replacement fund	\$ 458,296
Water revenue bond funds	70,890
Total restricted	<u>\$ 529,186</u>

NOTE 12

TAX LEVY LIMIT

Wisconsin Act 32 imposes a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. Under 2011 Wisconsin Act 32, in 2011 and all future years, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction or zero percent. All of the exceptions and modifications to levy limits that existed under previous law continue to apply.

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

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 13 DEFINED BENEFIT PENSION PLAN

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

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

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

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an uncredited 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.

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:

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 13

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

During the reporting period, the WRS recognized \$30,680 in contributions from the employer.

Contribution rates as of December 31, 2016 are:

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

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 \$52,943 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 .00325812%, which was an increase of .0000388% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$63,127.

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

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City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 13

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 experiences	\$ 8,957	\$ 111,419
Change of assumptions	37,042	
Net differences between projected and actual earnings on pension plan investments		216,767
Changes in proportion and differences between employer contributions and proportionate share of contributions		
Employer contributions subsequent to the measurement date	33,746	
Total	\$ 296,512	\$ 113,951

\$33,746 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 68,224	\$ 27,668
2018	68,224	27,668
2019	68,224	27,668
2020	56,908	27,356
2021	1,186	3,591
Total	\$ 262,766	\$ 113,951

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

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

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City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 13

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

Retirement Funds Asset Allocation Targets and Expected Returns As of December 31, 2015	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class				
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

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 13

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$371,349	\$52,943	(\$193,736)

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

Payables to the Pension Plan

At December 31, 2015 (the measurement date), the City reported a payable of \$44,113 to the pension plan for the outstanding balance of the unfunded prior service liability. The unfunded prior service liability as of December 31, 2016, was estimated to be \$43,293 and is reported on the statement of net position.

NOTE 14 EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. When this becomes effective, application of this standard may restate portions of these financial statements.

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 15 WATER SYSTEM REVENUE BONDS—BUILD AMERICA BONDS

All loan covenants are being properly applied. As described below and in Note 4, various funds are required to be established for the Build America Bonds.

The mortgage revenue bonds require that the following funds be created:

Debt Service Fund/Bond Reserve: The 2010 Build America revenue bond issue has the following requirements: The Debt Service Fund shall be used for the payment of principal and interest on the bonds. Revenues sufficient to pay the principal and interest on the bonds shall be set aside into this fund. Monies standing in the Debt Service Fund are irrevocably pledged to pay principal and interest. An amount not less than one-sixth (1/6) of the next semi-annual payment coming due, shall be deposited into the Debt Service Fund monthly. For the year ended December 31, 2016, this requirement was \$2,738. In addition, a reserve fund is required to be established, this fund shall maintain a reserve amount to additionally secure the payment of principal and interest on the bonds. The reserve amount should equal the lesser of: (1) maximum annual debt service on the bonds in any bond year; (2) 125% of average annual debt service on the bond in any debt year; (3) \$32,848; (4) an amount of \$1,643 shall be deposited into the reserve fund until there is accumulated an amount equal to the reserve requirement. At December 31, 2016, the required amount was \$19,716.

As of December 31, 2016, the balance in the debt service account was \$43,437 and the balance in the bond reserve account was \$21,432. The utility met the requirements for these accounts.

The 2010 Build America bonds require that the net revenues be equal to at least 1.20 times the highest annual principal and interest requirements on all outstanding bonds. Net revenues for 2016 were \$81,054, and the requirement was \$41,611. The Utility met this requirement for 2016.

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 16 COMMITMENTS/SUBSEQUENT EVENTS

The City has entered into contracts totaling approximately \$2,850,000 for street and utility reconstruction. The project will be financed with a \$500,000 grant and clean water and safe drinking water loan funds. Interim financing will be used until long-term clean water and safe drinking water loan funds are issued. For interim financing, on April 20, 2017, the City entered into a \$1,300,000 line of credit with a local financial institution. The line of credit matures on April 20, 2018 and bears an interest rate of 3.96%

In addition, the City entered into a \$35,139 loan agreement with a local financial institution to finance the City's share of a fire truck purchase. The loan is for one year and bears interest at 3%.

NOTE 17 JOINT VENTURE—GRAND RIVER FIRE DISTRICT

The City of Markesan and the Towns of Green Lake, Mackford, and Manchester operate the Grand River Fire District which provides fire protection to the municipalities.

The municipalities share in the operation of the district as follows:

City of Markesan	33%
Town of Green Lake	33%
Town of Mackford	17%
Town of Manchester	17%

The governing body is made up a representative from the Common Council of the City of Markesan and a representative from each of the Town Boards. The governing body has authority to adopt its own budget and control the financial affairs of the district. The City's contributions to the fire district in 2016 were \$44,794. The City believes that the district will continue to provide services in the future at similar rates.

Summary financial information of the district as of December 31, 2016 is made available by the Grand River Fire District upon request. Transactions of the district are not reflected in these financial statements.

City of Markesan, Wisconsin
Notes to the Basic Financial Statements
December 31, 2016

NOTE 18

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been recorded effective January 1, 2016, for the government-wide financial statements as follows:

	<u>Governmental</u>	<u>Business-</u>
	<u>Activities</u>	<u>Type</u>
Net position - beginning, as previously reported	\$ 4,143,124	\$ 4,058,905
Record beginning of year WRS unfunded prior service liability	(35,911)	(8,201)
Net position - beginning, as restated	<u>\$ 4,107,213</u>	<u>\$ 4,050,704</u>

Prior period adjustments have been recorded effective January 1, 2016, for the governmental funds as follows:

	<u>General</u>	<u>Tax Incremental District #1</u>
Fund balance - beginning, as previously reported	\$ 321,693	\$ 3,828
Record transfers in prior years from the City as interfund advances	592,739	(592,739)
Record identifiable exempt computer aid payments from prior years to Tax District #1	(24,657)	24,657
Fund balance - beginning, as restated	<u>\$ 889,775</u>	<u>\$ (564,254)</u>

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

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Taxes	\$ 519,452	\$ 519,452	\$ 522,856	\$ 3,404	\$ 3,404
Intergovernmental	524,644	524,644	514,197	(10,447)	(10,447)
Licenses and permits	16,370	16,370	16,436	66	66
Public charges for services	6,350	6,350	9,030	2,680	2,680
Miscellaneous	36,810	36,810	41,351	4,541	4,541
Total revenues	1,103,626	1,103,626	1,103,870	244	244
EXPENDITURES					
Current:					
General government	195,239	195,239	203,428	(8,189)	(8,189)
Public safety	425,822	425,822	454,028	(28,206)	(28,206)
Public works	281,792	281,792	271,659	10,133	10,133
Health and human services	10,273	10,273	10,945	(672)	(672)
Culture and recreation	91,188	91,188	97,645	(6,457)	(6,457)
Conservation and development	2,300	2,300	1,502	798	798
Capital outlay:	245,637	245,637	180,593	65,044	65,044
Total expenditures	1,252,251	1,252,251	1,219,800	32,451	32,451
Excess (deficiency) of revenues over expenditures	(148,625)	(148,625)	(115,930)	32,695	32,695
OTHER FINANCING SOURCES					
Loan proceeds	20,190	20,190		(20,190)	(20,190)
Transfers in	102,724	102,724	53,169	(49,555)	(49,555)
Transfers out	(84,626)	(84,626)	(84,625)	(1)	(1)
Net change in fund balance	(110,337)	(110,337)	(147,386)	(37,051)	(37,051)
Fund balance - beginning	889,775	889,775	889,775		
Fund balance - ending	\$ 779,438	\$ 779,438	\$ 742,389	\$ (37,051)	\$ (37,051)

See accompanying notes to the required supplementary information.

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

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

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2015	0.00325812%	\$ 52,943	\$ 402,860	13.14%	98.20%
2014	(0.00325424)%	(79,911)	420,724	(18.99%)	102.74%

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

SCHEDULE OF CONTRIBUTIONS

Last 10 Calendar Years**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 33,747	(33,747)	\$	446,717	7.55%
2015	30,680	(30,680)		402,860	7.62%

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

See accompanying notes to the required supplementary information.

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

NOTE 1 BUDGET SCHEDULE

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

The City budget is adopted in accordance with state law. Budget amounts in the financial statements include appropriations authorized in the original budget resolution and subsequent revisions authorized by the City Council. Such revisions are required by a statutory provision which states that no expenditure can be made from an expired appropriation. The statutes also require publication of these budget revisions. Revisions require a two-thirds vote of the City Council. Appropriations for the general fund lapse at year end unless specifically carried forward by Board action. Carryovers are shown in Note 9 of the financial statements. Budget comparisons are not required for proprietary funds.

The City does not utilize encumbrances in its budget process but does take into consideration certain appropriations, which do not lapse on an annual basis.

NOTE 2 EXCESS EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded budget appropriations in the general fund for the year ended December 31, 2016:

Expenditure	Excess Expenditure
General government	8,189
Public safety	28,206
Health and human services	672
Culture and recreation	6,457

NOTE 3 WISCONSIN RETIREMENT SYSTEM SCHEDULES

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

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

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

Schedule 1
City of Markesan, Wisconsin
Schedule of Operating Revenues and Expenses
Proprietary Funds
Year Ended December 31, 2016

	Water Utility	Wastewater Utility	Total
OPERATING REVENUES			
Public charges for service	\$ 89,580	\$ 280,659	\$ 370,239
Public fire protection	74,815		74,815
Other receipts	10,206	1,403	11,609
Total operating revenues	<u>174,601</u>	<u>282,062</u>	<u>456,663</u>
OPERATING EXPENSES			
Salaries and wages	9,370	59,462	68,832
Operating supplies and expenses	7,448		7,448
Fuel and power	11,325	20,850	32,175
Repairs and maintenance	991	29,866	30,857
Transportation expenses	955	955	1,910
Office supplies and expenses	3,778	3,757	7,535
Outside services employed	5,431	8,617	14,048
Employee benefits	7,457	43,634	51,091
Insurance	2,689	8,904	11,593
Depreciation/amortization	56,635	126,068	182,703
Taxes (including tax equivalent)	46,286	6,242	52,528
Billing, collecting, and accounting	4,249	4,249	8,498
Miscellaneous general expenses	1,016	4,300	5,316
Total operating expenses	<u>150,182</u>	<u>324,352</u>	<u>474,534</u>
Operating income (loss) including tax equivalent	24,419	(42,290)	(17,871)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(21,099)		(21,099)
Interest income*		3,154	3,154
Debt issuance costs*	(21,099)		(13,000)
Total nonoperating revenues (expenses)	<u>(42,198)</u>		<u>(30,945)</u>
Change in net position	<u>\$ 3,320</u>	<u>\$ (42,290)</u>	<u>\$ (48,816)</u>

*Not allocated

Schedule 2
City of Markesan, Wisconsin
General Fund
Statement of Changes in Non-Lapsing Appropriations
For the Year Ended December 31, 2016

Account	January 1	Appropriations	Transfers	Available	Expenditures	Balance
Machines	\$ 46,156	\$ 30,000		\$ 76,156	\$ (25,156)	\$ 51,000
General accounting	10,000	2,500		12,500		12,500
City Hall	14,349	15,000		29,349	(6,611)	22,738
Codification	6,115			6,115		6,115
Streets	33,717	70,000		103,717	(110,921)	(7,204)
Fire					(17,125)	(17,125)
Emergency govt		5,000		5,000		5,000
Garage and sheds		3,000		3,000		3,000
Parking lots		500		500		500
Recycling center		500		500		500
Cemetery		3,000		3,000		3,000
Library		800		800		800
Parks		5,000		5,000		5,000
Total	<u>\$ 110,337</u>	<u>\$ 135,300</u>		<u>\$ 245,637</u>	<u>\$ (159,813)</u>	<u>\$ 85,824</u>

City of Markesan, Wisconsin
Build America Bonds – Additional Information
December 31, 2016

The following additional disclosures are required per the Build America Bond resolution:

User Information	Number of Users	Gallage
Residential	515	20,720,000
Commercial	86	9,376,000
Industrial	14	5,285,000
Public Authority	11	1,599,000

Water Condensed Balance Sheet

Cash (includes wastewater)	\$ 132,340	Accounts payable (includes wastewater)	\$ 15,301
Restricted cash (water)	70,890	Interest accrued	1,172
Restricted cash (wastewater)	458,296	Revenue bonds	695,300
Accounts receivable (water)	22,358	Compensated absences (includes wastewater)	22,402
Other accounts receivable (includes wastewater)	83,450	Net pension liability (includes wastewater)	9,900
Due from municipality	96,335	Pension prior service liability (includes wastewater)	8,048
Inventory (water)	4,233	Pension deferred inflows of resources (includes wastewater)	21,309
Inventory (wastewater)	312	of resources	4,001,888
Pension deferred outflows of resources	55,448	Net position	<u>\$4,775,320</u>
Fixed assets	2,565,406		
Less: accumulated depreciation	<u>(835,976)</u>		
	1,729,430		

Nonutility property (includes nonregulated sewer plant)	5,387,629
Less: accumulated depreciation	<u>(3,265,401)</u>
	2,122,228
	<u>\$4,775,320</u>

Insurance Coverage

Insurance Company	Type	Coverage
EMC Insurance Company	Liability	\$ 2,000,000
	Workers Comp.	500,000
	Umbrella	1,000,000
	Public Official	2,000,000
	Law Enforcement	2,000,000
	Property	10,657,652
	Equipment	3,067,112

FORM OF LEGAL OPINION

(See following pages)

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

March 8, 2018

Re: City of Markesan, Wisconsin ("Issuer")
\$1,645,000 General Obligation Corporate Purpose Bonds, Series 2018A,
dated March 8, 2018 ("Bonds")

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

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

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$115,000	___%
2021	120,000	___
2022	115,000	___
2023	115,000	___
2024	120,000	___
2025	120,000	___
2026	125,000	___
2027	130,000	___
2028	130,000	___
2029	135,000	___
2030	140,000	___
2031	140,000	___
2032	140,000	___

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

The Bonds maturing on March 1, 2028 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2027 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. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

QUARLES & BRADY LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Markesan, Green Lake County, Wisconsin (the "Issuer") in connection with the issuance of \$1,645,000 General Obligation Corporate Purpose Bonds, Series 2018A, dated March 8, 2018 (the "Securities"). The Securities are being issued pursuant to resolutions adopted on January 9, 2018 and February 13, 2018 (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 annually 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). The Issuer is an obligated person with respect to not more than \$10,000,000 in aggregate amount of outstanding municipal securities (including the Securities but excluding obligations exempt from the Rule). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

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

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

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

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

"Final Official Statement" means the Final Official Statement dated February 14, 2018, delivered in connection with the Securities, which is available from the MSRB.

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

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

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

"Issuer Contact" means the City Clerk-Treasurer of the Issuer who can be contacted at 150 South Bridge Street, Markesan, Wisconsin 53946, phone (920) 398-3031, fax (920) 398-3991.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

"SEC" means the Securities and Exchange Commission.

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

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ended December 31, 2017, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference financial information and operating data that is customarily prepared and publicly available, to wit:

1. Audited Financial Statements; and
2. The Issuer's adopted annual budget.

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 8th day of March, 2018.

(SEAL)

Rich Slate
Mayor

Elizabeth A. Amend
City Clerk-Treasurer

NOTICE OF SALE

**\$1,645,000* GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2018A
CITY OF MARKESAN, WISCONSIN**

Bids for the purchase of \$1,645,000* General Obligation Corporate Purpose Bonds, Series 2018A (the "Bonds") of the City of Markesan, 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 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on February 13, 2018, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purpose of financing street improvements and current refunding 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 March 8, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on March 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$115,000	2025	\$120,000	2030	\$140,000
2021	120,000	2026	125,000	2031	140,000
2022	115,000	2027	130,000	2032	140,000
2023	115,000	2028	130,000		
2024	120,000	2029	135,000		

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

BOOK-ENTRY-ONLY FORMAT

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

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after March 1, 2028 shall be subject to optional redemption prior to maturity on March 1, 2027 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 March 8, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL 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 \$1,624,438, nor more than \$1,743,700, plus accrued interest on the principal sum of \$1,645,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 10:30 A.M. Central Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Bids must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of bids. Each bid must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$32,900 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the bid is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the bid is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all bids and to waive any informality in any bid.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in this bid.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the underwriter. In such event, any bid submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the underwriter on its bid form to determine the issue price for the Bonds. On its bid form, each underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a certain maturity have been sold.

(f) By submitting a bid, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if an for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the bid opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the bid acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and bid forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Common Council

Elizabeth Amend, Clerk/Treasurer
City of Markesan, Wisconsin

BID FORM

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

February 13, 2018

**RE: \$1,645,000* General Obligation Corporate Purpose Bonds, Series 2018A
DATED: March 8, 2018**

For all or none of the above Bonds, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$1,624,438, nor more than \$1,743,700) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2020	_____ % due	2025	_____ % due	2030
_____ % due	2021	_____ % due	2026	_____ % due	2031
_____ % due	2022	_____ % due	2027	_____ % due	2032
_____ % due	2023	_____ % due	2028		
_____ % due	2024	_____ % due	2029		

* 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%.

We enclose our Deposit in the amount of \$32,900, 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 March 8, 2018.

This bid is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for 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: ____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from March 8, 2018 of the above bid is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Common Council of the City of Markesan, Wisconsin, on February 13, 2018.

By: _____ By: _____
Title: _____ Title: _____