

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 2, 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 Notes 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 Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

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

New Issue

Rating Application Made: S&P Global Ratings

CITY OF RHINELANDER, WISCONSIN (Oneida County)

\$3,085,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2018A

BID OPENING: April 9, 2018, 11:00 A.M., C.T.

CONSIDERATION: April 9, 2018, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,085,000* General Obligation Promissory Notes, Series 2018A (the "Notes") of the City of Rhinelander, Wisconsin (the "City") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including financing street improvements and other capital projects. The Notes are 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 Notes 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 NOTES: May 1, 2018

MATURITY:	<u>Date</u>	<u>Amount*</u>	<u>Date</u>	<u>Amount*</u>	<u>Date</u>	<u>Amount*</u>
	Nov 1, 2019	\$240,000	Nov 1, 2023	\$305,000	Nov 1, 2027	\$340,000
	Nov 1, 2020	285,000	Nov 1, 2024	315,000	May 1, 2028	355,000
	Nov 1, 2021	295,000	Nov 1, 2025	320,000		
	Nov 1, 2022	300,000	Nov 1, 2026	330,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the amount of any individual maturity of the Notes in increments of \$5,000 on the day of sale. If individual maturities are increased or decreased, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: May 1, 2019 and semiannually thereafter.

OPTIONAL REDEMPTION: Notes maturing November 1, 2025 or thereafter are subject to call for prior redemption on November 1, 2024 and any date thereafter, at a price of par plus accrued interest.

MINIMUM BID: \$3,047,980.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$61,700 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Quarles & Brady LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any 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 Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

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

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

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

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Notes 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 Notes are exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Notes, 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 Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, 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 Notes; (3) a certificate evidencing the due execution of the Notes, 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 Notes, (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 Notes 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 Notes 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>
Richard Johns*	Mayor	April 2018
George Kirby	Aldersperson	April 2020
Mark Pelletier*	Aldersperson	April 2018
Sherrie Belliveau	Aldersperson	April 2020
Tom Kelly**	Aldersperson	April 2018
Dawn Rog	Aldersperson	April 2020
Alexander Young***	Aldersperson	April 2018
Steve Sauer	Aldersperson	April 2020
Thomas Gleason*	Aldersperson	April 2018

ADMINISTRATION

Keith Kost, Interim City Administrator
Wendi Bixby, Finance Director/Treasurer
Valerie Foley, City Clerk

PROFESSIONAL SERVICES

Carrie S. Miljevich, City Attorney, Rhinelander, Wisconsin

Quarles & Brady LLP, Bond Counsel, Milwaukee, Wisconsin

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

* Not running for reelection.

** Running for reelection.

*** Not running for reelection as Alderman but is running for election as Mayor.

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Rhinelander, Wisconsin (the "City") and the issuance of its \$3,085,000* General Obligation Promissory Notes, Series 2018A (the "Notes" or the "Obligations"). Any descriptions or summaries of the Notes, 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 Notes to be included in the resolution awarding the sale of the Notes (the "Award Resolution") to be adopted by the Common Council on April 9, 2018.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, 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 NOTES

GENERAL

The Notes 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 May 1, 2018. The Notes will mature on the dates and in the amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on May 1 and November 1 of each year, commencing May 1, 2019, to the registered owners of the Notes 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 1.00% 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 3.50%.)** All Notes 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 Notes 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 Notes are held under the book-entry system, beneficial ownership interests in the Notes may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Notes 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 Notes shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. 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 Notes maturing on or after November 1, 2025 shall be subject to optional redemption prior to maturity on November 1, 2024 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes 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 Note to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including financing street improvements and other capital projects.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Notes	<u>\$3,085,000</u>	
	Total Sources		\$3,085,000
Uses			
	Project Costs	\$3,000,000	
	Estimated Discount	37,020	
	Finance Related Expenses	47,500	
	Contingency/Rounding	<u>480</u>	
	Total Uses		\$3,085,000

*Preliminary, subject to change

SECURITY

For the prompt payment of the Notes 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 Notes when it becomes due and also to pay and discharge the principal on the Notes 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

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

The City has requested a rating on this issue from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Notes any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter 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 Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Notes. Such Disclosure Undertaking will be in substantially the form attached hereto.

The City did not meet its disclosure obligation by not filing the following in the last five years as required by the Rule. The Annual Financial Information and Operating Data report for fiscal year ending December 31, 2014 was timely filed, but it was missing some operating data. A corrective report was filed March 23, 2018. Except to the extent that the following are deemed to be material, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

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

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

LEGAL OPINION

An opinion as to the validity of the Notes 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 Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

STATEMENT REGARDING COUNSEL PARTICIPATION

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

TAX EXEMPTION

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

"The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes 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 Notes 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 Notes in order for interest on the Notes 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 Notes to be included in gross income retroactively to the date of issuance of the Notes. 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 Notes."

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

Prospective purchasers of the Notes should be aware that ownership of the Notes 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 Notes 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 Notes. 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 Notes may be enacted. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

Following is a description of possible risks to holders of the Notes 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 Notes 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 Notes. 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.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Notes 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 Notes 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 Notes 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 Notes. 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 Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes 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 Notes.

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 Notes in the secondary market.

Secondary Market for the Notes: No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes 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 Notes. 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 Notes 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	\$593,154,600
2017 Equalized Value Reduced by Tax Increment Valuation	\$554,316,800
2017 Assessed Value	\$615,760,800

2017 EQUALIZED VALUE BY CLASSIFICATION

	2017 Equalized Value	Percent of Total Equalized Value
Residential	\$ 228,943,900	38.598%
Commercial	277,548,200	46.792%
Manufacturing	46,849,900	7.898%
Personal Property	39,812,600	6.712%
Total	<u>\$ 593,154,600</u>	<u>100.000%</u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2013	\$613,687,500	\$547,935,300	-4.88%
2014	608,405,900	573,094,700	4.59%
2015	605,551,100	588,990,700	2.77%
2016	612,548,900	592,567,100	0.61%
2017	615,760,800	593,154,600	0.10%

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
Printpack	Paper Manufacturing	\$21,812,755	3.68%
Lincoln Plaza	Retail Mall Property	13,576,434	2.29%
Rennes Development	Assisted Living/Nursing Home	10,491,745	1.77%
Menards	Retail Store	9,862,634	1.66%
Individual	Grocery Store/Mall/Restaurant	8,986,296	1.52%
Concord 6	Retail Mall Property	8,380,721	1.41%
Home Depot	Retail Store	7,491,265	1.26%
Davenport Estates	Apartment Buildings	6,327,187	1.07%
Aspirus Wausau Hospital	Hospital/Clinic/Health Care	5,988,324	1.01%
Petco	Retail	5,144,204	0.87%
Total		\$98,061,566	16.53%
City's Total 2017 Equalized Value ²		\$593,154,600	

Source: The City.

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

² Includes tax increment valuation.

DEBT

DIRECT DEBT¹ (includes the Notes)*

General Obligation Debt (see schedules following)

Total General Obligation Debt	<u>\$ 18,205,040</u>
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Revenue Debt (see schedules following)

Total revenue debt secured by water revenues	<u>\$ 3,932,737</u>
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Total revenue debt secured by sewer revenues	<u>\$ 13,868,325</u>
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*Preliminary, subject to change.

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

CITY OF RHINELANDER, WISCONSIN
 Schedule of Bonded Indebtedness
 General Obligation Debt
 (As of May 1, 2018)

Dated Amount Maturity	Taxable Refunding 1) Series 2010A		Promissory Notes 2) Series 2010B		Promissory Notes 3) Series 2012A		Corporate Purpose Series 2013A		Taxable Comm Dev Series 2013B		Corporate Purpose 4) Series 2013C	
	5/26/10 \$1,285,000	12/01/10 \$2,250,000	1/26/12 \$1,785,000	1/29/13 \$4,755,000	6/11/13 \$2,110,000	6/11/13 \$1,960,000	3/01	12/01	12/01	12/01	6/11/13 \$1,960,000	3/01
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	39,513	9,685	195,000	15,200	260,000	101,600	125,000	49,695	105,000	20,013	105,000	38,975
2019	95,000	35,463	205,000	11,300	265,000	96,400	130,000	47,195	140,000	38,975	140,000	36,525
2020	100,000	31,075	200,000	7,200	270,000	85,800	135,000	41,985	140,000	33,725	140,000	30,675
2021	105,000	26,357	160,000	3,200	285,000	75,000	140,000	36,760	145,000	27,613	145,000	23,850
2022	110,000	21,288			290,000	67,875	145,000	31,460	150,000	19,875	150,000	15,675
2023	115,000	15,803			300,000	52,050	155,000	22,625	160,000	12,148	150,000	6,900
2024	120,000	9,880			310,000	43,050	165,000	12,148	170,000	6,290	155,000	2,325
2025	130,000	3,380			325,000	24,150	165,000					
2026					160,000	9,750						
2027					165,000	4,950						
2028												
2029												
2030												
2031												
2032												
2033												
2034												
2035												
2036												
	775,000	182,798	760,000	31,385	3,925,000	841,025	1,745,000	374,775	1,535,000	267,675		

- 1) This issue refunded the 2011 through 2021 maturities of the City's \$1,500,000 State Trust Fund Loan of 2005, dated August 16, 2005.
- 2) A portion of this issue refunded the 2011 through 2012 maturities of the City's \$2,140,000 General Obligation Promissory Notes, dated December 15, 2002.
- 3) This issue refunded the 2012 through 2014 maturities of the City's \$300,000 General Obligation Promissory Notes, Series 2009, dated April 13, 2009.
- 4) A portion of this issue refunded the 2014 through 2028 principal installments of the City's \$1,436,000 State Trust Fund Loan, dated December 22, 2009.

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CITY OF RHINELANDER, WISCONSIN
 Schedule of Bonded Indebtedness
 General Obligation Debt, *continued*.
 (As of May 1, 2018)

Dated Amount Maturity	STFL 2013		STFL 2013		STFL 2013		STFL 2013		STFL 2013		STFL (6) 2013	
	7/10/13 \$401,500	3/15	7/10/13 \$50,000	3/15	7/10/13 \$252,000	3/15	7/10/13 \$280,000	3/15	7/26/13 \$254,717	3/15	7/26/13 \$439,091	3/15
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	17,233	12,688	5,010	728	18,297	6,265	28,056	4,076	45,260	1,245	32,093	10,989
2019	17,946	12,085	5,146	592	18,968	5,594	28,619	3,313			33,209	9,812
2020	16,549	11,353	5,289	446	19,694	4,968	29,020	2,511			34,544	6,536
2021	15,244	10,657	5,435	303	20,433	4,129	30,435	1,697			35,839	7,243
2022	19,966	9,965	5,584	154	21,199	3,363	31,272	860			37,163	5,699
2023	20,689	9,242			21,967	2,575					38,565	4,517
2024	21,490	8,441			22,819	1,743					40,024	3,058
2025	22,296	7,635			23,674	888					41,524	1,557
2026												
2027	23,132	6,799										
2028	23,983	5,948										
2029	24,899	5,032										
2030	25,833	4,098										
2031	26,802	3,129										
2032	27,801	2,130										
2033	28,849	1,062										
2034												
2035												
2036	338,612	110,353	26,465	2,224	167,071	29,426	148,202	12,457	45,260	1,245	293,041	51,613

5) This issue refunded the City's \$355,165 State Trust Fund Loan, dated December 15, 2009.

6) This issue refunded the City's \$550,000 State Trust Fund Loan, dated November 21, 2006.

Continued on next page...

CITY OF RHINELANDER, WISCONSIN
 Schedule of Bonded Indebtedness
 General Obligation Debt, *continued*.
 (As of May 1, 2018)

Fiscal Year Ending	STFL (7) 2013		STFL 2013		Promissory Notes (8) Series 2014A		Corp Purpose Series 2016A		Refunding (9) Series 2016B		GO Prom Notes Series 2018A		Total P & I*	Total Interest*	Principal Outstanding*	% Paid*	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest					
2018	7/26/13	3/15	24,546	13,636	8,603	3,517	65,000	25,983	40,000	16,725	240,000	118,710	1,153,615	288,615	17,340,040	4.75%	2018
2019	7/26/13	3/15	25,451	12,751	9,273	3,147	85,000	50,625	45,000	32,930	285,000	74,340	2,243,034	518,586	15,615,642	14.22%	2019
2020	7/26/13	3/15	26,420	11,762	9,675	2,745	123,000	48,925	45,000	32,056	295,000	68,355	2,231,537	397,763	13,821,680	24.08%	2020
2021	7/26/13	3/15	27,411	10,771	10,067	2,533	160,000	46,425	50,000	31,269	300,000	61,716	2,022,677	354,666	12,163,098	33.02%	2021
2022	7/26/13	3/15	28,436	9,744	10,515	1,905	85,000	43,225	55,000	30,313	305,000	54,518	1,963,579	354,696	10,564,216	41.97%	2022
2023	7/26/13	3/15	29,461	8,701	10,958	1,462	90,000	35,625	60,000	27,763	315,000	47,045	1,724,300	313,676	9,095,058	50.04%	2023
2024	7/26/13	3/15	30,610	7,572	11,428	992	90,000	34,025	65,000	26,200	320,000	38,698	1,538,380	232,008	6,337,006	58.02%	2024
2025	7/26/13	3/15	31,758	6,424	11,914	506	95,000	32,225	70,000	24,163	330,000	38,698	1,332,446	193,485	5,110,840	65.19%	2025
2026	7/26/13	3/15	32,949	5,233	12,400	306	95,000	30,325	70,000	21,713	340,000	20,333	1,176,082	155,502	3,934,759	78.93%	2026
2027	7/26/13	3/15	34,174	4,008	12,886	100	95,000	28,425	80,000	19,088	355,000	5,236	1,011,601	138,651	2,711,601	85.11%	2027
2028	7/26/13	3/15	35,466	2,716	13,372	100	100,000	26,050	85,000	16,200	365,000	0	848,356	127,784	1,816,236	90.02%	2028
2029	7/26/13	3/15	36,951	1,386	13,858	100	100,000	23,550	90,000	13,138	375,000	0	684,356	107,784	1,408,452	92.26%	2029
2030	7/26/13	3/15					105,000	20,550	100,000	9,813	391,602	0	435,044	43,242	1,016,650	94.42%	2030
2031	7/26/13	3/15					110,000	17,400	100,000	6,188	402,801	0	433,469	30,668	613,849	96.63%	2031
2032	7/26/13	3/15					115,000	14,100	115,000	2,156	414,000	0	425,849	17,338	360,000	98.02%	2032
2033	7/26/13	3/15					120,000	10,800	120,000	0	425,000	0	415,000	10,800	245,000	98.65%	2033
2034	7/26/13	3/15					125,000	7,350	125,000	0	430,000	0	422,350	7,350	125,000	99.31%	2034
2035	7/26/13	3/15					125,000	1,875	125,000	0	435,000	0	424,125	1,875	125,000	100.00%	2035
2036	7/26/13	3/15					125,000	0	125,000	0	440,000	0	429,000	0	125,000	100.00%	2036
			363,636	94,703	82,753	16,607	2,155,000	535,188	1,070,000	338,863	3,085,000	518,688	18,205,040	3,527,878	21,732,919		

7) This issue refunded the City's \$200,000 State Trust Fund Loan, dated October 26, 2010, the \$225,000 State Trust Fund Loan, dated November 23, 2010, and the \$75,000 State Trust Fund Loan, dated January 4, 2011.

8) A portion of this issue current refunded the City's \$657,000 State Trust Fund Loan of 2013, dated November 27, 2013. A portion of this issue advance refunded a portion of the 2016 maturity of the City's \$2,475,000 General Obligation Promissory Notes, dated September 1, 2007.

9) This issue is refunding the 2017 through 2033 maturities of the City's \$1,149,323 State Trust Fund Loan, Series 2014, dated 1/8/2014.

* Preliminary, subject to change.

CITY OF RHINELANDER, WISCONSIN
Schedule of Bonded Indebtedness
Revenue Debt Secured by Water Revenues
(As of May 1, 2018)

Fiscal Year Ending	Water Loan 1) 2008		Water Loan 2) 2013		Water Loan 3) 2014		Water Loan 4) 2016		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest				
2018			4,180	4,811	4,221	8,809	90,808	8,809	22,021	3,932,737	0.00%	2018
2019	55,252	11/27/13	7,968	9,326	8,201	17,169	91,707	17,169	42,663	3,893,642	6.08%	2019
2020	56,036	\$1,026,552	7,179	8,731	7,714	16,265	92,614	16,265	39,890	3,451,788	12.23%	2020
2021	56,831	5/01	6,378	8,130	7,223	15,353	93,531	15,353	37,083	3,207,145	18.45%	2021
2022	57,637		5,566	7,521	6,725	14,432	95,392	14,432	34,244	2,959,678	24.74%	2022
2023	58,455		4,742	6,906	6,222	13,501	96,337	13,501	31,371	2,709,356	31.11%	2023
2024	59,285		3,907	6,283	5,713	12,561	97,291	12,561	28,464	2,456,144	37.55%	2024
2025	60,126		3,059	5,654	5,198	11,612	98,254	11,612	25,523	2,200,008	44.06%	2025
2026	60,979		2,200	5,017	4,677	10,654	99,226	10,654	22,548	1,940,914	50.65%	2026
2027	61,845		1,329	4,372	4,150	9,686	100,209	9,686	19,537	1,678,827	57.31%	2027
2028	62,722		445	3,721	3,617	8,708	101,201	8,708	16,491	1,413,712	64.05%	2028
2029				3,061	3,078	7,721	102,203	7,721	13,860	1,209,145	69.25%	2029
2030				2,394	2,532	6,724	103,215	6,724	11,651	1,002,381	74.51%	2030
2031				58,073	47,491	206,764	104,236	9,418	218,415	793,395	79.83%	2031
2032				58,744	48,039	208,986	105,268	7,160	218,391	582,165	85.20%	2032
2033				59,422	48,594	1,423	106,310	4,879	218,379	368,665	90.63%	2033
2034				60,108	49,155	858	107,363	2,924	157,915	213,673	94.57%	2034
2035					287	1,589	107,363	531	107,900	107,363	97.27%	2035
2036						531	1,779,622	172,043	371,846	4,304,584	100.00%	2036

1) A loan in the amount of \$1,198,751 has been approved by the State of Wisconsin Environmental Improvement Fund. To date, the amount disbursed is \$1,097,023.93.

2) A loan in the amount of \$1,026,552 has been approved by the State of Wisconsin Environmental Improvement Fund. To date, the amount disbursed is \$975,224.40.

3) A loan in the amount of \$918,688 has been approved by the State of Wisconsin Environmental Improvement Fund. To date, the amount disbursed is \$881,410.98.

4) A loan in the amount of \$2,138,893 has been approved by the State of Wisconsin Environmental Improvement Fund. To date, the amount disbursed is \$611,611.81.

CITY OF RHINELANDER, WISCONSIN
Schedule of Bonded Indebtedness
Revenue Debt Secured by Sewer Revenues
(As of May 1, 2018)

Fiscal Year Ending	Clean Water Fund Loan 2010 1)		Clean Water Fund Loan 2011 2)		Clean Water Fund Loan 2012 3)		USDA Sewer		Clean Water Fund Loan 2016 4)		Total P & I	Total Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest				
2018											176,041	13,868,325	0.00%	2018
2019	1/13/10	5/01	107,530	8,222	5,540	46,057	5/12/16	10,703	05/25/16	176,041	176,041	0.00%	2019	
2020	\$12,633,196		206,443	15,897	10,767	90,562	\$3,431,650	20,910	\$1,270,592	1,193,503	344,568	13,019,361	6.13%	2020
2021			694,595	14,791	10,268	88,967	58,800	48,174	19,909	322,797	1,193,268	12,148,931	12.40%	2021
2022			712,224	13,658	9,200	88,967	69,500	49,166	18,886	300,471	1,193,068	11,256,344	18.83%	2022
2023			730,300	12,499	8,722	87,326	62,200	50,219	17,842	277,577	1,192,807	10,341,114	25.43%	2023
2024			748,835	11,311	8,003	83,905	65,700	51,273	16,777	254,100	1,192,502	9,402,713	32.20%	2024
2025			767,840	10,095	7,262	82,123	65,700	52,350	15,689	230,027	1,192,242	8,440,498	39.14%	2025
2026			787,328	8,850	6,499	80,292	67,500	53,449	14,578	205,341	1,191,926	7,453,913	46.25%	2026
2027			807,310	7,575	5,713	78,409	69,400	54,572	13,444	180,028	1,191,651	6,442,290	53.55%	2027
2028			827,800	6,270	4,903	76,475	71,300	55,718	12,286	154,070	1,191,317	5,405,043	61.03%	2028
2029			848,810	4,933	4,069	74,487	73,300	56,888	11,103	127,453	1,191,022	4,341,474	68.70%	2029
2030			870,352	3,564	3,210	72,443	75,300	58,082	9,896	100,158	1,190,664	3,250,969	76.56%	2030
2031				2,162	2,326	77,500	77,500	59,302	8,664	83,493	309,323	3,025,139	78.19%	2031
2032				726	1,415	79,600	68,182	60,547	7,405	77,728	309,219	2,793,648	79.86%	2032
2033				476		81,800	65,963	61,819	6,120	72,559	247,924	2,618,283	81.12%	2033
2034						84,100	63,682	63,117	4,808	68,490	215,707	2,471,066	82.18%	2034
2035						86,500	61,336	64,443	3,469	64,805	215,748	2,320,123	83.27%	2035
2036						88,900	58,924	65,796	2,102	61,026	215,722	2,165,428	84.39%	2036
2037						91,300	56,447	67,178		57,152	215,629	2,006,950	85.53%	2037
2038						93,900	53,900	68,478		53,900	147,800	1,913,050	86.21%	2038
2039						96,500	51,282	69,500		51,282	147,800	1,816,550	86.90%	2039
2040						99,200	48,591	70,200		48,591	147,791	1,717,350	87.62%	2040
2041						102,000	45,825	71,000		45,825	147,791	1,615,350	88.35%	2041
2042						104,800	42,981	71,700		42,981	147,781	1,510,550	89.11%	2042
2043						107,700	40,059	72,400		40,059	147,769	1,402,850	89.88%	2043
2044						110,600	37,086	73,100		37,086	147,758	1,297,400	90.66%	2044
2045						113,500	33,986	73,800		33,986	147,746	1,196,350	91.50%	2045
2046						117,000	30,796	74,500		30,796	147,736	1,091,350	92.35%	2046
2047						120,300	27,533	75,200		27,533	147,833	941,050	93.21%	2047
2048						123,600	24,179	75,900		24,179	147,779	817,450	94.11%	2048
2049						127,100	20,732	76,600		20,732	147,832	690,350	95.02%	2049
2050						130,600	17,189	77,300		17,189	147,789	559,750	95.96%	2050
2051						134,200	13,548	78,000		13,548	147,748	425,550	96.93%	2051
2052						138,000	9,805	78,700		9,805	147,805	287,550	97.93%	2052
2053						141,800	5,958	79,400		5,958	147,758	145,750	98.95%	2053
						145,750	2,004	80,100		2,004	147,754	0	100.00%	2053
						13,868,325	3,665,294	1,019,294	1,896,969	215,295	17,633,619			

- 1) A loan in the amount of \$12,633,196 has been approved by the State of Wisconsin Environmental Improvement Fund. To date, the amount disbursed is \$12,633,196.
- 2) A loan in the amount of \$987,631 has been approved by the State of Wisconsin Environmental Improvement Fund. To date, the amount disbursed is \$975,330.55.
- 3) A loan in the amount of \$555,686 has been approved by the State of Wisconsin Environmental Improvement Fund. To date, the amount disbursed is \$466,465.11.
- 4) A loan in the amount of \$1,270,592 has been approved by the State of Wisconsin Environmental Improvement Fund. To date, the amount disbursed is \$241,094.06

DEBT LIMIT (includes the Notes)*

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	\$ 593,154,600
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 29,657,730
Less: General Obligation Debt*	<u>(18,205,040)</u>
Unused Debt Limit*	<u><u>\$ 11,452,690</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2017 Equalized Value	% In City	Total G.O. Debt²	City's Proportionate Share
Oneida County	\$ 6,867,927,100	8.64%	\$ 15,000,000	\$ 1,295,490
School District of Rhinelander	2,372,806,771	25.00%	7,284,443	1,820,965
Nicolet Technical College District	17,140,848,829	3.46%	9,385,000	<u>324,768</u>
City's Share of Total Overlapping Debt				<u><u>\$ 3,441,223</u></u>

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

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

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$593,154,600	Debt/ Per Capita 7,552¹
Total General Obligation Debt (includes the Notes)*	\$ 18,205,040	3.07%	\$ 2,410.63
City's Share of Total Overlapping Debt	<u>3,441,223</u>	<u>0.58%</u>	<u>455.67</u>
Total*	\$ 21,646,263	3.65%	\$ 2,866.30

*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 has no current plans for additional financing in the next 12 months.

¹ Estimated 2017 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$6,103,826	100%	\$11.23
2014/15	5,973,061	100%	11.12
2015/16	5,974,300	100%	10.83
2016/17	5,975,212	100%	10.81
2017/18	5,979,315	<div style="border: 1px dashed black; padding: 2px; display: inline-block;"> In Process </div>	10.79

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

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

PROPERTY TAX RATES

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

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total
2013/14	\$12.22	\$2.25	\$11.23	\$0.17	\$25.87
2014/15	11.37	2.26	11.12	0.18	24.93
2015/16	11.37	2.29	10.83	0.18	24.67
2016/17	12.08	2.35	10.81	0.18	25.42
2017/18	11.48	2.33	10.79	0.00	24.60

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 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%.

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

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

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

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1894 and is governed by a Mayor and an eight-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 Interim City Administrator, City Clerk and Finance Director/Treasurer are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 92 full-time and 39 part-time employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are required to contribute half of the actuarially determined contributions, and the City may not pay the employees' required contribution. The total retirement plan contributions (including both the City's and the employees' contributions) for the fiscal year ended December 31, 2014 were \$961,234. 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 \$543,399 and \$544,899 respectively.

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

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

As of December 31, 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. At December 31, 2016, the city (including component units) reported a liability of \$903,241 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the

measurement date. The city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the city's proportion was 0.05558475%.

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

Recognized and Certified Bargaining Units

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

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

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

The following bargaining units represent employees of the City:

Bargaining Unit	Expiration Date of Current Contract
Rhineland Professional Police Association, Wisconsin Professional Association, Local 38	December 31, 2019
Rhineland Fire Fighters International Association of Fire Fighters, Local 1028	December 31, 2019

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 Obligations or otherwise questioning the validity of the Obligations.

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 Obligations 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 Obligations could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Obligations, and there could ultimately be no assurance that holders of the Obligations would be paid in full or in part on the Obligations. Further, under such circumstances, there could be no assurance that the Obligations would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Obligations 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 Obligations.

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 Obligations would not occur.

FUNDS ON HAND (as of December 31, 2017)

Fund	Total Cash and Investments
General	\$ 4,183,975
Special Revenue	918,147
Capital Projects	854,590
Enterprise Funds	3,852,289
Fiduciary Funds	97,506
Tax Increment Funds	1,378,899
Total Funds on Hand	<u>\$ 11,285,406</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			
Total Operating Revenues	\$ 1,630,026	\$ 1,797,098	\$ 2,106,112
Less: Operating Expenses	<u>(1,710,910)</u>	<u>(1,523,047)</u>	<u>(1,475,996)</u>
Operating Income	\$ (80,884)	\$ 274,051	\$ 630,116
Plus: Depreciation	370,992	390,508	424,998
Interest Income	<u>1,973</u>	<u>12,445</u>	<u>13,915</u>
Revenues Available for Debt Service	<u><u>\$ 292,081</u></u>	<u><u>\$ 677,004</u></u>	<u><u>\$ 1,069,029</u></u>
Wastewater			
Total Operating Revenues	\$ 2,652,696	\$ 2,914,538	\$ 2,858,711
Less: Operating Expenses	<u>(2,532,488)</u>	<u>(2,519,533)</u>	<u>(2,483,620)</u>
Operating Income	\$ 120,208	\$ 395,005	\$ 375,091
Plus: Depreciation	1,294,723	1,298,606	1,352,845
Interest Income	<u>1,789</u>	<u>28,951</u>	<u>7,171</u>
Revenues Available for Debt Service	<u><u>\$ 1,416,720</u></u>	<u><u>\$ 1,722,562</u></u>	<u><u>\$ 1,735,107</u></u>

SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Unaudited ¹	2018 Adopted Budget ²
Revenues					
Taxes	\$ 4,953,924	\$ 4,743,661	\$ 4,717,723	\$ 4,746,795	\$ 4,729,990
Special assessments	6,004	17,941	10,698	8,581	11,000
Intergovernmental	1,875,926	1,873,783	1,910,175	1,848,251	1,949,905
Licenses and permits	210,375	174,631	211,521	194,829	183,670
Penalties and forfeitures	43,316	38,968	36,792	169,239	35,600
Public charges for services	311,492	317,976	190,567	244,902	255,800
Investment income	14,546	22,499	21,393	7,851	6,000
Miscellaneous general revenues	103,944	74,888	115,398	377,377	378,177
Total Revenues	\$ 7,519,527	\$ 7,264,347	\$ 7,214,267	\$ 7,597,825	\$ 7,550,142
Expenditures					
Current:					
General government	\$ 1,135,999	\$ 1,124,647	\$ 1,074,513	\$ 1,042,127	\$ 1,079,958
Public safety	3,825,989	3,927,117	4,033,833	4,034,337	4,230,804
Public works	1,771,513	1,688,277	1,718,454	1,708,381	1,694,814
Health and human services	74,522	69,407	69,517	68,290	66,965
Culture, recreation and development	218,952	226,538	227,259	289,696	295,051
Conservation and development	23,782	38,007	24,386	138,508	148,000
Capital outlay	68,321	8,801	23,575	0	15,000
Total Expenditures	\$ 7,119,078	\$ 7,082,794	\$ 7,171,537	\$ 7,281,339	\$ 7,530,592
Excess of revenues over (under) expenditures	\$ 400,449	\$ 181,553	\$ 42,730	\$ 316,486	\$ 19,550
Other Financing Sources (Uses)					
Operating transfers in	276,727	291,016	324,050	0	0
Operating transfers out	(84,902)	(115,485)	(370,209)	0	0
Property sales	0	288	38,636	0	0
Total Other Financing Sources (Uses)	\$ 191,825	\$ 175,819	\$ (7,523)	\$ 0	\$ 0
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 592,274	\$ 357,372	\$ 35,207	\$ 316,486	\$ 19,550
General Fund Balance					
General Fund Balance January 1	1,985,034	2,577,308	2,934,680	2,969,887	3,286,373
General Fund Balance December 31	\$ 2,577,308	\$ 2,934,680	\$ 2,969,887	\$ 3,286,373	\$ 3,305,923
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	1,013,908	1,633,351	1,800,685		
Restricted	0	0	0		
Committed	0	0	0		
Assigned	0	0	0		
Unassigned	1,563,400	1,301,329	1,169,202		
Total	\$ 2,577,308	\$ 2,934,680	\$ 2,969,887		

¹ Unaudited data is as of December 31, 2017.

² The 2018 budget was adopted on November 13, 2017.

GENERAL INFORMATION

LOCATION

The City of Rhinelander, with a 2010 U.S. Census population of 7,798 and a current estimated population of 7,752, comprises an area of 8.4 square miles and is located approximately 215 miles east of the Minneapolis-St. Paul Metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Ministry St. Mary's Hospital	Hospitals	653
Doctors Foster & Smith Inc (Petco)	Animal health & supplies	600
Expera Speciality Solutions	Paper manufacturers	521
Oneida County	County government and services	470
Rhinelander School District	Elementary and secondary education	450
Walmart Supercenter	Retail	360
Nicolet Area Technical College	Colleges	250
Trig's Floral & Home	Pharmacies/drugstore and floral	200
Menards	Home improvement center	200
Printpack Inc	Packaging manufacturer	150
Musson Brothers Inc	Excavating contractors	150
Kohl's	Department store	150
City of Rhinelander	Municipal government and services	131

Source: *ReferenceUSA, written and telephone survey (February 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	3	3	0	1	0
Valuation	\$604,000	\$350,000	\$0	\$250,000	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	0	1	7	0	0
Valuation	\$0	\$250,000	\$3,600,000	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	3	1	3	7	1
Valuation	\$1,863,000	\$600,000	\$600,000	\$3,489,810	\$850,560
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	325	302	288	321	18
Valuation	\$10,518,377	\$1,020,096	\$14,548,648	\$14,220,374	\$931,060

Source: The City.

¹ As of February 20, 2018.

U.S. CENSUS DATA

Population Trend: City of Rhinelander

2000 U.S. Census	7,735
2010 U.S. Census	7,798
2017 Estimated Population	7,552
Percent of Change 2000 - 2010	0.81%

Income and Age Statistics

	City of Rhinelander	Oneida County	State of Wisconsin	United States
2016 per capita income	\$21,008	\$28,084	\$29,253	\$29,829
2016 median household income	\$35,745	\$49,715	\$54,610	\$55,322
2016 median family income	\$46,328	\$62,939	\$69,925	\$67,871
2016 median gross rent	\$758	\$730	\$789	\$928
2016 median value owner occupied units	\$86,900	\$163,800	\$167,000	\$184,700
2016 median age	40.4 yrs.	50.3 yrs.	39.1 yrs.	37.7 yrs.

	State of Wisconsin	United States
City % of 2016 per capita income	71.81%	70.43%
City % of 2016 median family income	66.25%	68.26%

Housing Statistics

	<u>City of Rhinelander</u>		
	2000	2016	Percent of Change
All Housing Units	3,430	3,965	15.60%

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>	
	Oneida County	Oneida County	State of Wisconsin	State of Wisconsin
2013	17,020	8.6%	6.7%	
2014	17,520	6.8%	5.4%	
2015	17,573	5.8%	4.6%	
2016	17,769	5.0%	4.1%	
2017, December	17,559	4.0%	3.0%	

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 Notes, 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 RHINELANDER

Rhineland, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

CITY OF RHINELANDER

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CITY OF RHINELANDER

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Rhinelander
Rhinelander, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rhinelander, Wisconsin (city), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the city as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the City Council
City of Rhinelander

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
1985 Community Block Grant Special Revenue Fund	Unmodified
General Debt Service Fund	Unmodified
General Capital Projects	Unmodified
Water Utility	Unmodified
Wastewater Utility	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include all financial data for the city’s legally separate component unit – the Rhinelander District Library. Information for the library board and Rhinelander District Library Foundation accounts has not been provided. Accounting principles generally accepted in the United States of America require the complete financial data for this component unit to be reported with the financial data of the city’s primary government unless the city also issues financial statements for the financial reporting entity that include the complete financial data for its component units. The city has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the aggregate discretely presented component units that would have been presented have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Rhinelander, Wisconsin, as of December 31, 2016 or the changes in financial position or, where applicable, cash flows thereof 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rhinelander, Wisconsin, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Rhinelander

Other Matters

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rhinelander'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. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of the City of Rhinelander's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rhinelander's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Eau Claire, Wisconsin
September 29, 2017

CITY OF RHINELANDER

STATEMENT OF NET POSITION
As of December 31, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Rhinelanders- Oneida County Airport	Rhinelanders District Library
ASSETS					
Cash and investments	\$ 3,960,858	\$ 2,188,121	\$ 6,148,979	\$ 52,446	\$ 64,148
Receivables (net)					
Taxes	6,888,845	-	6,888,845	197,081	267,446
Delinquent personal property	6,387	-	6,387	-	-
Accounts	141,164	1,928,232	2,069,396	43,263	-
Special assessments	97,491	-	97,491	-	-
Loans	2,376,782	-	2,376,782	-	-
Other	33,373	-	33,373	-	-
Due from other governments	783,965	1,012,823	1,796,788	626,137	468,573
Due from component unit	174,974	-	174,974	-	-
Internal balances	2,511,868	(2,511,868)	-	-	-
Inventories and prepaid items	254,602	139,335	393,937	16,080	7,724
Restricted assets					
Cash and investments	-	1,664,168	1,664,168	-	-
Capital Assets					
Construction in progress	260,207	29,721	289,928	1,121,341	-
Land	3,701,019	1,657,329	5,358,348	187,500	8,183
Other capital assets, net of depreciation	23,804,570	50,792,580	74,597,150	7,620,192	233,903
Total Assets	<u>44,996,105</u>	<u>56,900,441</u>	<u>101,896,546</u>	<u>9,864,040</u>	<u>1,049,977</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	<u>3,865,159</u>	<u>611,482</u>	<u>4,476,641</u>	<u>251,287</u>	<u>291,859</u>
Total Deferred Outflows of Resources	<u>3,865,159</u>	<u>611,482</u>	<u>4,476,641</u>	<u>251,287</u>	<u>291,859</u>
LIABILITIES					
Accounts payable	494,137	799,982	1,294,119	46,855	10,914
Accrued liabilities and deposits	272,771	106,230	379,001	12,088	11,530
Due to other governments	17,628	-	17,628	-	-
Due to primary government	-	-	-	75,488	99,486
Noncurrent Liabilities					
Due within one year	1,455,464	1,156,186	2,611,650	-	-
Due in more than one year	17,231,714	21,046,191	38,277,905	45,772	52,108
Total Liabilities	<u>19,471,714</u>	<u>23,108,589</u>	<u>42,580,303</u>	<u>180,203</u>	<u>174,038</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	6,526,939	2,106	6,529,045	197,081	736,019
Pension related amounts	<u>1,468,286</u>	<u>231,966</u>	<u>1,700,252</u>	<u>96,633</u>	<u>110,008</u>
Total Deferred Inflows of Resources	<u>7,995,225</u>	<u>234,072</u>	<u>8,229,297</u>	<u>293,714</u>	<u>846,027</u>

See accompanying notes to financial statements.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Rhineland- Oneida County Airport	Rhineland- District Library
NET POSITION					
Net investment in capital assets	\$ 19,807,590	\$ 30,593,509	\$ 47,903,229	\$ 8,929,033	\$ 242,086
Restricted for					
Cemetery perpetual care	14,950	-	14,950	-	-
Tourism	36,479	-	36,479	-	-
Loan programs	2,293,903	-	2,293,903	-	-
Debt service	407,064	712,735	1,119,799	-	-
Parking advisory board operations	129,272	-	129,272	-	-
Hazardous materials response	25,147	-	25,147	-	-
Historical complex facilities and programs	27,080	-	27,080	-	-
Future dog park	12,000	-	12,000	-	-
K-9 program	10,990	-	10,990	-	-
DARE program	4,065	-	4,065	-	-
TIF projects	2,855,514	-	2,855,514	-	-
Landfill clean-up	182,414	-	182,414	-	-
Equipment replacement	-	871,653	871,653	-	-
Library	-	-	-	-	79,685
Unrestricted (deficit)	<u>(4,412,143)</u>	<u>1,991,365</u>	<u>77,092</u>	<u>712,377</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 21,394,325</u>	<u>\$ 34,169,262</u>	<u>\$ 55,563,587</u>	<u>\$ 9,641,410</u>	<u>\$ 321,771</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,190,107	\$ 205,232	\$ -	\$ -
Public safety	4,858,281	730,483	55,851	5,927
Public works	3,200,978	67,167	1,414,260	40,153
Health and human services	153,783	29,500	-	-
Culture, education and recreation	478,530	15,437	19,203	135,351
Conservation and development	100,953	109,486	24,500	-
Interest and fiscal charges	<u>519,963</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>10,502,595</u>	<u>1,157,305</u>	<u>1,513,814</u>	<u>181,431</u>
Business-type Activities				
Water Utility	1,535,123	2,106,112	-	500,000
Wastewater Utility	2,927,412	2,858,711	-	2,287,582
Stormwater Utility	356,028	427,273	-	29,047
Golf Course	<u>648,503</u>	<u>573,492</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>5,467,066</u>	<u>5,965,588</u>	<u>-</u>	<u>2,816,629</u>
Total Primary Government	<u>\$ 15,969,661</u>	<u>\$ 7,122,893</u>	<u>\$ 1,513,814</u>	<u>\$ 2,998,060</u>
Component Units				
Rhinelanders-Oneida County Airport	\$ 1,884,952	\$ 975,188	\$ -	\$ 785,118
Rhinelanders District Library	<u>940,082</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 2,825,034</u>	<u>\$ 975,188</u>	<u>\$ -</u>	<u>\$ 785,118</u>

General Revenues

Taxes

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for TIF districts
- Property taxes, levied for the airport
- Property taxes, levied for the library
- Other taxes
- Intergovernmental revenues not restricted to specific programs
- Investment income
- Miscellaneous
- Transfers - internal
- Transfers - component unit
- Transfers - primary government
- Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	Rhinelanders- Oneida County Airport	Rhinelanders District Library
\$ (984,875)	\$ -	\$ (984,875)	\$ -	\$ -
(4,066,020)	-	(4,066,020)	-	-
(1,679,398)	-	(1,679,398)	-	-
(124,283)	-	(124,283)	-	-
(308,539)	-	(308,539)	-	-
33,033	-	33,033	-	-
<u>(519,963)</u>	<u>-</u>	<u>(519,963)</u>	<u>-</u>	<u>-</u>
<u>(7,650,045)</u>	<u>-</u>	<u>(7,650,045)</u>	<u>-</u>	<u>-</u>
-	1,070,989	1,070,989	-	-
-	2,218,881	2,218,881	-	-
-	100,292	100,292	-	-
-	<u>(75,011)</u>	<u>(75,011)</u>	<u>-</u>	<u>-</u>
-	<u>3,315,151</u>	<u>3,315,151</u>	<u>-</u>	<u>-</u>
<u>(7,650,045)</u>	<u>3,315,151</u>	<u>(4,334,894)</u>	<u>-</u>	<u>-</u>
-	-	-	(124,646)	-
-	-	-	-	<u>(940,082)</u>
-	-	-	<u>(124,646)</u>	<u>(940,082)</u>
4,562,813	-	4,562,813	-	-
916,535	-	916,535	-	-
916,796	-	916,796	-	-
-	-	-	197,081	-
-	-	-	-	264,330
371,197	-	371,197	-	-
1,327,714	-	1,327,714	-	627,518
97,625	21,086	118,711	884	-
101,643	-	101,643	-	29,573
3,150,330	(3,150,330)	-	-	-
3,269	-	3,269	-	-
-	-	-	<u>(1,410)</u>	<u>(1,859)</u>
<u>11,447,922</u>	<u>(3,129,244)</u>	<u>8,318,678</u>	<u>196,555</u>	<u>919,562</u>
3,797,877	185,907	3,983,784	71,909	(20,520)
<u>17,596,448</u>	<u>33,983,355</u>	<u>51,579,803</u>	<u>9,569,501</u>	<u>342,291</u>
<u>\$ 21,394,325</u>	<u>\$ 34,169,262</u>	<u>\$ 55,563,587</u>	<u>\$ 9,641,410</u>	<u>\$ 321,771</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	<u>General Fund</u>	1985 Community Block Grant Special Revenue Fund	<u>General Debt Service Fund</u>	<u>General Capital Projects</u>
ASSETS				
Cash and investments	\$ 756,575	\$ 243,272	\$ 71,734	\$ 854,590
Receivables (net)				
Taxes	4,912,844	-	905,264	19,393
Delinquent personal property taxes	6,387	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	-	97,491
Loans	9,812	1,847,154	-	-
Other	3,373	-	-	-
Due from other governments	59,799	-	-	380,213
Due from component units	-	-	174,974	-
Due from other funds	261,448	-	-	-
Inventories and prepaid items	226,356	-	-	-
Advances to other funds	<u>1,574,329</u>	<u>-</u>	<u>180,346</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 7,810,923</u></u>	<u><u>\$ 2,090,426</u></u>	<u><u>\$ 1,332,318</u></u>	<u><u>\$ 1,351,687</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 116,558	\$ 8,380	\$ -	\$ 335,143
Accrued liabilities	103,882	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>220,440</u>	<u>8,380</u>	<u>-</u>	<u>335,143</u>
Deferred Inflows of Resources				
Unearned revenues	4,610,784	-	905,264	-
Unavailable revenues	<u>9,812</u>	<u>1,847,154</u>	<u>-</u>	<u>197,834</u>
Total Deferred Inflows of Resources	<u>4,620,596</u>	<u>1,847,154</u>	<u>905,264</u>	<u>197,834</u>
Fund Balances				
Nonspendable	1,800,685	-	-	-
Restricted	-	234,892	427,054	1,037,506
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	<u>1,169,202</u>	<u>-</u>	<u>-</u>	<u>(218,796)</u>
Total Fund Balances	<u>2,969,887</u>	<u>234,892</u>	<u>427,054</u>	<u>818,710</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 7,810,923</u></u>	<u><u>\$ 2,090,426</u></u>	<u><u>\$ 1,332,318</u></u>	<u><u>\$ 1,351,687</u></u>

See accompanying notes to financial statements.



<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 1,952,130	\$ 3,878,301
1,051,344	6,888,845
-	6,387
141,164	141,164
-	97,491
519,816	2,376,782
30,000	33,373
343,953	783,965
-	174,974
-	261,448
28,246	254,602
<u>1,155,000</u>	<u>2,909,675</u>
<u>\$ 5,221,653</u>	<u>\$ 17,807,007</u>
\$ 34,056	\$ 494,137
5,772	109,654
17,628	17,628
261,448	261,448
<u>397,807</u>	<u>397,807</u>
<u>716,711</u>	<u>1,280,674</u>
1,010,891	6,526,939
<u>632,205</u>	<u>2,687,005</u>
<u>1,643,096</u>	<u>9,213,944</u>
43,122	1,843,807
3,071,345	4,770,797
100,783	100,783
8,728	8,728
<u>(362,132)</u>	<u>588,274</u>
<u>2,861,846</u>	<u>7,312,389</u>
<u>\$ 5,221,653</u>	<u>\$ 17,807,007</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2016

Total Fund Balances - Governmental Funds	\$	7,312,389
 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 funds. See Note III. D.		27,765,796
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note III.B.		2,687,005
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		3,865,159
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		(1,468,286)
Internal service funds are reported in the statement of net position as governmental activities.		79,829
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.		
Bonds and notes payable		(16,810,933)
Compensated absences		(638,831)
Accrued interest		(160,389)
Unamortized debt premium		(241,929)
Landfill liability		(300,000)
Net pension liability		<u>(695,485)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$	 <u>21,394,325</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>General Fund</u>	1985 Community Block Grant Special Revenue Fund	<u>General Debt Service Fund</u>	<u>General Capital Projects</u>
REVENUES				
Taxes	\$ 4,717,723	\$ -	\$ 916,535	\$ -
Special assessments	10,698	-	-	20,303
Intergovernmental	1,910,175	-	-	542,780
Licenses and permits	211,521	-	-	-
Fines, forfeitures and penalties	36,792	-	-	-
Charges for services	190,567	-	-	-
Investment income	21,393	836	16,058	4,027
Miscellaneous	115,398	71,251	-	2,200
Total Revenues	<u>7,214,267</u>	<u>72,087</u>	<u>932,593</u>	<u>569,310</u>
EXPENDITURES				
Current				
General government	1,074,513	-	-	-
Public safety	4,033,833	-	-	-
Public works	1,718,454	-	-	30
Health and human services	69,517	-	-	-
Culture, recreation and education	227,259	-	-	29,466
Conservation and development	24,386	12,095	-	-
Capital Outlay	23,575	-	-	1,903,905
Debt Service				
Principal	-	-	1,893,823	-
Interest and fiscal charges	-	-	197,468	58,038
Total Expenditures	<u>7,171,537</u>	<u>12,095</u>	<u>2,091,291</u>	<u>1,991,439</u>
Excess (deficiency) of revenues over expenditures	<u>42,730</u>	<u>59,992</u>	<u>(1,158,698)</u>	<u>(1,422,129)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	1,135,000	2,164,300
Premium on debt issued	-	-	25,326	62,564
Transfers in	324,050	-	3,369	17,500
Transfers out	(370,209)	-	(17,500)	-
Contribution from component units	-	-	3,269	-
Property sales	38,636	-	-	204,250
Total Other Financing Sources (Uses)	<u>(7,523)</u>	<u>-</u>	<u>1,149,464</u>	<u>2,448,614</u>
Net Change in Fund Balances	35,207	59,992	(9,234)	1,026,485
FUND BALANCES (DEFICIT) - Beginning of Year	<u>2,934,680</u>	<u>174,900</u>	<u>436,288</u>	<u>(207,775)</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,969,887</u>	<u>\$ 234,892</u>	<u>\$ 427,054</u>	<u>\$ 818,710</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,133,083	\$ 6,767,341
-	31,001
736,250	3,189,205
-	211,521
150	36,942
467,659	658,226
55,227	97,541
<u>225,290</u>	<u>414,139</u>
<u>2,617,659</u>	<u>11,405,916</u>
-	1,074,513
622,775	4,656,608
513,079	2,231,563
-	69,517
204,714	461,439
63,045	99,526
13,277	1,940,757
662,399	2,556,222
<u>301,008</u>	<u>556,514</u>
<u>2,380,297</u>	<u>13,646,659</u>
<u>237,362</u>	<u>(2,240,743)</u>
-	3,299,300
-	87,890
396,209	741,128
(38,805)	(426,514)
-	3,269
<u>6</u>	<u>242,892</u>
<u>357,410</u>	<u>3,947,965</u>
594,772	1,707,222
<u>2,267,074</u>	<u>5,605,167</u>
<u>\$ 2,861,846</u>	<u>\$ 7,312,389</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$	1,707,222
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		1,940,757
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements		326,484
Capital assets transferred from business-type activities		2,835,716
Depreciation is reported in the government-wide financial statements		(1,300,587)
Loss on disposal of capital assets is recorded in the government-wide statements		(495,641)
<p>Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.</p>		
		(251,642)
<p>Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Debt issued		(3,299,300)
Principal repaid		2,556,222
<p>Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.</p>		
Amortization		15,358
Debt discount (premium)		(69,764)
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences		261,228
Accrued interest on debt		3,103
Net pension liability (and pension related deferred outflows and inflows of resources)		(419,237)
Landfill liability		20,000
<p>Internal service funds are used by management to charge self insurance costs to individual funds. The change in net position of the internal service fund reported with governmental activities</p>		
		(32,042)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>3,797,877</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 1,163,279	\$ 1,024,842	\$ -	\$ 2,188,121	\$ 82,557
Receivables					
Accounts	440,526	1,318,988	168,718	1,928,232	-
Due from other governments	-	1,012,823	-	1,012,823	-
Due from other funds	-	100,000	-	100,000	-
Inventories and prepaid items	76,594	24,718	38,023	139,335	-
Restricted cash and investments	<u>155,816</u>	<u>592,466</u>	<u>-</u>	<u>748,282</u>	<u>-</u>
Total Current Assets	<u>1,836,215</u>	<u>4,073,837</u>	<u>206,741</u>	<u>6,116,793</u>	<u>82,557</u>
Noncurrent Assets					
Restricted Assets					
Cash and investments	-	915,886	-	915,886	-
Capital Assets					
Construction in progress	15,912	13,809	-	29,721	-
Land	34,070	1,587,593	35,666	1,657,329	-
Capital assets being depreciated	19,330,437	43,492,607	8,986,191	71,809,235	-
Less: Accumulated depreciation	(5,253,464)	(10,801,674)	(4,961,517)	(21,016,655)	-
Advances to other funds	<u>479,463</u>	<u>1,457,339</u>	<u>-</u>	<u>1,936,802</u>	<u>-</u>
Total Noncurrent Assets	<u>14,606,418</u>	<u>36,665,560</u>	<u>4,060,340</u>	<u>55,332,318</u>	<u>-</u>
Total Assets	<u>16,442,633</u>	<u>40,739,397</u>	<u>4,267,081</u>	<u>61,449,111</u>	<u>82,557</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	<u>189,559</u>	<u>296,291</u>	<u>125,632</u>	<u>611,482</u>	<u>-</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 165,967	\$ 545,347	\$ 88,668	\$ 799,982	\$ -
Accrued wages	7,334	9,693	4,391	21,418	-
Accrued interest	-	-	4,032	4,032	-
Deposits	-	-	1,000	1,000	-
Due to other funds	-	-	100,000	100,000	-
Current portion of general obligation debt	-	-	91,400	91,400	-
Current portion of advances	20,000	40,000	-	60,000	-
Current portion of compensated absences	4,231	9,333	2,282	15,846	-
Current portion of leases	-	-	2,046	2,046	-
Claims payable	-	-	-	-	2,728
Liabilities Payable from Restricted Assets					
Current portion of revenue bonds	222,171	824,723	-	1,046,894	-
Accrued interest	7,703	72,077	-	79,780	-
Total Current Liabilities	427,406	1,501,173	293,819	2,222,398	2,728
Noncurrent Liabilities					
Long-Term Debt					
General obligation debt	-	-	404,300	404,300	-
Revenue bonds	3,936,680	16,398,213	-	20,334,893	-
Other Liabilities					
Compensated absences	52,587	86,905	51,042	190,534	-
Net pension liability	33,806	53,223	22,847	109,876	-
Capital leases payable	-	-	6,588	6,588	-
Advances from other funds	430,778	811,320	3,146,572	4,388,670	-
Total Noncurrent Liabilities	4,453,851	17,349,661	3,631,349	25,434,861	-
Total Liabilities	4,881,257	18,850,834	3,925,168	27,657,259	2,728
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	-	-	2,106	2,106	-
Pension related amounts	71,369	112,363	48,234	231,966	-
Total Deferred Inflows of Resources	71,369	112,363	50,340	234,072	-
NET POSITION					
Net investment in capital assets	9,968,104	17,069,399	3,556,006	30,593,509	-
Restricted for					
Debt service	148,113	564,622	-	712,735	-
Equipment replacement	-	871,653	-	871,653	-
Unrestricted (deficit)	1,563,349	3,566,817	(3,138,801)	1,991,365	79,829
TOTAL NET POSITION	<u>\$ 11,679,566</u>	<u>\$ 22,072,491</u>	<u>\$ 417,205</u>	<u>\$ 34,169,262</u>	<u>\$ 79,829</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
OPERATING REVENUES	<u>\$ 2,106,112</u>	<u>\$ 2,858,711</u>	<u>\$ 1,000,765</u>	<u>\$ 5,965,588</u>	<u>\$ 59,604</u>
OPERATING EXPENSES					
Operation and maintenance	1,031,591	1,098,692	769,943	2,900,226	-
Depreciation	424,998	1,352,845	223,559	2,001,402	-
Taxes	19,407	32,083	-	51,490	-
Self insurance claims	-	-	-	-	91,730
Total Operating Expenses	<u>1,475,996</u>	<u>2,483,620</u>	<u>993,502</u>	<u>4,953,118</u>	<u>91,730</u>
Operating Income (Loss)	<u>630,116</u>	<u>375,091</u>	<u>7,263</u>	<u>1,012,470</u>	<u>(32,126)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	13,915	7,171	-	21,086	84
Interest and fiscal charges	(59,127)	(443,792)	(11,029)	(513,948)	-
Contribution of infrastructure to City	<u>(462,500)</u>	<u>(1,934,329)</u>	<u>(438,887)</u>	<u>(2,835,716)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(507,712)</u>	<u>(2,370,950)</u>	<u>(449,916)</u>	<u>(3,328,578)</u>	<u>84</u>
Income (Loss) Before Contributions and Transfers	<u>122,404</u>	<u>(1,995,859)</u>	<u>(442,653)</u>	<u>(2,316,108)</u>	<u>(32,042)</u>
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	500,000	2,287,582	29,047	2,816,629	-
Transfers out	<u>(312,474)</u>	<u>(1,519)</u>	<u>(621)</u>	<u>(314,614)</u>	<u>-</u>
Total Contributions and Transfers	<u>187,526</u>	<u>2,286,063</u>	<u>28,426</u>	<u>2,502,015</u>	<u>-</u>
Change in Net Position	309,930	290,204	(414,227)	185,907	(32,042)
NET POSITION - Beginning of Year	<u>11,369,636</u>	<u>21,782,287</u>	<u>831,432</u>	<u>33,983,355</u>	<u>111,871</u>
NET POSITION - END OF YEAR	<u>\$ 11,679,566</u>	<u>\$ 22,072,491</u>	<u>\$ 417,205</u>	<u>\$ 34,169,262</u>	<u>\$ 79,829</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 2,175,695	\$ 2,539,938	\$ 994,871	\$ 5,710,504	\$ 59,604
Paid to suppliers for goods and services	(854,026)	(783,683)	(482,759)	(2,120,468)	(91,730)
Paid to employees for services	(209,843)	(315,436)	(301,272)	(826,551)	-
Net Cash Flows From Operating Activities	<u>1,111,826</u>	<u>1,440,819</u>	<u>210,840</u>	<u>2,763,485</u>	<u>(32,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	13,915	7,171	-	21,086	84
Net Cash Flows From Investing Activities	<u>13,915</u>	<u>7,171</u>	<u>-</u>	<u>21,086</u>	<u>84</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Paid to municipality for tax equivalent	(311,245)	-	-	(311,245)	-
Negative cash implicitly financed	-	-	303,328	303,328	-
Advances from (repaid to) other funds	(480,795)	(861,567)	(674)	(1,343,036)	-
Interest on advance	(2,973)	(3,675)	(1,503)	(8,151)	-
Net Cash Flows From Noncapital Financing Activities	<u>(795,013)</u>	<u>(865,242)</u>	<u>301,151</u>	<u>(1,359,104)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt issued	1,830,008	6,261,484	35,700	8,127,192	-
Debt retired	(166,948)	(4,248,652)	(92,069)	(4,507,669)	-
Interest and fiscal charges paid	(43,095)	(420,314)	(9,526)	(472,935)	-
Acquisition and construction of capital assets	(1,922,342)	(4,186,261)	(1,797,693)	(7,906,296)	-
Contribution received for construction	500,000	1,141,383	-	1,641,383	-
Capital advances from other funds	-	-	1,351,597	1,351,597	-
Advances repaid to other funds	(20,000)	(40,000)	-	(60,000)	-
Interest on advance	(10,433)	(20,867)	-	(31,300)	-
Net Cash Flows From Capital and Related Financing Activities	<u>167,190</u>	<u>(1,513,227)</u>	<u>(511,991)</u>	<u>(1,858,028)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	497,918	(930,479)	-	(432,561)	(32,042)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>821,177</u>	<u>3,463,673</u>	<u>-</u>	<u>4,284,850</u>	<u>114,599</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,319,095</u>	<u>\$ 2,533,194</u>	<u>\$ -</u>	<u>\$ 3,852,289</u>	<u>\$ 82,557</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Wastewater Utility	Nonmajor Enterprise Funds	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 630,116	\$ 375,091	\$ 7,263	\$ 1,012,470	\$ (32,126)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	424,998	1,352,845	223,559	2,001,402	-
Depreciation charged to other funds	15,723	(15,723)	-	-	-
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources					
Accounts receivable	(17,595)	(303,050)	(18,561)	(339,206)	-
Due from other funds	71,555	-	14,465	86,020	-
Inventories and prepaid items	(21,490)	(16,560)	(12,031)	(50,081)	-
Accounts payable	(11,093)	(15,213)	(6,177)	(32,483)	-
Accrued wages	4,414	5,495	2,605	12,514	-
Deposits	(100)	-	-	(100)	-
Accrued compensated absences	(6,373)	16,671	(11,205)	(907)	-
Unearned revenues	-	-	(1,798)	(1,798)	-
Pension related deferrals and asset/liability	21,671	41,263	12,720	75,654	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,111,826</u>	<u>\$ 1,440,819</u>	<u>\$ 210,840</u>	<u>\$ 2,763,485</u>	<u>\$ (32,126)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and investments	\$ 1,163,279	\$ 1,024,842	\$ -	\$ 2,188,121	\$ 82,557
Restricted cash and investments	155,816	1,508,352	-	1,664,168	-
CASH AND CASH EQUIVALENTS	<u>\$ 1,319,095</u>	<u>\$ 2,533,194</u>	<u>\$ -</u>	<u>\$ 3,852,289</u>	<u>\$ 82,557</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital assets acquired via accounts payable	\$ 97,290	\$ 521,724	\$ 78,939		\$ -
Capital assets transferred to Governmental Activities	\$ 462,500	\$ 1,934,329	\$ 438,887		\$ -
Capital assets acquired via capital lease	\$ -	\$ -	\$ 10,703		\$ -

See accompanying notes to financial statements.

CITY OF RHINELANDER

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 3,427,400
Taxes receivable	<u>4,648,754</u>
TOTAL ASSETS	<u>\$ 8,076,154</u>
LIABILITIES	
Due to other governments	<u>\$ 8,076,154</u>
TOTAL LIABILITIES	<u>\$ 8,076,154</u>

See accompanying notes to financial statements.

CITY OF RHINELANDER

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As of and for the Year Ended December 31, 2016

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CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Rhinelander, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the city. The reporting entity for the city consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Rhinelanders-Oneida County Airport

The government-wide financial statements include the Rhinelanders-Oneida County Airport (airport) as a component unit. The airport is a legally separate organization. The commission of the airport is made up of three members; appointments to the commission are alternated between the City of Rhinelanders and Oneida County. The city is the fiscal agent for the airport's operations. See Note III.1. As a component unit, the airport's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2016. The airport does not issue separate financial statements.

Rhinelanders District Library

The government-wide financial statements include the Rhinelanders District Library (library) as a component unit. The library is a legally separate organization. The board of the library is made up of three trustees representing the City of Rhinelanders, one trustee representing each member town and one trustee representing the K-12 school district. Under the agreement creating the library, the city is responsible for the largest share of the financial contribution to the library and is also the fiscal agent for the library's operations. See Note III.1. As a component unit, the library's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2016 and excludes the library foundation and library board accounts. The library does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued statement No. 72 - *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

Government-Wide Financial Statements

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Government-Wide Financial Statements (cont.)

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

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

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.

The city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The city reports the following major governmental funds: (cont.)

1985 Community Block Grant Special Revenue Fund - used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the program.
General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TIF or enterprise debt.
General Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities, other than TIF or enterprise projects.

The city reports the following major enterprise funds:

Water Utility - accounts for operations of the water system
Wastewater Utility - accounts for operations of the wastewater system

The city reports the following nonmajor governmental and enterprise funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Room Tax	Dog Park
Recycling Grant	Boat Launch
Parking Advisory Board	HCRI Grant
Downtown Works	K-9
Hazardous Materials	Fire Inspection Seminars
Shared Ride Transport Grant	Cemetery Perpetual Care
Tank Inspections	DARE
Landfill Settlement	Historic Preservation
Playground Equipment	Ambulance
Historical Complex	Property Acquisition & Improvements

Debt Service Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

Environmental TIF #1
TIF #5

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental and enterprise funds: (cont.)

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

TIF #6
TIF #8
TIF #9
TIF #10

Enterprise Funds - used to account for and report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Stormwater Utility
Golf Course

In addition, the city reports the following fund types:

Internal Service Fund - used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

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

Tax Collection

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 recorded as receivables in the year for which they are levied. Taxes receivable for the following year are recognized as receivables and deferred inflows. 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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Government-Wide Financial Statements (cont.)

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 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.

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. 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 unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable revenues. At year end, there were \$236,446 of unrecorded deferred assessments which are not recorded as receivables because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, wastewater, and stormwater utilities and golf course are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

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

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

The city has adopted an investment policy. That policy is more restrictive than the state statute for allowable investments. Custodial credit risk and credit risk are addressed as follows:

- > Where allowed by state law, full collateralization will be required on all demand deposit accounts and non-negotiable certificates of deposit.
- > Investments will be limited to the safest type of securities.
- > Financial institutions, broker/dealers, intermediaries and advisors with which the city will do business will be pre-qualified.
- > The investment portfolio will be diversified so that potential losses on individual securities will be minimized.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III. A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note III. A. for further information.

2. 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 on the accompanying statement of assets and liabilities - agency fund.

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Accounts receivable have been shown net of an allowance for uncollectible accounts. 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 water, wastewater and stormwater utilities because they have the right by law to place substantially all 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 governmental-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

The city has received grant funds for housing rehabilitation loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as housing rehabilitation loans receivable has not been reduced by an allowance for uncollectible accounts.

It is the city's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

4. 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.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$2,000 for general capital assets purchased prior to 2014 and \$10,000 for general capital assets purchased in 2014 and beyond, and \$20,000 for infrastructure assets purchased prior to 2014 and \$100,000 for infrastructure assets purchased in 2014 and beyond, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No 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 and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50	Years
Land Improvements	10-55	Years
Machinery and Equipment	3-25	Years
Utility System	40-100	Years
Infrastructure	10-60	Years
Intangibles	3-7	Years

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Fund Financial Statements

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

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2016, are determined on the basis of current salary rates and include salary related payments.

8. 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, net pension liability and 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.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

10. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those 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 positions that do not meet the definitions of "restricted" or "net investment in capital assets."

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 19,807,590	\$ 30,593,509	\$ (2,497,870)	\$ 47,903,229
Unrestricted	(4,412,143)	1,991,365	2,497,870	77,092

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances 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. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has adopted a financial policy authorizing the Administrator to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The city considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

It is the goal of the city to achieve and maintain an unassigned fund balance in the general fund equal to 25% of expenditures. The city considers a balance of less than 15% to be cause for concern, barring unusual or deliberate circumstances. If unassigned fund balance falls below the 15% level the city will implement a corrective plan of action. The general fund's unassigned fund balance at the end of 2016 compared to actual general fund expenditures was 16.3%.

See Note III. H. for further information.

11. Pension

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

12. Basis for Existing Rates

Water Utility

Current rates for the water utility were authorized by the Public Service Commission in 2015 with order 5010-WR-109.

Wastewater Utility

By ordinance, the city's wastewater rates are based on a user charge system. Current rates were approved by the city council in 2014 and were effective June 1, 2014.

Stormwater Utility

Current rates for the stormwater utility were approved by the city council in 2012. The rates were effective January 1, 2013 and contain step increases for 2014 and 2015.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General Debt Service	\$ 993,071	\$ 2,108,791	\$ 1,115,720
General Capital Projects	17,500	1,991,439	1,973,939
Room Tax	154,100	193,844	39,744
Recycling Grant	118,651	130,655	12,004
Downtown Works	20,100	47,428	27,328
Hazardous Materials	16,634	23,408	6,774
Landfill Settlement	16,000	21,677	5,677
HCRI Grant	1,103	14,215	13,112
Ambulance	715,791	758,757	42,966

The city controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the city's year-end budget to actual report.

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2016, the following individual funds held a deficit balance:

Fund	Amount	Reason
Share Ride Transport Grant	\$ 113,245	Expenditures in excess of revenues
Environmental TIF #1	199,949	Expenditures in excess of revenues
TIF #6	23,948	Unavailable revenues
Golf Course	1,199,566	Expenses in excess of revenues

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Other fund deficits are anticipated to be funded with future grants and contributions, general tax revenues, or long-term borrowing.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the city's future tax levies. Generally the city is limited to its prior tax levy dollar amount (excluding TRF Districts), increased by the greater of the percentage change in the city's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The city is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments. In addition, investments are separately held by several of the city's funds.

The city's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 10,832,720	\$ 10,490,808	Custodial credit
US agencies - implicitly guaranteed	197,174	197,174	Custodial credit, credit concentration of credit, interest rate
Negotiable CD's	209,628	209,628	Custodial credit, credit, concentration of credit, interest rate
Petty cash	1,025	-	N/A
Total Deposits and Investments	<u>\$ 11,240,547</u>	<u>\$ 10,897,610</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 6,148,979		
Restricted cash and investments	1,664,168		
Per statement of assets and liabilities - agency fund	<u>3,427,400</u>		
Agency fund			
Total Deposits and Investments	<u>\$ 11,240,547</u>		

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$406,802 of the city's investments are covered by SIPC. Additionally, through London insurers, accounts have additional securities coverage of \$149.5 million per customer, subject to a \$500 million aggregate firm limit.

The city maintains collateral agreements with its banks. At December 31, 2016, the banks had pledged various government securities in the amount of \$10,514,853 to secure the city's deposits.

The city categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

! Quoted market prices

Investment Type	December 31, 2016			Total
	Level 1	Level 2	Level 3	
US agencies - implicitly guaranteed	\$ -	\$ 197,174	\$ -	\$ 197,174
Negotiable CD	-	209,628	-	209,628
Total	\$ -	\$ 406,802	\$ -	\$ 406,802

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

The city does not have any deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The city does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2016, the city's investments were rated as follows:

Investment Type	Standard & Poors
US agencies - implicitly guaranteed	AA+

At December 31, 2016, the city also had investments in negotiable CD's, which are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2016, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Bank Bank of Baroda New York	US agencies - implicitly guaranteed Negotiable CD	48.47% 51.53%

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2016, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1-3	More than 3
US agencies - implicitly guaranteed	\$ 197,174	\$ -	\$ -	\$ 197,174
Negotiable CDs	209,628	209,628	-	-
Totals	\$ 406,802	\$ 209,628	\$ -	\$ 197,174

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for \$2.26 million of loans receivable and \$78,509 of special assessments receivable.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 6,526,939	\$ 19,393
Special assessments not yet due	-	97,491
Accounts receivable	-	52,212
Loans receivable	-	2,376,782
Due from other governments	-	141,127
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 6,526,939	\$ 2,687,005

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.

Equipment Replacement Account

The wastewater utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2016:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Bond redemption account	\$ 726,239	\$ 79,780	\$ 646,459
Bond reserve account	66,276	-	66,276
Equipment replacement account	871,653	-	871,653
Total	\$ 1,664,168	\$ 79,780	\$ 1,584,388

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized	\$ 368,866	\$ 260,207	\$ 368,866	\$ 260,207
Land	3,690,819	10,200	-	3,701,019
Total Capital Assets Not Being Depreciated/Amortized	4,059,685	270,407	368,866	3,961,226

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Governmental Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated/amortized	\$ 469,616	\$ 598,137	\$ 8,275	\$ 1,059,478
Land improvements	8,302,307	176,140	235,819	8,242,628
Buildings and improvements	8,217,197	848,158	732,468	8,332,887
Machinery and equipment	63,420	-	-	63,420
Intangibles	27,336,012	3,578,981	781,760	30,133,233
Total Capital Assets Being Depreciated/Amortized	44,388,552	5,201,416	1,758,322	47,831,646
Total Capital Assets	48,448,237	5,471,823	2,127,188	51,792,872
Less: Accumulated depreciation/amortization for				
Land improvements	(297,637)	(17,519)	623	(314,533)
Buildings and improvements	(6,040,961)	(93,618)	174,143	(5,960,436)
Machinery and equipment	(5,172,670)	(482,147)	601,357	(5,053,460)
Intangibles	(33,624)	(12,684)	-	(46,308)
Infrastructure	(12,444,278)	(694,619)	486,558	(12,652,339)
Total Accumulated Depreciation/Amortization	(23,989,170)	(1,300,587)	1,262,681	(24,027,076)
Net Capital Assets Being Depreciated/ Amortized	20,399,382	3,900,829	495,641	23,804,570
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/ Amortization	\$ 24,459,067	\$ 4,171,236	\$ 864,507	\$ 27,765,796

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 23,773
Public safety	283,834
Public works	899,575
Health and human services	8,626
Culture, education and recreation	84,779
Total Governmental Activities Depreciation Expense	\$ 1,300,587

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated	\$ 155,323	\$ -	\$ 139,411	\$ 15,912
Construction in progress	34,070	-	-	34,070
Land	189,393	-	139,411	49,982
Total Capital Assets Not Being Depreciated	17,804,062	1,729,505	203,130	19,330,437
Capital assets being depreciated	17,804,062	1,729,505	203,130	19,330,437
Property and equipment	17,993,455	1,729,505	342,541	19,380,419
Total Capital Assets	(5,015,873)	(440,721)	203,130	(5,253,464)
Less: Accumulated depreciation for Property and equipment	(5,015,873)	(440,721)	203,130	(5,253,464)
Total Accumulated Depreciation	12,788,189	1,288,784	-	14,076,973
Net Capital Assets Being Depreciated	\$ 12,977,582	\$ 1,288,784	\$ 139,411	\$ 14,126,955
Net Water Capital Assets				

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Wastewater</u>				
Capital assets not being depreciated	\$ 411,541	\$ -	\$ 397,732	\$ 13,809
Construction in progress	1,587,593	-	-	1,587,593
Land	1,999,134	-	397,732	1,601,402
Total Capital Assets Not Being Depreciated	40,840,564	3,057,628	405,585	43,492,607
Capital assets being depreciated	40,840,564	3,057,628	405,585	43,492,607
Property and equipment	42,839,698	3,057,628	803,317	45,094,009
Total Capital Assets	(9,870,137)	(1,337,122)	405,585	(10,801,674)
Less: Accumulated depreciation for Property and equipment	(9,870,137)	(1,337,122)	405,585	(10,801,674)
Total Accumulated Depreciation	30,970,427	1,720,506	-	32,690,933
Net Capital Assets Being Depreciated	\$ 32,969,561	\$ 1,720,506	\$ 397,732	\$ 34,292,335
Net Wastewater Capital Assets				

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Stormwater				
Capital assets not being depreciated	\$ 76,411	\$ -	\$ 76,411	\$ -
Construction in progress	35,666	-	-	35,666
Land	112,077	-	76,411	35,666
Total Capital Assets Not Being Depreciated	4,123,668	1,480,631	197,469	5,406,830
Capital assets being depreciated	4,123,668	1,480,631	197,469	5,406,830
Property and equipment	4,235,745	1,480,631	273,880	5,442,496
Total Capital Assets	(1,869,362)	(162,590)	197,469	(1,834,483)
Less: Accumulated depreciation for Property and equipment	(1,869,362)	(162,590)	197,469	(1,834,483)
Total Accumulated Depreciation	2,254,306	1,318,041	-	3,572,347
Net Capital Assets Being Depreciated	\$ 2,366,383	\$ 1,318,041	\$ 76,411	\$ 3,608,013
Net Stormwater Capital Assets				
Beginning Balance	3,536,483	42,878	-	3,579,361
Additions	42,878	-	-	42,878
Deletions	(3,066,065)	(60,969)	-	(3,127,034)
Total Accumulated Depreciation	(3,066,065)	(60,969)	-	(3,127,034)
Net Capital Assets Being Depreciated	470,418	(18,091)	-	452,327
Net Capital Assets	\$ 470,418	\$ (18,091)	\$ -	\$ 452,327
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 48,783,944	\$ 4,309,240	\$ 613,554	\$ 52,479,630

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-type Activities	\$
Water	424,998
Wastewater	1,352,845
Stormwater	162,590
Golf course	60,969
Total Business-type Activities Depreciation Expense	<u>\$ 2,001,402</u>

Depreciation/amortization expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Shared Ride Transport Grant	\$ 48,505
General Fund	Boat Launch	188,995
General Fund	TIF #6	23,948
Wastewater Utility	Stormwater Utility	100,000
Total - Fund Financial Statements		361,448
Less: Fund eliminations		(361,448)
Add: Interfund advances		2,511,868
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 2,511,868</u>

All amounts are due within one year.

The principal purpose of these interfunds is to cover deficit cash balances. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Advances

The general fund is advancing funds to the golf course, environmental TIF #1, ambulance, and shared ride transport grant funds. The amount advanced is determined by the cash deficit in the funds since their inception. No interest is being charged and no repayment schedule has been established.

The water utility and wastewater utility are advancing funds to the stormwater utility. The amount advanced is determined by an allocation of 2016 project costs. In addition, the wastewater utility is also advancing funds to cover the remaining cash deficit in the fund since its inception. No interest is being charged and no repayment schedule has been established.

The TIF #9 advance to the water and wastewater utilities reflects the amount each utility is contributing toward the debt service requirements on the oversize portion of the 2013 borrowing. A repayment schedule has been established to mirror the repayment schedule on the TIF #9 borrowing.

The general debt service fund advance to the water utility, wastewater utility and golf course reflects the amount each fund is contributing toward the debt service requirements on the 2014 state trust fund loan (refinanced in 2016), which was used for the pay-off of the WRS prior service liability. A repayment schedule has been established to mirror the repayment schedule on the loan.

The following is a schedule of interfund advances:

	Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year	
				Amount	Year
General Fund	Golf Course		\$ 1,176,522	\$	1,176,522
General Fund	Environmental TIF #1		199,949		199,949
General Fund	Ambulance		104,300		104,300
General Fund	Shared Ride Transport Grant		93,558		93,558
TIF #9	Water Utility		385,000		365,000
TIF #9	Wastewater Utility		770,000		730,000
General Debt Service	Water Utility		65,778		65,778
General Debt Service	Wastewater Utility		81,320		81,320
General Debt Service	Golf Course		33,248		33,248
Water Utility	Stormwater Utility		479,463		479,463
Wastewater Utility	Stormwater Utility		1,457,339		1,457,339
Total - Fund Financial Statements			4,846,477		
Less: Fund eliminations			(2,334,609)		
Total - Interfund Advances			\$ 2,511,868		

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Advances (cont.)

The principal purpose of this advance is described above.

Years	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2017	\$ 20,000	\$ 10,033	\$ 40,000	\$ 20,067
2018	21,667	9,633	43,333	19,267
2019	21,667	9,200	43,333	18,400
2020	21,667	8,767	43,333	17,533
2021	21,667	8,333	43,333	16,667
2022-2026	116,667	34,150	233,333	68,300
2027-2031	133,333	16,450	266,667	32,900
2032	28,332	851	56,668	1,699
Totals	\$ 385,000	\$ 97,417	\$ 770,000	\$ 194,833

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Water Utility	\$ 311,245	Payment in lieu of taxes
Recycling	General Fund	110,000	Grant match
Parking Advisory Board	General Fund	15,000	Per maintenance agreement
Historical Complex	Room Tax	26,000	Yearly contribution per agreement
K-9	General Fund	500	Yearly funds for K-9 operations
General Capital Projects	General Debt Service	17,500	Funding for parking lot replacement
General Fund	HCRI Grant	12,805	Correct cash allocation from a previous year
Ambulance	General Fund	244,709	Operating subsidy
General Debt Service	Wastewater Utility	1,519	Portion of prior service liability refunding
General Debt Service	Water Utility	1,229	Portion of prior service liability refunding
General Debt Service	Golf Course	621	Portion of prior service liability refunding
Total - Fund Financial Statements		741,128	
Less: Fund eliminations		(426,514)	
Transfers of capital assets from business-type activities to governmental activities		2,835,716	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 3,150,330</u>	

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) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. 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
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 16,067,855	\$ 3,299,300	\$ 2,556,222	\$ 16,810,933	\$ 1,396,599
(Discounts)/Premiums	167,523	897,664	15,358	241,929	-
Sub-totals	16,235,378	3,389,064	2,571,580	17,052,862	1,396,599
Other Liabilities					
Vested compensated absences	900,059	-	261,228	638,831	41,218
Net pension liability	(1,038,914)	3,622,252	1,887,853	695,485	-
Landfill liability	320,000	-	20,000	300,000	17,647
Total Other Liabilities	181,145	3,622,252	2,169,081	1,634,316	58,865
Total Governmental Activities Long-Term Liabilities	<u>\$ 16,416,523</u>	<u>\$ 6,991,316</u>	<u>\$ 4,740,661</u>	<u>\$ 18,667,178</u>	<u>\$ 1,455,464</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 590,000	\$ 35,700	\$ 120,000	\$ 495,700	\$ 91,400
Revenue bonds	17,675,895	8,091,492	4,385,600	21,381,787	1,046,894
Sub-totals	18,265,895	8,127,192	4,505,600	21,877,487	1,138,294
Other Liabilities					
Vested compensated absences	207,287	-	907	206,380	15,846
Capital leases	(170,404)	10,703	2,069	8,634	2,046
Net pension liability	578,531	599,234	298,251	1,098,776	-
Total Other Liabilities	36,883	599,234	301,227	324,890	17,892
Total Business-type Activities Long-Term Liabilities	<u>\$ 18,292,778</u>	<u>\$ 8,716,426</u>	<u>\$ 4,806,827</u>	<u>\$ 22,202,377</u>	<u>\$ 1,156,186</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2016, was \$29,628,355. Total general obligation debt outstanding at year end was \$17,306,633.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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 accumulated by the debt service funds. 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.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
2010 Taxable G.O. Refunding Bonds	5/26/2010	3/1/2025	2.0-5.2%	\$ 1,285,000	\$ 950,000
2010 G.O. Notes	12/1/2010	9/1/2020	0.6-2.8%	1,945,000	775,000
2012 G.O. Notes	1/26/2012	12/1/2021	2.00%	1,785,000	950,000
2013 G.O. Bonds	1/29/2013	12/1/2032	2.0-3.0%	4,755,000	4,170,000
2013 Taxable G.O. Bonds	6/11/2013	12/1/2029	2.0-3.7%	2,110,000	1,870,000
2013 G.O. Bonds	6/11/2013	3/1/2029	2.0-3.0%	1,835,000	1,635,000
2013 State Trust Fund Loan	7/10/2013	3/15/2033	3.75%	401,500	371,232
2013 State Trust Fund Loan	7/10/2013	3/15/2023	2.75%	50,000	36,086
2013 State Trust Fund Loan	7/10/2013	3/15/2026	3.75%	252,000	201,704
2013 State Trust Fund Loan	11/27/2013	3/15/2026	4.25%	113,500	99,485
2013 State Trust Fund Loan	7/10/2013	3/15/2023	2.75%	280,000	202,082
2013 State Trust Fund Loan	7/26/2013	3/15/2019	2.75%	254,717	132,159
2013 State Trust Fund Loan	7/26/2013	3/15/2026	3.75%	439,091	353,787
2013 State Trust Fund Loan	7/26/2013	3/15/2030	3.75%	474,732	410,098
2014 G.O. Notes	3/13/2014	2/1/2024	0.4-2.6%	1,575,000	1,355,000
2016 G.O. Bonds	4/27/2016	4/1/2036	2.0-3.0%	2,164,300	2,164,300
2016 G.O. Bonds	4/27/2016	3/1/2033	1.75-3.75%	1,135,000	1,135,000
Total Governmental Activities - General Obligation Debt					\$ 16,810,933

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
2010 G.O. Notes	12/1/2010	9/1/2020	0.6-2.8%	\$ 305,000	\$ 205,000
2013 G.O. Bonds	6/11/2013	3/1/2029	2.0-3.0%	125,000	95,000
2014 G.O. Bonds	3/13/2014	2/1/2024	0.4-2.6%	225,000	160,000
2016 G.O. Bonds	4/27/2016	3/1/2033	1.75-3.75%	35,700	35,700
Total Business-type Activities - General Obligation Debt					\$ 495,700

Debt service requirements to maturity are as follows:

Years	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 1,396,599	\$ 490,770	\$ 91,400	\$ 10,649
2018	1,472,198	425,134	91,400	8,744
2019	1,382,998	392,410	101,400	7,516
2020	1,402,353	358,397	106,400	5,048
2021	1,312,392	323,290	21,400	2,240
2022-2026	5,449,565	1,128,125	62,700	5,190
2027-2031	3,388,690	426,426	10,500	2,447
2032-2036	1,006,148	67,117	10,500	914
Totals	\$ 16,810,933	\$ 3,611,669	\$ 495,700	\$ 42,748

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and wastewater utilities.

The water utility has pledged future water revenues, net of specified operating expenses, to repay revenue bonds issued in 2008, 2013, 2014, and 2016. Proceeds from the bonds provided financing for the construction of a new well and wellhouse, as well as upgrades to existing facilities. The bonds are payable solely from water utility revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require 21% of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,576,931. Principal and interest, paid for the current year and total customer net revenues were \$1,668,941 and \$1,069,029, respectively.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

The wastewater utility has pledged future wastewater revenues, net of specified operating expenses, to repay revenue bonds issued in 2010 - 2012 and 2016. Proceeds from the bonds provided financing for the construction of a new wastewater treatment plant, lift station and interceptor. The bonds are payable solely from wastewater revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require 32% of net revenues. The total principal and interest remaining to be paid on the bonds is \$22,459,462. Principal and interest paid for the current year and total customer net revenues were \$1,116,164 and \$1,735,107, respectively.

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

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
Water Utility					
2008 Safe Drinking Water Loan	11/26/2008	5/1/2028	1.42%	\$ 1,097,024	\$ 697,364
2013 Safe Drinking Water Loan	11/27/2013	5/1/2033	1.155%	975,224	882,299
2014 Safe Drinking Water Loan	12/23/2014	5/1/2034	1.155%	881,411	813,219
2016 Safe Drinking Water Loan	5/25/2016	5/1/2036	.99%	1,765,969	1,765,969 (1)
				Total Water Utility	4,158,851

(1) - During 2016 the utility was authorized to issue \$2,138,893 of water system Safe Drinking Water Loan revenue bonds. The original amount reported above has been issued as of December 31, 2016. The repayment schedule is for the amount issued.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Business-type Activities Revenue Debt (cont.)

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
Wastewater Utility					
2010 Clean Water Fund Loan	1/13/2010	5/1/2009	2.54%	\$ 12,633,196	\$ 9,777,715
2011 Clean Water Fund Loan	9/28/2011	5/1/2031	2.4%	975,332	773,013
2012 Clean Water Fund Loan	5/23/2012	5/1/2032	3.0%	486,465	410,725
2016 Sewerage System Mortgage Revenue Bonds	9/26/2016	5/1/2056	2.25%	2,100,000	2,100,000
2016 Clean Water Fund Loan	5/25/2016	5/1/2036	2.1%	729,833	729,833 (1)
2016 Sewerage System Mortgage Revenue Bonds	5/12/2016	5/1/2053	2.75%	3,431,650	3,431,650
				Total Wastewater Utility	17,222,936

(1) - During 2016 the utility was authorized to issue \$1,270,592 of wastewater system Clean Water Fund revenue bonds. The original amount reported above has been issued as of December 31, 2016. The repayment schedule is for the amount issued.

Total Business-type Activities - Revenue Debt \$ 21,381,787

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2017	\$ 1,046,894	\$ 469,536
2018	1,070,397	447,513
2019	1,094,306	422,577
2020	1,118,927	398,377
2021	1,144,175	372,921
2022-2026	6,120,369	1,460,478
2027-2031	4,846,061	775,876
2032-2036	1,651,308	491,867
2037-2041	765,000	372,015
2042-2046	870,300	266,850
2047-2051	990,000	147,075
2052-2056	664,050	29,523
Totals	\$ 21,381,787	\$ 5,654,608

Other Debt Information

Estimated payments of compensated absences, net pension liability and landfill liability are not included in the debt service requirement schedules. The portion of these liabilities attributable to governmental activities will be liquidated primarily by the general fund and landfill settlement fund.

A statutory mortgage lien upon the wastewater's system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The wastewater's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Current Refunding

On April 27, 2016, the city issued \$1,135,000 in general obligation bonds with a coupon rate of 0.40-2.6% to refund an outstanding state trust fund loan of \$1,136,797 with a coupon rate of 4.50%. The net proceeds along with existing funds of the city were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$1,669,732 from 2017 through 2033. The cash flow requirements on the refunding bonds are \$1,535,191 from 2017 through 2033. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$103,244.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Current Refunding (cont.)

On September 26, 2016, the wastewater utility issued \$2,100,000 in mortgage revenue bonds to refund \$100,000 of outstanding bond anticipation notes issued in 2015. The intent of this refunding was to bring all of the sewerage bonds into parity. Therefore there was no gain/loss on this refunding.

On May 12, 2016, the wastewater utility issued \$3,431,650 in mortgage revenue bonds to refund \$3,458,128 of outstanding mortgage revenue bonds issued in 2013. This refunding was a planned refinancing of short-term debt to a 40 year bond as required by the U.S. Department of Agriculture. Therefore there was no gain/loss on this refunding.

G. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the city to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 40 years after closure. The city completed final closure of the landfill in 1979. The \$300,000 reported as landfill postclosure care liability at December 31, 2016, represents the total amount needed by the city for postclosure care costs according to state and federal regulations. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The city is required by state and federal laws and regulations to provide proof of financial assurance for the postclosure care costs. At December 31, 2016, the city had restricted fund balance in the landfill settlement fund in the amount of \$182,414. The maintenance and monitoring expenses for long-term care will be budgeted for each year by the city and the amount will be paid from the landfill settlement funds.

H. NET POSITION/FUND BALANCES

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

Governmental Activities

Net Investment in Capital Assets	\$ 260,207
Construction in progress	3,701,019
Land	23,804,570
Other capital assets, net of accumulated depreciation/amortization	
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)	(7,721,865)
Less: Unamortized debt premium	(236,341)
Total Net Investment in Capital Assets	\$ 19,807,590

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

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

	General Fund	1985 Community Block Grant Special Revenue Fund	General Debt Service Fund	General Capital Projects	Nonmajor Funds	Totals
Fund Balances						
Nonspendable:						
Inventories and prepaid items	\$ 226,356	\$ -	\$ -	\$ -	\$ 28,172	\$ 254,528
Noncurrent advances	1,574,329	-	-	-	-	1,574,329
Cemetery perpetual care	-	-	-	-	14,950	14,950
Restricted for:						
Loan programs	-	234,892	-	-	109,998	344,890
Debt service	-	-	427,054	-	49,270	476,324
Capital projects	-	-	-	1,037,506	-	1,037,506
Parking advisory board operations	-	-	-	-	129,272	129,272
Hazardous materials response	-	-	-	-	25,147	25,147
Landfill clean-up	-	-	-	-	182,414	182,414
Historical complex facilities and programs	-	-	-	-	27,080	27,080
Future dog park	-	-	-	-	12,000	12,000
K-9 program	-	-	-	-	10,990	10,990
DARE	-	-	-	-	4,065	4,065
Tourism	-	-	-	-	36,479	36,479
TIF projects	-	-	-	-	2,484,630	2,484,630
Committed to:						
Tank inspection training and labor costs	-	-	-	-	10,264	10,264
Playground equipment and maintenance	-	-	-	-	37,620	37,620
Boat launch equipment and maintenance	-	-	-	-	46,277	46,277
Fire inspection	-	-	-	-	3,722	3,722
Property acquisitions and improvements	-	-	-	-	568	568
Historic preservation	-	-	-	-	2,332	2,332
Assigned to:						
Recycling	-	-	-	-	8,728	8,728
Unassigned (deficit):	1,169,202	-	-	(218,796)	(362,132)	588,274
Total Fund Balances	\$ 2,969,887	\$ 234,892	\$ 427,054	\$ 818,710	\$ 2,861,846	\$ 7,312,389

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	\$	29,721
Construction in progress		1,657,329
Land		50,792,580
Other capital assets, net of accumulated depreciation		
Less: Long-term debt outstanding (excluding unspent capital related debt proceeds)		(21,886,121)
Total Net Investment in Capital Assets	\$	30,593,509

I. COMPONENT UNITS

RHINELANDER-ONEIDA COUNTY AIRPORT

This report contains the Rhinelander-Oneida County Airport (airport), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The airport follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

At year end, the carrying amount of the airport's deposits was \$52,446 and is part of the city's commingled cash. See Note III. A.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. COMPONENT UNIT (cont.)

RHINELANDER-ONEIDA COUNTY AIRPORT (cont.)

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Construction in progress	\$ 367,918	\$ 785,118	\$ 31,695	\$ 1,121,341	
Land	187,500	-	-	187,500	
Buildings and improvements	4,790,231	-	-	4,790,231	25 - 50
Machinery and equipment	2,869,558	-	105,217	2,764,341	3 - 25
Infrastructure	11,408,466	-	-	11,408,466	10 - 60
Less: Accumulated depreciation	(10,710,421)	(733,425)	101,000	(11,342,846)	
Totals	\$ 8,913,252	\$ 51,693	\$ 35,912	\$ 8,929,033	

d. Employee Retirement System

All eligible airport employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing, multiple-employer, defined benefit, public employee retirement system, as part of the primary government's plan. See Note IV.A.

e. Due to Primary Government

The total reported as due to primary government reflects the amount the airport is contributing toward the debt service requirements on the city's 2016 G.O. bond which was used to refund the state trust fund loan originally issued for the pay-off of the WRS prior service liability. A repayment schedule has been established to mirror the repayment schedule on the loan.

RHINELANDER DISTRICT LIBRARY

This report contains the Rhineland District Library (library), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The library follows the full accrual basis of accounting and the flow of economic resources measurement focus.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. COMPONENT UNIT (cont.)

RHINELANDER DISTRICT LIBRARY (cont.)

b. Deposits and Investments

At year end, the carrying amount of the library's deposits was \$64,148 and is part of the city's commingled cash. See Note III. A.

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Land	\$ 8,183	\$ -	\$ -	\$ 8,183	
Buildings and improvements	1,464,391	-	-	1,464,391	25 - 50
Machinery and equipment	1,770,376	52,696	191,865	1,631,207	3 - 25
Less: Accumulated depreciation	(3,018,520)	(35,040)	191,865	(2,861,695)	
Totals	\$ 224,430	\$ 17,656	\$ -	\$ 242,086	

d. Employee Retirement System

All eligible library employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing, multiple-employer, defined benefit, public employee retirement system, as part of the primary government's plan. See Note IV.A.

e. Due to Primary Government

The total reported as due to primary government reflects the amount the library is contributing toward the debt service requirements on the city's 2016 G.O. bond which was used to refund the state trust fund loan originally issued for the pay-off of the WRS prior service liability. A repayment schedule has been established to mirror the repayment schedule on the loan.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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 and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 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 \$544,899 in contributions from the city.

Contribution rates as of December 31, 2016 are:

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

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

At December 31, 2016, the city (including component units) reported a liability of \$903,241 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the city's proportion was 0.05558475%, which was an increase of 0.00036196% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the city recognized pension expense of \$1,090,096.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 152,803	\$ 1,900,856
Changes in assumptions	631,947	-
Net differences between projected and actual earnings on pension plan investments	3,698,129	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,508	6,037
Employer contributions subsequent to the measurement date	528,400	-
Totals	\$ 5,019,787	\$ 1,906,893

\$528,400 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	\$ 1,166,442	\$ 461,472
2018	1,166,442	461,472
2019	1,166,471	461,472
2020	971,842	461,472
2021	20,220	61,005

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5

Variable Fund Asset Class

U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable 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 RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$6,335,352	\$903,241	\$(3,339,334)

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>.

At December 31, 2016, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The city participates in a public entity risk pool to provide coverage for losses from errors and omission, liability and workers compensation claims. The city is self insured for dental claims, which are accounted for and financed by the city in the internal service fund. Commercial insurance coverage has been purchased for theft and property damage, as well as health insurance.

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

**Wisconsin Municipal Insurance Commission (WMIC)
Cities and Villages Mutual Insurance Company (CVMIC)**

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The city does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

The city pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the city's retained liability. The city's retained liability is limited to \$17,500 per occurrence and an annual aggregate limit of \$70,000.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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

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

CITY OF RHINELANDER

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

The city has active construction projects as of December 31, 2016. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

The city had \$579,344 in open construction contracts at December 31, 2016.

D. SUBSEQUENT EVENTS

During 2017, the city made additional draws in the amount of \$186,367 on its 2016 safe drinking water loan and \$374,815 on its clean water fund loan.

E. RELATED ORGANIZATIONS

Housing Authority

The city's officials are responsible for appointing the board members of the Rhinelander Housing Authority, but the city's accountability for this organization does not extend beyond making the appointments.

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- ! Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- ! Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- ! Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- ! Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- ! Statement No. 81, *Irrevocable Split-Interest Agreements*
- ! Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RHINELANDER

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,750,848	\$ 4,750,848	\$ 4,717,723	\$ (33,125)
Special assessments	20,000	20,000	10,698	(9,302)
Intergovernmental	1,908,531	1,908,531	1,910,175	1,644
Licenses and permits	159,814	159,814	211,521	51,707
Fines, forfeitures and penalties	37,000	37,000	36,792	(208)
Charges for services	188,389	188,389	190,567	2,178
Investment income	25,796	25,796	21,393	(4,403)
Miscellaneous	28,464	28,464	115,398	86,934
Total Revenues	<u>7,118,842</u>	<u>7,118,842</u>	<u>7,214,267</u>	<u>95,425</u>
EXPENDITURES				
Current:				
General government	1,156,410	1,165,410	1,074,513	90,897
Public safety	4,026,966	4,026,966	4,033,833	(6,867)
Public works	1,861,690	1,861,690	1,718,454	143,236
Health and human services	68,862	68,862	69,517	(635)
Culture, recreation and education	225,295	225,295	227,259	(1,964)
Conservation and development	33,499	33,499	24,386	9,113
Capital Outlay	24,600	55,600	23,575	32,025
Debt Service				
Total Expenditures	<u>7,397,342</u>	<u>7,437,342</u>	<u>7,171,537</u>	<u>265,805</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(278,500)</u>	<u>(318,500)</u>	<u>42,730</u>	<u>361,230</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	369,000	369,000	324,050	(44,950)
Transfers out	(125,500)	(125,500)	(370,209)	(244,709)
Property sales	35,000	35,000	38,636	3,636
Total Other Financing Sources (Uses)	<u>278,500</u>	<u>278,500</u>	<u>(7,523)</u>	<u>(286,023)</u>
Net Change in Fund Balance	-	(40,000)	35,207	75,207
FUND BALANCE - Beginning of Year	<u>2,934,680</u>	<u>2,934,680</u>	<u>2,934,680</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 2,934,680</u>	<u>\$ 2,894,680</u>	<u>\$ 2,969,887</u>	<u>\$ 75,207</u>

See independent auditors' report and accompanying notes to required supplementary information. Page 66

CITY OF RHINELANDER

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - 1985 COMMUNITY
BLOCK GRANT SPECIAL REVENUE FUND
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment income	\$ 180	\$ 180	\$ 836	\$ 656
Miscellaneous revenue	26,000	26,000	71,251	45,251
Total Revenues	<u>26,180</u>	<u>26,180</u>	<u>72,087</u>	<u>45,907</u>
EXPENDITURES				
Current:				
Conservation and development	16,106	16,106	12,095	4,011
Total Expenditures	<u>16,106</u>	<u>16,106</u>	<u>12,095</u>	<u>4,011</u>
Net Change in Fund Balance	10,074	10,074	59,992	49,918
FUND BALANCE - Beginning of Year	<u>174,900</u>	<u>174,900</u>	<u>174,900</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 184,974</u>	<u>\$ 184,974</u>	<u>\$ 234,892</u>	<u>\$ 49,918</u>

See independent auditors' report and accompanying notes to required supplementary information. Page 67

CITY OF RHINELANDER

**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended December 31, 2016**

WRS Fiscal Year End (Measurement Date)	City's Proportion of the Net Pension Asset/Liability		City's Proportionate Share of the Net Pension Asset/Liability		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	
	Asset/Liability	Net Pension Asset (Liability)	City's Covered Payroll	Net Pension Asset/Liability as a Percentage of Covered Payroll	Net Position as a Percentage of the Total Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/15	0.05558475%	\$ (903,241)	6,105,118	14.79%	98.20%	
12/31/14	0.05522279%	1,356,423	5,876,759	23.08%	102.74%	

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended December 31, 2016**

City Year End	Contributions in Relation to the Contractually Required Contributions		Contribution Deficiency (Excess)		Contributions as a Percentage of Covered Payroll	
	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/16	\$ 528,400	\$ 528,400	\$ -	5,983,218	8.83%	8.83%
12/31/15	544,900	544,900	-	6,105,118	8.93%	8.93%

See accompanying notes to required supplementary information and independent auditors' report. Page 68

CITY OF RHINELANDER

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2016**

BUDGETARY INFORMATION

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.

The budgeted amounts presented include any amendments made. The city may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

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

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

Changes in assumptions. There were no changes in assumptions.

See independent auditors' report. Page 69

CITY OF RHINELANDER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	Special Revenue			
	Room Tax	Recycling Grant	Parking Advisory Board	Downtown Works
ASSETS				
Cash and investments	\$ 24,344	\$ 8,116	\$ 99,151	\$ 98,395
Receivables (net)				
Taxes	40,453	-	-	-
Accounts	-	1,117	432	-
Loans	-	-	-	101,859
Other	-	-	30,000	-
Due from other governments	-	-	-	-
Inventories and prepaid items	-	-	-	-
Advances to other funds	-	-	-	-
TOTAL ASSETS	\$ 64,797	\$ 9,233	\$ 129,583	\$ 200,254
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 28,318	\$ -	\$ 311	\$ -
Accrued liabilities	-	505	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	28,318	505	311	-
Deferred Inflows of Resources				
Unearned revenues	-	-	-	101,859
Unavailable revenues	-	-	-	101,859
Total Deferred Inflows of Resources	-	-	-	203,718
Fund Balances				
Nonspendable	-	-	-	-
Restricted	36,479	-	129,272	98,395
Committed	-	-	-	-
Assigned	-	8,728	-	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances	36,479	8,728	129,272	98,395
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 64,797	\$ 9,233	\$ 129,583	\$ 200,254

SUPPLEMENTARY INFORMATION

CITY OF RHINELANDER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	Special Revenue			
	Boat Launch	HCRI Grant	K-9	Fire Inspection Seminars
ASSETS				
Cash and investments	\$ -	\$ 11,603	\$ 10,990	\$ 3,722
Receivables (net)	-	-	-	-
Taxes	-	-	-	-
Accounts	-	-	-	-
Loans	-	-	-	-
Other	-	-	-	-
Due from other governments	235,272	-	-	-
Inventories and prepaid items	-	-	-	-
Advances to other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 235,272</u>	<u>\$ 11,603</u>	<u>\$ 10,990</u>	<u>\$ 3,722</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	188,995	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>188,995</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unearned revenues	-	-	-	-
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	11,603	10,990	-
Committed	46,277	-	-	3,722
Assigned	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>46,277</u>	<u>11,603</u>	<u>10,990</u>	<u>3,722</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 235,272</u>	<u>\$ 11,603</u>	<u>\$ 10,990</u>	<u>\$ 3,722</u>

	Special Revenue					
	Shared Ride Transport Grant	Tank Inspections	Landfill Settlement	Playground Equipment	Historical Complex	Dog Park
Hazardous Materials	\$ 25,147	\$ -	\$ 182,480	\$ 37,620	\$ 27,483	\$ 12,000
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	108,681	-	-	-	3,182	-
	-	-	74	-	-	-
	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 108,681</u>	<u>\$ 10,264</u>	<u>\$ 182,554</u>	<u>\$ 37,620</u>	<u>\$ 30,665</u>	<u>\$ 12,000</u>
	\$ -	\$ 2,058	\$ -	\$ 140	\$ -	\$ 403
	-	-	-	-	-	-
	17,628	-	-	-	-	-
	48,505	-	-	-	-	-
	93,558	-	-	-	-	-
	161,749	-	140	-	403	-
	-	-	-	-	-	-
	60,177	-	-	-	-	-
	60,177	-	-	-	-	-
	-	-	-	-	-	-
	25,147	-	182,414	-	3,182	12,000
	-	10,264	-	37,620	27,080	-
	-	-	-	-	-	-
	(113,245)	-	-	-	-	-
	(113,245)	10,264	182,414	37,620	30,262	12,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 25,147</u>	<u>\$ 10,264</u>	<u>\$ 182,554</u>	<u>\$ 37,620</u>	<u>\$ 30,665</u>	<u>\$ 12,000</u>

CITY OF RHINELANDER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	TIF #6	TIF #8	TIF #9	TIF #10
ASSETS				
Cash and investments	\$ -	\$ 31,936	\$ 1,102,507	\$ 195,187
Receivables (net)				
Taxes	93,259	-	630,473	161,712
Accounts	-	-	-	-
Loans	417,957	-	-	-
Other	-	-	-	-
Due from other governments	-	-	-	-
Inventories and prepaid items	-	-	-	-
Advances to other funds	-	1,155,000	-	-
TOTAL ASSETS	\$ 511,216	\$ 31,936	\$ 2,887,980	\$ 356,899
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	-	-	-	-
Accrued liabilities	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	23,948	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	23,948	-	-	-
Deferred Inflows of Resources				
Unearned revenues	93,259	-	630,473	161,712
Unavailable revenues	417,957	-	-	-
Total Deferred Inflows of Resources	511,216	-	630,473	161,712
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	31,936	2,257,507	195,187
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	(23,948)	-	-	-
Total Fund Balances	(23,948)	31,936	2,257,507	195,187
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 511,216	\$ 31,936	\$ 2,887,980	\$ 356,899

	Special Revenue				Debt Service			
	DARE	Historic Preservation	Ambulance	Property Acquisitions & Improvements	Environmental	TIF #1	TIF #5	TIF #5
Cemetery Perpetual Care	\$ 14,950	\$ 4,065	\$ 2,332	\$ -	\$ 568	\$ -	\$ 49,270	\$ -
	-	-	-	-	109,866	-	15,581	-
	-	-	139,615	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	24,990	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL	\$ 14,950	\$ 4,065	\$ 2,332	\$ 164,605	\$ 568	\$ 109,866	\$ 64,851	\$ 64,851
	\$ -	\$ -	\$ -	\$ 2,826	\$ -	\$ -	\$ -	\$ -
	-	-	-	5,267	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	104,300	-	199,949	-	-	-
	-	-	112,393	-	199,949	-	-	-
	-	-	-	-	109,866	-	15,581	-
	-	-	-	52,212	-	-	-	-
	-	-	-	52,212	109,866	-	15,581	-
	14,950	-	-	24,990	-	-	-	-
	-	4,065	-	-	-	-	49,270	-
	-	-	2,332	-	568	-	-	-
	-	-	-	(24,990)	(199,949)	-	-	-
TOTAL	\$ 14,950	\$ 4,065	\$ 2,332	\$ -	\$ 568	\$ (199,949)	\$ 49,270	\$ -
	\$ 14,950	\$ 4,065	\$ 2,332	\$ 164,605	\$ 568	\$ 109,866	\$ 64,851	\$ 64,851

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

		Special Revenue			
		Room Tax	Recycling Grant	Parking Advisory Board	Downtown Works
REVENUES					
Taxes		\$ 216,287	-	-	-
Intergovernmental		-	21,403	-	-
Fines, forfeitures and penalties		-	-	-	-
Charges for services		-	-	3,712	-
Investment income		-	-	-	824
Miscellaneous		2,175	-	45,408	25,237
Total Revenues		<u>218,462</u>	<u>21,403</u>	<u>49,120</u>	<u>26,061</u>
EXPENDITURES					
Current					
Public safety		-	-	-	-
Public works		-	130,655	31,158	-
Culture, recreation and education		167,844	-	-	47,428
Conservation and development		-	-	-	-
Capital Outlay		-	-	-	-
Debt Service		-	-	-	-
Principal		-	-	-	-
Interest and fiscal charges		-	-	-	-
Total Expenditures		<u>167,844</u>	<u>130,655</u>	<u>31,158</u>	<u>47,428</u>
Excess (deficiency) of revenues over expenditures		<u>50,618</u>	<u>(109,252)</u>	<u>17,962</u>	<u>(21,367)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		-	110,000	15,000	-
Transfers out		(26,000)	-	-	-
Property sales		-	6	-	-
Total Other Financing Sources (Uses)		<u>(26,000)</u>	<u>110,006</u>	<u>15,000</u>	<u>-</u>
Net Change in Fund Balances		24,618	754	32,962	(21,367)
FUND BALANCES (DEFICIT) - Beginning of Year		11,861	7,974	96,310	119,762
FUND BALANCES (DEFICIT) - END OF YEAR		<u>\$ 36,479</u>	<u>\$ 8,728</u>	<u>\$ 129,272</u>	<u>\$ 98,395</u>

Total Nonmajor Governmental Funds	\$ 1,952,130
	1,051,344
	141,164
	519,816
	30,000
	343,953
	28,246
	1,155,000
	<u>\$ 5,221,653</u>
	34,056
	5,772
	17,628
	261,448
	397,807
	<u>716,711</u>
	1,010,891
	632,205
	<u>1,643,096</u>
	43,122
	3,071,345
	100,783
	8,728
	<u>(362,132)</u>
	<u>2,861,846</u>
	<u>\$ 5,221,653</u>

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

		Special Revenue						
		Shared Ride Transport Grant	Tank Inspections	Landfill Settlement	Playground Equipment	Historical Complex	Dog Park	
Hazardous Materials								
\$	21,369	342,146	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	7,485	-	2,575	-	-	-
	10	94	-	-	-	12,972	12	-
	21,379	342,240	7,485	-	2,575	12,972	10,000	-
	23,408	-	5,308	21,677	-	-	-	1,380
	-	327,452	-	-	258	36,612	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	23,408	327,452	5,308	21,677	258	36,612	-	-
	(2,029)	14,788	2,177	(21,677)	2,317	(23,640)	10,012	615
	-	-	-	-	-	26,000	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	26,000	-	-
	(2,029)	14,788	2,177	(21,677)	2,317	2,360	10,012	615
	27,176	(128,033)	8,087	204,091	35,303	27,902	1,988	3,107
	25,147	(113,245)	10,264	182,414	37,620	30,262	12,000	3,722

		Special Revenue				
		Boat Launch	HCRI Grant	K-9	Fire Inspection Seminars	
REVENUES						
Taxes	\$	-	\$	-	\$	-
Intergovernmental		235,272	-	-	-	-
Fines, forfeitures and penalties		150	-	-	-	-
Charges for services		5,266	-	-	-	1,995
Investment income		-	43	-	-	-
Miscellaneous		-	637	1,218	-	-
Total Revenues		240,688	680	1,218	-	1,995
EXPENDITURES						
Current						
Public safety		-	-	-	-	1,380
Public works		-	-	-	-	-
Culture, recreation and education		-	-	-	-	-
Conservation and development		-	1,410	-	-	-
Capital Outlay		13,277	-	-	-	-
Debt Service		-	-	-	-	-
Principal		-	-	-	-	-
Interest and fiscal charges		-	-	-	-	-
Total Expenditures		13,277	1,410	-	-	1,380
Excess (deficiency) of revenues over expenditures		227,411	(730)	1,218	-	615
OTHER FINANCING SOURCES (USES)						
Transfers in		-	-	500	-	-
Transfers out		-	(12,805)	-	-	-
Property sales		-	-	-	-	-
Total Other Financing Sources (Uses)		-	(12,805)	500	-	-
Net Change in Fund Balances		227,411	(13,535)	1,718	-	615
FUND BALANCES (DEFICIT) - Beginning of Year		(181,134)	25,138	9,272	-	3,107
FUND BALANCES (DEFICIT) - END OF YEAR		\$ 46,277	\$ 11,603	\$ 10,990	\$	3,722

CITY OF RHINELANDER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue					Debt Service					
	DARE	Historic Preservation	Ambulance	Property Acquisitions & Improvements	Environmental TIF #1	TIF #1	TIF #5	TIF #6	TIF #8	TIF #9	TIF #10
Cemetery Perpetual Care											
\$	-	-	-	-	-	-	15,114	-	-	-	-
			5,927	76,550	101,977	-	-	82,168	13,620	588,747	128,790
			-	-	-	-	-	12,241	-	7,722	-
			446,626	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-
			-	-	-	-	-	23,048	-	-	-
765	984	103,468	103,468	2,462	2,462	-	-	19,860	-	31,300	-
765	984	556,021	76,550	104,439	104,439	15,114	-	137,317	13,620	627,769	128,790
	1,555	-	591,124	-	-	-	-	-	-	-	-
	-	-	-	2,137	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	1,065	1,389	-	6,118	1,392	2,272	1,951
	-	-	-	-	-	-	-	-	-	-	-
	-	-	126,701	-	80,000	-	-	74,843	25,847	339,615	15,393
	-	-	40,932	-	46,695	-	-	43,403	6,285	149,155	14,538
	1,555	758,757	2,137	127,780	127,780	1,389	-	124,364	33,524	491,042	31,882
765	(571)	(202,736)	74,413	(23,341)	(23,341)	13,725	-	12,953	(19,904)	136,727	96,908
			244,709	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-
			244,709	-	-	-	-	-	-	-	-
765	(571)	41,973	74,413	(23,341)	(23,341)	13,725	-	12,953	(19,904)	136,727	96,908
14,185	4,636	2,332	(41,973)	(73,845)	(176,608)	35,545	-	(36,901)	51,840	2,120,780	98,279
\$	14,950	4,065	2,332	568	(199,949)	49,270	-	(23,948)	31,936	2,257,507	195,187

CITY OF RHINELANDER

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2016

	Stormwater Utility	Golf Course	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets			
Receivables	154,003	14,715	168,718
Accounts	-	38,023	38,023
Inventories and prepaid items	-	-	-
Total Current Assets	<u>154,003</u>	<u>52,738</u>	<u>206,741</u>
Noncurrent Assets			
Capital Assets			
Land	35,666	-	35,666
Capital assets being depreciated	5,406,830	3,579,361	8,986,191
Less: Accumulated depreciation	(1,834,483)	(3,127,034)	(4,961,517)
Total Noncurrent Assets	<u>3,608,013</u>	<u>452,327</u>	<u>4,060,340</u>
Total Assets	<u>3,762,016</u>	<u>505,065</u>	<u>4,267,081</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	14,699	110,933	125,632
LIABILITIES			
Current Liabilities			
Accounts payable	78,939	9,729	88,668
Accrued wages	575	3,816	4,391
Accrued interest	-	4,032	4,032
Deposits	-	1,000	1,000
Due to other funds	100,000	-	100,000
Current portion of general obligation debt	5,000	86,400	91,400
Current portion of compensated absences	-	2,282	2,282
Current portion of leases	-	2,046	2,046
Total Current Liabilities	<u>184,514</u>	<u>109,305</u>	<u>293,819</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt	30,000	374,300	404,300
Other Liabilities			
Compensated absences	-	51,042	51,042
Net pension liability	2,773	20,074	22,847
Capital leases payable	-	6,588	6,588
Advances from other funds	1,936,802	1,209,770	3,146,572
Total Noncurrent Liabilities	<u>1,969,575</u>	<u>1,661,774</u>	<u>3,631,349</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	-	2,106	2,106
Pension related amounts	5,855	42,379	48,234
Total Deferred Inflows of Resources	<u>5,855</u>	<u>44,485</u>	<u>50,340</u>
NET POSITION			
Net investment in capital assets	3,573,013	(17,007)	3,556,006
Unrestricted (deficit)	(1,956,242)	(1,182,559)	(3,138,801)
TOTAL NET POSITION (DEFICIT)	<u>\$ 1,616,771</u>	<u>\$ (1,199,566)</u>	<u>\$ 417,205</u>

CITY OF RHINELANDER
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 For the Year Ended December 31, 2016

	Stormwater Utility	Golf Course	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 427,273	\$ 573,492	\$ 1,000,765
Total Operating Revenues	<u>427,273</u>	<u>573,492</u>	<u>1,000,765</u>
OPERATING EXPENSES			
Operation and maintenance	192,663	577,280	769,943
Depreciation	162,590	60,969	223,559
Total Operating Expenses	<u>355,253</u>	<u>638,249</u>	<u>993,502</u>
Operating Income (Loss)	72,020	(64,757)	7,263
NON-OPERATING EXPENSES			
Interest and fiscal charges	(775)	(10,254)	(11,029)
Contribution of infrastructure to City	(438,887)	-	(438,887)
Total Nonoperating Expenses	<u>(439,662)</u>	<u>(10,254)</u>	<u>(449,916)</u>
Net Loss Before Contributions and Transfers	(367,642)	(75,011)	(442,653)
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	29,047	-	29,047
Transfers out	-	(621)	(621)
Total Contributions and Transfers	<u>29,047</u>	<u>(621)</u>	<u>28,426</u>
Change in Net Position	(338,595)	(75,632)	(414,227)
NET POSITION (DEFICIT) - Beginning of Year	1,955,366	(1,123,934)	831,432
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 1,616,771</u>	<u>\$ (1,199,566)</u>	<u>\$ 417,205</u>

CITY OF RHINELANDER
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Year Ended December 31, 2016

	Stormwater Utility	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 437,892	\$ 556,979	\$ 994,871
Paid to suppliers for goods and services	(141,701)	(341,058)	(482,759)
Paid to employees for services	(61,488)	(239,784)	(301,272)
Net Cash Flows From Operating Activities	<u>234,703</u>	<u>(23,863)</u>	<u>210,840</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Negative cash implicitly financed	184,993	118,335	303,328
Advances repaid to other funds	-	(674)	(674)
Interest on advance	-	(1,503)	(1,503)
Net Cash Flows From Noncapital Financing Activities	<u>184,993</u>	<u>116,158</u>	<u>301,151</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt issued	-	35,700	35,700
Debt retired	(5,000)	(87,069)	(92,069)
Interest and fiscal charges paid	(775)	(8,751)	(9,526)
Acquisition and construction of capital assets	(1,765,518)	(32,175)	(1,797,693)
Capital advances from other funds	1,351,597	-	1,351,597
Net Cash Flows From Capital and Related Financing Activities	<u>(419,696)</u>	<u>(92,295)</u>	<u>(511,991)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	-	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 72,020	\$ (64,757)	\$ 7,263
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	162,590	60,969	223,559
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources			
Customer accounts receivable	(3,846)	(14,715)	(18,561)
Due from other funds	14,465	-	14,465
Inventories and prepaid items	-	(12,031)	(12,031)
Accounts payable	(11,650)	5,473	(6,177)
Accrued wages	364	2,241	2,605
Accrued compensated absences	-	(11,205)	(11,205)
Unearned revenues	-	(1,798)	(1,798)
Pension related deferrals and asset/liability	760	11,960	12,720
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 234,703</u>	<u>\$ (23,863)</u>	<u>\$ 210,840</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired via accounts payable	\$ 78,939	\$ -	\$ -
Capital assets transferred to Governmental Activities	<u>\$ 438,887</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets acquired via capital lease	-	<u>\$ 10,703</u>	<u>\$ 10,703</u>

CITY OF RHINELANDER

STATEMENT OF CASH FLOWS
COMPONENT UNITS
For the Year Ended December 31, 2016

	Rhineland- Oneida County Airport	Rhineland- District Library	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers and other local governments	\$ 881,341	\$ 667,091	\$ 1,538,432
Received from municipality	197,081	284,330	481,411
Paid to suppliers for goods and services	(624,251)	(355,413)	(979,664)
Paid to employees for services	(464,853)	(512,466)	(977,319)
Net Cash Flows From Operating Activities	<u>(10,682)</u>	<u>53,542</u>	<u>42,860</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	884	-	884

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances repaid to primary government	(1,529)	(2,017)	(3,546)
Interest on advance from primary government	(3,411)	(4,496)	(7,907)
Net Cash Flows From Noncapital Financing Activities	<u>(4,940)</u>	<u>(6,513)</u>	<u>(11,453)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(9,753)	(52,696)	(62,449)
Net Change in Cash and Cash Equivalents	(24,491)	(5,667)	(30,158)
CASH AND CASH EQUIVALENTS - Beginning of Year	76,937	69,815	146,752
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 52,446</u>	<u>\$ 64,148</u>	<u>\$ 116,594</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	\$ (673,360)	\$ (14,165)	\$ (687,525)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities			
Depreciation	733,425	35,040	768,465
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources	(18,763)	-	(18,763)
Accounts receivable	-	(3,116)	(3,116)
Taxes receivable	(75,084)	1,173	(73,911)
Due from other governmental units	(9,349)	(7,724)	(17,073)
Prepaid items	(1,137)	(2,207)	(3,344)
Accounts payable	7,965	6,935	14,900
Accrued liabilities	-	1,943	1,943
Unearned revenue	25,621	35,663	61,284
Pension related deferrals and asset/liability	-	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (10,682)</u>	<u>\$ 53,542</u>	<u>\$ 42,860</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired via capital contributions	\$ 785,118	\$ -	\$ 785,118
Capital assets acquired via accounts payable	<u>11,846</u>	<u>-</u>	<u>11,846</u>

CITY OF RHINELANDER

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - COMPONENT UNITS
For the Year Ended December 31, 2016

	Rhineland- Oneida County Airport	Rhineland- District Library	Totals
OPERATING REVENUES			
City appropriation	\$ 197,081	\$ 264,330	\$ 461,411
Township appropriations	-	463,240	463,240
County appropriation	-	164,278	164,278
Charges for services	975,188	-	975,188
Fines, donations, and miscellaneous	-	29,573	29,573
Total Operating Revenues	<u>1,172,269</u>	<u>921,421</u>	<u>2,093,690</u>

OPERATING EXPENSES			
Salaries and wages	456,887	505,531	962,418
Fringe benefits	158,188	236,077	394,265
Depreciation	733,425	35,040	768,465
Other expenses	497,129	158,938	656,067
Total Operating Expenses	<u>1,845,629</u>	<u>935,586</u>	<u>2,781,215</u>
OPERATING LOSS	<u>(673,360)</u>	<u>(14,165)</u>	<u>(687,525)</u>

NONOPERATING INCOME (EXPENSES)			
Investment income	884	-	884
Interest and fiscal charges	(3,411)	(4,496)	(7,907)
Loss on disposal of capital assets	(35,912)	-	(35,912)
Total Nonoperating Income (Expenses)	<u>(38,439)</u>	<u>(4,496)</u>	<u>(42,935)</u>
Loss Before Contributions	(711,799)	(18,661)	(730,460)

CONTRIBUTIONS AND TRANSFERS			
Capital contributions	785,118	-	785,118
Transfers out	(1,410)	(1,859)	(3,269)
Total Contributions and Transfers	<u>783,708</u>	<u>(1,859)</u>	<u>781,849</u>

CHANGE IN NET POSITION			
NET POSITION - Beginning of Year	9,569,501	342,291	9,911,792
NET POSITION - END OF YEAR	<u>\$ 9,641,410</u>	<u>\$ 321,771</u>	<u>\$ 9,963,181</u>

CITY OF RHINELANDER

REQUIRED BOND DISCLOSURES
For the Year Ended December 31, 2016

INSURANCE COVERAGE

Description	Amount of Coverage	Coverage Dates	Name of Insurer
Auto Liability	\$ 5,000,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Workers Compensation	100,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Auto Physical Damage:			
Per Vehicle	1,500,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Per Occurrence	15,000,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Employment Practices	1,000,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Boiler and Machinery	250,000,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
General Liability	5,000,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Excess Liability	5,000,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Cyber (paid by CVMIC)	2,000,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Crime	3,000,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Volunteer:			
AD&D Each	25,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
AD&D Per Occurrence	250,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.
Medical Each	100,000	1/1/16 to 1/1/17	Cities & Villages Mutual Insurance Co.

OTHER INFORMATION

User Classification	Wastewater
Residential	2,947
Commercial	481
Industrial	31
Public Authority	48
Multifamily Residential	34
Volume of Water Used - Gallons (000's)	179,827

CITY OF RHINELANDER

DETAILED SCHEDULE OF OPERATING REVENUES AND EXPENSES - WASTEWATER UTILITY
For the Year Ended December 31, 2016

OPERATING REVENUES	
Sewer service charges	\$ 2,766,089
Forfeited discounts	42,657
Other	49,965
Total Operating Revenues	<u>2,858,711</u>
OPERATING EXPENSES	
Supervision and labor	225,024
Power	129,849
Chemicals	43,572
Operating supplies	51,811
Transportation	13,640
Maintenance	194,980
Billing, collection and accounting	44,626
Meter reading	8,524
Administrative and general salaries	84,917
Office supplies	17,459
Outside services employed	41,069
Insurance	29,763
Employee benefits	193,268
Miscellaneous general	20,190
Total Operation and Maintenance Expenses	<u>1,098,692</u>
Depreciation	1,352,845
Taxes	32,083
Total Operating Expenses	<u>2,483,620</u>
OPERATING INCOME	<u>\$ 375,091</u>

FORM OF LEGAL OPINION

(See following pages.)

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

May 1, 2018

Re: City of Rhinelander, Wisconsin ("Issuer")
\$3,085,000 General Obligation Promissory Notes, Series 2018A,
dated May 1, 2018 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. 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 Notes are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on the dates and in the principal amounts as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
11/01/2019	\$240,000	___%
11/01/2020	285,000	___
11/01/2021	295,000	___
11/01/2022	300,000	___
11/01/2023	305,000	___
11/01/2024	315,000	___
11/01/2025	320,000	___
11/01/2026	330,000	___
11/01/2027	340,000	___
05/01/2028	355,000	___

Interest is payable semi-annually on May 1 and November 1 of each year commencing on May 1, 2019.

The Notes maturing on November 1, 2025 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on November 1, 2024 or on any date thereafter. Said Notes 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 Notes maturing in the years _____ are subject to mandatory redemption by lot as provided in the resolution authorizing the Notes, 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 Notes 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 Notes 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 Notes, 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 Notes 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 Notes.

3. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes 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 Notes 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 Notes in order for interest on the Notes 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 Notes to be included in gross income retroactively to the date of issuance of the Notes. 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 Notes.

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

The rights of the owners of the Notes 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 Rhinelander, Oneida County, Wisconsin (the "Issuer") in connection with the issuance of \$3,085,000 General Obligation Promissory Notes, Series 2018A, dated May 1, 2018 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on April 9, 2018 (the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

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

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

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

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

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

"Final Official Statement" means the Final Official Statement dated April 10, 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 Rhinelander, Oneida County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Clerk of the Issuer who can be contacted at 135 South Stevens Street, Rhinelander, Wisconsin 54501, phone (715) 365-8600, fax (715) 365-8630.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

"SEC" means the Securities and Exchange Commission.

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

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

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

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

1. DEBT - Direct Debt
2. DEBT - Debt Limit

3. VALUATIONS - Current Property Valuations
4. TAX LEVIES AND COLLECTIONS - Tax Levies and Collections

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

Section 5. Reporting of Listed Events.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 1st day of May, 2018.

(SEAL)

Mayor

City Clerk

NOTICE OF SALE

**\$3,085,000* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2018A
CITY OF RHINELANDER, WISCONSIN**

Bids for the purchase of \$3,085,000* General Obligation Promissory Notes, Series 2018A (the "Notes") of the City of Rhinelander, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on April 9, 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 6:00 P.M., Central Time, on the same date. The bid offering to purchase the Notes upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes, including financing street improvements and other capital projects. The Notes are 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 Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

DATES AND MATURITIES

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

<u>Date</u>	<u>Amount*</u>	<u>Date</u>	<u>Amount*</u>	<u>Date</u>	<u>Amount*</u>
Nov 1, 2019	\$240,000	Nov 1, 2023	\$305,000	Nov 1, 2027	\$340,000
Nov 1, 2020	285,000	Nov 1, 2024	315,000	May 1, 2028	355,000
Nov 1, 2021	295,000	Nov 1, 2025	320,000		
Nov 1, 2022	300,000	Nov 1, 2026	330,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the amount of any individual maturity of the Notes in increments of \$5,000 on the day of sale. If individual maturities are increased or decreased, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Bids for the Notes 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 November 1 and May 1 of each year, commencing May 1, 2019, to the registered owners of the Notes 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 1.00% 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 3.50%.)** All Notes 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 Notes 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 Notes, 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 Notes. So long as Cede & Co. is the registered owner of the Notes, 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 Notes.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. 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 Notes maturing on or after November 1, 2025 shall be subject to optional redemption prior to maturity on November 1, 2024 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes 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 Note to be redeemed at the address shown on the registration books.

DELIVERY

On or about May 1, 2018, the Notes 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 Notes is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Notes must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Notes 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 Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

STATEMENT REGARDING COUNSEL PARTICIPATION

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

SUBMISSION OF BIDS

Bids must not be for less than \$3,047,980 plus accrued interest on the principal sum of \$3,085,000 from date of original issue of the Notes to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

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

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

A good faith deposit ("Deposit") in the amount of \$61,700 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 Notes 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 Notes 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 Notes is adjourned, recessed, or continued to another date without award of the Notes having been made.

AWARD

The Notes 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 Notes 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 Notes 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 Notes 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 Notes are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Notes.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Notes 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 Notes as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will enter into an undertaking for the benefit of the holders of the Notes. 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 Notes 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 Notes 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 Notes, 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 Notes 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 Notes) will apply to the initial sale of the Notes (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 Notes to the bidder who submits a firm offer to purchase the Notes 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 Notes, 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 Notes 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 Notes. On its bid form, each Underwriter must select one of the following two rules for determining the issue price of the Notes: (1) the first price at which 10% of a maturity of the Notes (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 Notes (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 Notes 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 Notes, that the underwriters will neither offer nor sell unsold Notes 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 Notes 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 Notes 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 Notes 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 Notes 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 Notes.

(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 Notes 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 Notes or until all of the Notes 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 Notes 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 Notes 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 Notes of that maturity or all Notes 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 Notes 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 Notes 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 Notes 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 Notes of that maturity or all Notes 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 Notes 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 Notes 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 Notes 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 Notes to the public),
- (iii) a purchaser of any of the Notes 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 Notes 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 Notes 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

Valerie Foley, City Clerk
City of Rhinelander, Wisconsin

BID FORM

The Common Council
City of Rhinelander, Wisconsin

April 9, 2018

RE: \$3,085,000* General Obligation Promissory Notes, Series 2018A
DATED: May 1, 2018

For all or none of the above Notes, 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 \$3,047,980) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due	Nov 1, 2019	_____ % due	Nov 1, 2023	_____ % due	Nov 1, 2027
_____ % due	Nov 1, 2020	_____ % due	Nov 1, 2024	_____ % due	May 1, 2028
_____ % due	Nov 1, 2021	_____ % due	Nov 1, 2025		
_____ % due	Nov 1, 2022	_____ % due	Nov 1, 2026		

* The City reserves the right to increase or decrease the amount of any individual maturity of the Notes in increments of \$5,000 on the day of sale. If individual maturities are increased or decreased, 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 1.00% 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 3.50%.) All Notes 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 \$61,700, 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 Notes 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 Notes 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 Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about May 1, 2018.

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

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Notes within 24 hours of the bid acceptance.

This bid is a firm offer for the purchase of the Notes 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 Notes.

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 May 1, 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 Rhinelander, Wisconsin, on April 9, 2018.

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