

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 5, 2018

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

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

New Issue

Rating Application Made: Moody's Investors Service

CITY OF NEW LONDON, WISCONSIN (Waupaca and Outagamie Counties)

\$3,445,000* SEWERAGE, WATER AND ELECTRIC SYSTEM MORTGAGE REVENUE BONDS, SERIES 2018B

BID OPENING: June 12, 2018, 10:30 A.M., C.T.

CONSIDERATION: June 12, 2018, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,445,000* Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2018B (the "Bonds") of the City of New London, Wisconsin (the "City") are being issued pursuant to Section 66.0621, Wisconsin Statutes, to provide funds for the public purpose of financing improvements and extensions to the City's Combined Utility System (the "Combined Utility System"). The Bonds are not general obligations of the City but are payable only from and secured by a pledge of income and revenue to be derived from the operation of the Combined Utility System. The Bonds are being issued on a parity with the City's outstanding \$4,450,000 Sewerage, Water & Electric System Mortgage Revenue Bonds, Series 2011B dated August 3, 2011, the \$3,475,000 Sewerage, Water & Electric System Mortgage Revenue Refunding Bonds, Series 2013B dated March 7, 2013, and the \$3,030,000 Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2016B dated May 26, 2016. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF BONDS: June 28, 2018

MATURITY: December 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$125,000	2026	\$150,000	2033	\$195,000
2020	130,000	2027	160,000	2034	205,000
2021	130,000	2028	165,000	2035	210,000
2022	135,000	2029	170,000	2036	220,000
2023	140,000	2030	175,000	2037	230,000
2024	145,000	2031	180,000	2038	240,000
2025	150,000	2032	190,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: December 1, 2018 and semiannually thereafter.

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

MINIMUM BID: \$3,401,937.

MAXIMUM BID: \$3,651,700.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$68,900 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 Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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COMMON COUNCIL

		<u>Term Expires</u>
Gary Henke	Mayor	April 2020
Robert Besaw	Alderman	April 2019
John Faucher	Alderman	April 2010
Tom O'Connell	Alderman	April 2019
Fred Zaug	Alderman	April 2020
Lori Dean	Alderman	April 2019
Mike Barrington	Alderman	April 2020
Rob Way	Alderman	April 2019
Ron Steinhorst	Alderman	April 2020
David Morack	Alderman	April 2019
Dennis Herter	Alderman	April 2020

ADMINISTRATION

Kent Hager, City Administrator

Jackie Beyer, Clerk

Judy Radke, Treasurer/Finance Director

PROFESSIONAL SERVICES

Earl J. Luaders, City Attorney, New London, Wisconsin

Quarles & Brady LLP, Bond Counsel, Milwaukee, Wisconsin

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of New London, Wisconsin (the "City") and the issuance of its \$3,445,000* Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2018B (the "Bonds" or "Obligations"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Bond Resolution") to be adopted by the Common Council on June 12, 2018.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 28, 2018. The Bonds will mature on December 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

The City 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 Bonds maturing on or after December 1, 2028 shall be subject to optional redemption prior to maturity on December 1, 2027 and on any date thereafter, at a price of par plus accrued interest.

*Preliminary, subject to change.

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

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Section 66.0621, Wisconsin Statutes, to provide funds for the public purpose of financing improvements and extensions to the City’s Combined Utility System.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	\$3,445,000	
Transfers from Prior Issue DSR Funds	1,171,777	
Estimated Interest Earnings	<u>10,500</u>	
Total Sources		\$4,627,277
Uses		
Total Underwriter's Discount	\$43,063	
Costs of Issuance	63,250	
Deposit to Debt Service Reserve Fund	1,017,220	
Deposit to Project Construction Fund	3,500,000	
Rounding Amount	<u>3,744</u>	
Total Uses		\$4,627,277

*Preliminary, subject to change.

SECURITY

This section is a summary of security provisions. A detailed explanation of the security provisions is contained in the resolution awarding the sale of the Revenue Bonds (the "Bond Resolution"), which is available upon request from Ehlers.

Source of Payment: THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE Combined Utility System but are payable only out of "Net Revenues" that are pledged to the Combined Utility System provided for in the Bond Resolution (the "Special Redemption Fund"). Net Revenues are defined as all revenues of the Combined Utility System derived from any source less current expenses, excluding depreciation, debt service, tax equivalents, replacements and capital expenditures. In the case of the electric system portion of the Combined Utility System,

current expenses include costs of purchasing, producing and delivering electric power and energy. In the Bond Resolution, the City covenanted to deposit Net Revenues in an amount sufficient to pay principal of and interest on the Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2011B, dated August 3, 2011, the Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2013B, dated May 7, 2013 and the Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2016B, dated May 26, 2016 (collectively, the "Outstanding Bonds") and the Bonds in the Special Redemption Fund and to use the funds in the Special Redemption Fund only for the purpose of paying principal of and interest on the Bonds and the Outstanding Bonds.

The claim of the owners of the Bonds with respect to the Special Redemption Fund is on a parity with the claim granted to the owners of the Outstanding Bonds.

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

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

The City must meet the following test with respect to Net Revenues of the Combined Utility System before Parity Bonds may be issued:

The Net Revenues for the fiscal year preceding the issuance of such additional obligations must have been at least equal to one and one-quarter (1.25) times the highest annual interest and principal requirements on all Outstanding Bonds, Bonds and any Parity Bonds then outstanding payable from the revenues of the Combined Utility System, and the obligations so proposed to be issued, for any succeeding fiscal year in which there shall be a principal maturity on such outstanding bonds; provided, however, that if prior to the authorization of such additional obligations the City shall have adopted and put into effect a revised schedule of rates, then the Net Revenues of the Combined Utility System for the last completed fiscal year which would, in the written opinion of an independent consulting engineer or independent certified public accountant employed for that purpose, have resulted from such rates had they been in effect for such period may be used in lieu of the actual Net Revenues for the last completed fiscal year

Service to the City: The reasonable cost and value of any service rendered to the City by the Combined Utility System by furnishing sewerage, water, and electric services for public purposes, including reasonable health protection charges, shall be charged against the City and shall be paid by it in monthly installments as the service accrues, out of the current revenues of the City collected or in the process of collection, exclusive of the revenues, and out of the tax levy of the City made by it to raise money to meet its necessary current expenses. The reasonable cost and value of such service to the City in each year shall be in an amount which, together with revenues of the Combined Utility System, will produce Net Revenues equivalent to not less than 1.25 times the annual debt service due. Such compensation for such service rendered to the City shall, in the manner provided hereinabove, be paid into the separate and special funds described in the Bond Resolution. However, such payment is subject to (a) annual appropriations by the Common Council therefor, (b) approval of the Wisconsin Public Service Commission, or successors to its function, if necessary, and (c) applicable levy limits, if any; and neither this covenant nor such payment shall be construed as constituting an obligation of the City to make any such appropriation over and above the reasonable cost and value of services rendered to the City and its inhabitants or to make any subsequent payment over and above such reasonable cost and value.

Bond Reserve Account: In the Bond Resolution, the City covenanted and agreed that upon the issuance of the Bonds an amount equal to the "Reserve Requirement" will be on deposit in the Reserve Account and will be maintained therein as additional security for the payment of principal of and interest on the Bonds and the Outstanding Bonds. Reserve Requirement is defined as an amount, determined as of the date of issuance of the Bonds, equal to the least of (a) the amount required to be on deposit in the Reserve Account prior to the issuance of the Bonds, plus the amount permitted to be deposited therein from proceeds of the Bonds pursuant to Section 148(d)(1) of the Code and Regulations; (b) the maximum annual debt service on the Outstanding Bonds and the Bonds in any bond year; and (c) 125% of average annual debt service on the Outstanding Bonds and the Bonds; provided, however, that on an ongoing basis it shall never exceed the remaining maximum annual principal and interest due on the Outstanding Bonds and Bonds in any bond year.

Mortgage: The Bonds are secured by a mortgage lien upon the Combined Utility System on a parity with the mortgage lien granted to the owners of the Outstanding Bonds.

COMBINED UTILITY SYSTEM REVENUE DEBT OUTSTANDING

All outstanding Combined Utility System Revenue debt of the City is listed on page 5.

HISTORIC COMBINED UTILITY SYSTEM DEBT SERVICE COVERAGES

The exhibit on the Page 6 presents the four-year historic debt service coverages of the Combined Utility System.

City of New London, WI
Schedule of Bonded Indebtedness
Revenue Debt
(As of June 28, 2018)

Fiscal Year Ending	Maturity	Series 2011B		Series 2013B		Series 2016B		Series 2018B		Total Principal*	Total Interest*	Principal & Interest*	Principal Outstanding*	Principal %Paid*	Year	Net Revenue Available for Debt Service \$ 3,453,896
		Dated Amount	8/3/2011 \$4,450,000	3/7/2013 \$3,475,000	5/26/2016 \$3,030,000	6/28/2018 \$3,445,000*	Principal*	Interest	Principal*							
2018	12/1		225,000	375,000	120,000	120,000	125,000	52,846	720,000	192,052	912,052	12,005,000	5.66%	2018	3.79	
2019	12/1		235,000	380,000	120,000	120,000	125,000	124,343	860,000	387,425	1,247,425	11,145,000	12.42%	2019	2.77	
2020	12/1		240,000	385,000	120,000	120,000	130,000	121,218	875,000	368,390	1,243,390	10,270,000	19.29%	2020	2.78	
2021	12/1		250,000	395,000	120,000	120,000	130,000	117,838	895,000	348,310	1,243,310	9,375,000	26.33%	2021	2.78	
2022	12/1		265,000	385,000	120,000	120,000	135,000	114,263	905,000	327,025	1,232,025	8,470,000	33.44%	2022	2.80	
2023	12/1		285,000	380,000	120,000	120,000	140,000	110,348	925,000	302,685	1,227,685	7,545,000	40.71%	2023	2.81	
2024	12/1		300,000	380,000	150,000	150,000	145,000	106,218	595,000	276,935	871,935	6,950,000	45.38%	2024	3.96	
2025	12/1		325,000	380,000	150,000	150,000	150,000	101,650	625,000	257,818	882,818	6,325,000	50.29%	2025	3.91	
2026	12/1		335,000	380,000	160,000	160,000	150,000	96,700	645,000	237,093	882,093	5,680,000	55.36%	2026	3.92	
2027	12/1		350,000	380,000	165,000	165,000	160,000	91,675	675,000	215,468	890,468	5,005,000	60.67%	2027	3.88	
2028	12/1		370,000	380,000	165,000	165,000	165,000	86,235	700,000	191,553	891,553	4,305,000	66.17%	2028	3.87	
2029	12/1		380,000	380,000	170,000	170,000	170,000	80,543	720,000	166,195	886,195	3,585,000	71.83%	2029	3.90	
2030	12/1		390,000	380,000	175,000	175,000	175,000	74,508	740,000	138,720	878,720	2,845,000	77.64%	2030	3.93	
2031	12/1				180,000	180,000	180,000	68,120	360,000	110,020	470,020	2,485,000	80.47%	2031	7.35	
2032	12/1				185,000	185,000	190,000	61,370	375,000	97,870	472,870	2,110,000	83.42%	2032	7.30	
2033	12/1				190,000	190,000	195,000	53,960	385,000	84,910	469,910	1,725,000	86.44%	2033	7.35	
2034	12/1				200,000	200,000	205,000	46,258	405,000	70,558	475,558	1,320,000	89.63%	2034	7.26	
2035	12/1				205,000	205,000	210,000	37,955	415,000	54,755	469,755	905,000	92.89%	2035	7.35	
2036	12/1				215,000	215,000	220,000	29,345	435,000	37,945	472,945	470,000	96.31%	2036	7.30	
2037	12/1						230,000	20,215	230,000	20,215	250,215	240,000	98.11%	2037	13.80	
2038	12/1						240,000	10,440	240,000	10,440	250,440	0	100.00%	2038	13.79	
			3,950,000	2,300,000	3,030,000	3,030,000	3,445,000	1,606,043	12,725,000	3,896,379	16,621,379					

* Preliminary, subject to change

HISTORIC STATEMENT OF REVENUES AND EXPENSES

The following table sets forth the historic comparison of Net Revenues and debt service secured by revenues of the water, electric & sewer systems for the three year period ending December 31, 2017.

	Audited	Audited	Audited	Audited
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating Revenues				
Charges for Services	\$ 18,592,201	\$ 18,731,636	\$ 18,615,543	\$ 19,079,905
Other Operating Revenues	<u>204,590</u>	<u>203,282</u>	<u>186,514</u>	<u>196,303</u>
Total Operating Revenues	18,796,791	18,934,918	18,802,057	19,276,208
Operating Expenses				
Operation and Maintenance	16,700,124	16,391,276	16,169,133	15,954,350
Depreciation and Amortization	<u>1,446,590</u>	<u>1,472,873</u>	<u>1,500,768</u>	<u>1,570,220</u>
Total Operating Expenses	<u>18,146,714</u>	<u>17,864,149</u>	<u>17,669,901</u>	<u>17,524,570</u>
Operating Income	650,077	1,070,769	1,132,156	1,751,638
Plus:				
Depreciation and Amortization	1,446,590	1,472,873	1,500,768	1,570,220
Interest Income	<u>90,731</u>	<u>57,175</u>	<u>96,761</u>	<u>132,038</u>
Net Revenues Available for Debt Service	\$ 2,187,398	\$ 2,600,817	\$ 2,729,685	\$ 3,453,896
Debt Service				
2003 issue	\$ 302,180	\$ -	\$ -	\$ -
2005 issue	541,245	537,845	533,370	552,790
2011 issue	264,303	262,303	259,303	256,303
2013 issue	114,445	413,545	421,645	419,445
2016 issue	<u>0</u>	<u>0</u>	<u>40,065</u>	<u>77,965</u>
Total Debt Service	\$ 1,222,173	\$ 1,213,693	\$ 1,254,383	\$ 1,306,503
Debt Service Coverage	1.79	2.14	2.18	2.64

DESCRIPTION OF WATER SYSTEM

The City of New London Water Utility (the “Water Utility”) operates under service rules established by the Wisconsin Public Service Commission, which regulates the rates charged. The City of New London owns, operates and maintains the municipal Water System and related appurtenances, serving customers located within the City of New London and the Townships of Mukwa, Hortonia, and Liberty. The Water Utility, established in 1904, is governed by the Utility Commission, which consists of five members appointed by the Mayor, subject to approval of the Common Council. The Commission is the policy-making body of the Utility, overseeing all projects and programs, reviewing and approving the budget, and determining Utility projects. Utility operations are directed by the General Manager.

The Water System consists of seven turbine wells with electric pumping equipment and a water distribution system. The wells have an actual capacity of 6,369 gallons per minute. The wells pumped an average of 1,400,604 gallons per day in 2017. The maximum gallons pumped in any one day during 2017 was 2,426,000 gallons and the minimum gallons pumped in any one day was 708,000 gallons. In addition, the Water System owns three steel elevated storage tanks with a total storage capacity of 1,200,000 gallons.

The Water System includes other related appurtenances including 319,084 feet of various types of 3”-16” water mains; 2,867 feet of various types of 3/4”-12” water pipe, 3,142 utility-owned meters; and 484 hydrants.

History of Water Customers

Year	Residential	Commercial	Other Customers ¹	Industrial	Total
2013	2,373	301	26	29	2,729
2014	2,385	298	27	30	2,740
2015	2,386	294	29	28	2,737
2016	2,428	298	30	28	2,784
2017	2,422	302	26	29	2,779

History of Water Billings by Customer Type

Year	Residential	Commercial	Industrial	Other Services ²	Total Billings
2013	\$579,172	\$196,450	\$586,323	\$642,640	\$2,004,585
2014	569,558	193,689	582,284	642,906	1,988,437
2015	558,996	195,207	551,300	664,744	1,970,247
2016	593,108	196,787	605,264	671,250	2,066,409
2017	597,722	201,580	674,217	689,832	2,163,351

¹ Includes other sales to public authorities, sales to irrigation customers, sales for resale, interdepartmental sale, and fire protection services, etc.

² Includes all charges, including private fire protection services.

History of Water Sales

Year	No. of Customers	Gallons Sold (in 000's)	Total Billings
2013	2,729	480,878	\$2,004,586
2014	2,740	480,016	1,988,437
2015	2,737	455,713	1,970,247
2016	2,784	472,356	2,066,409
2017	2,779	501,612	2,163,351

2017 Larger Water Customers

Total 2017 Gallons Sold: 501,612,000

Total 2017 Billings: \$2,163,351

Customer	Gallons Sold	Billings ¹	% of Total Billings
Hillshire	177,250,229	\$348,646	16.12%
Bemis Company	125,502,939	286,883	13.26%
Wohlt Cheese	7,540,610	18,966	0.88%
Northgate Development	3,180,270	18,029	0.83%
Steel King	3,100,095	10,248	0.47%
St. Joseph Residence	2,290,228	10,052	0.46%
Granite Valley	2,221,222	9,040	0.42%
Bemis Healthcare Packaging	2,127,140	11,506	0.53%
TheDACare Medical Center	2,103,263	11,990	0.55%
New London High School	1,785,163	8,532	0.39%

¹ Includes charges for private fire protection services.

Water Rates and Charges

Rates and charges for the Water System are subject to approval by the Wisconsin Public Service Commission. The following monthly water rates have been in effect since September 1, 2016.

General Service - Metered

		<u>Quarterly Volume Charge</u>	<u>Minimum Quarterly Charge</u>	
		<u>Charge per 1,000 gallons</u>	<u>Meter Size</u>	<u>Charge</u>
First	67,000 Gallons	\$2.99	5/8"	\$10.30
Next	1,600,000 Gallons	\$1.88	3/4"	10.30
Over	1,667,000 Gallons	\$1.63	1"	15.40
			1-1/4"	21.00
			1-1/2"	26.00
			2"	38.00
			3"	95.00
			4"	145.00
			6"	160.00
			8"	212.00
			10"	300.00
			12"	388.00

Average Bill for Residential Service in 2017

Average Monthly Usage in Gallons	3,083
Average Monthly Bill	\$20.57

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

DESCRIPTION OF ELECTRIC SYSTEM

The City of New London Electric System operates under service rules established by the Wisconsin Public Service Commission which regulates the rates charged. The City of New London owns and operates the Electric System consisting of one substation and a distribution plant for its service area which includes the City of New London and the Townships of Mukwa, Hortonia, and Liberty. The Electric System, established in 1904, is governed by the Utility Commission, which consists of five members appointed by the Mayor, subject to approval of the Common Council. The Commission is the policy making body of the Utility, overseeing all projects and programs, reviewing and approving the budget, and determining Utility projects. Utility operations are directed by the General Manager.

The City purchases all of its power and energy requirements from WPPI under a contract that expires in 2037.

History of Electric Sales (excluding sales for resale)

Year	Total kWh (000's omitted)	Total Billings
2013	179,120	\$15,967,346
2014	175,076	15,715,111
2015	171,010	15,725,349
2016	169,838	15,551,940
2017	170,677	15,667,469

History of Electric Meter Connections by Customer Type

	2013	2014	2015	2016	2017
Residential	3,261	3,266	3,281	3,320	3,329
Public Authority	59	60	59	57	54
Commercial and Industrial	447	451	489	510	510
Industrial - Small	12	15	16	17	21
Industrial - Large Commercial	15	14	13	8	7
Industrial - Large Power	2	2	2	7	4
Interdepartmental	1	1	1	2	1
Public Street & Highway Lighting	<u>16</u>	<u>17</u>	<u>16</u>	<u>15</u>	<u>15</u>
Total	3,813	3,826	3,877	3,936	3,941

History of Electric Billings by Customer Type

	2013	2014	2015	2016	2017
Residential	\$3,051,407	\$3,039,369	\$2,997,662	\$3,117,600	\$3,021,446
Commercial and Industrial	1,476,294	1,487,954	1,532,013	1,596,281	1,475,147
Public Authority	141,745	141,399	137,053	95,023	88,800
Industrial - Small	558,882	633,843	618,484	711,243	801,148
Industrial - Large	10,544,649	10,204,147	10,250,519	9,852,160	10,100,313
Interdepartmental	94,857	107,877	87,662	75,700	76,654
Public Street & Highway Lighting	<u>99,512</u>	<u>100,522</u>	<u>101,956</u>	<u>103,933</u>	<u>103,961</u>
Total	\$15,967,346	\$15,715,111	\$15,725,349	\$15,551,940	\$15,667,469

History of Electricity Produced, Purchased and Cost

Year	kWh Purchased (000's omitted)	Cost of kWh Purchased
2013	183,968	\$13,658,073
2014	180,780	13,568,921
2015	175,505	13,228,084
2016	176,158	12,837,156
2017	176,143	12,980,771

History of Peak Demand

Year	Peak Demand (kWh - 000's omitted)
2013	33,333
2014	31,580
2015	30,765
2016	31,368
2017	30,397

2017 Larger Electric Customers

Total 2017 kWh Sold: 170,677,370

Total 2017 Billings: \$15,640,399

Customer	kWh Sold	Billings	% of Total Billings
Bemis Company	43,651,367	\$3,316,650	21.21%
Hillshire	42,711,478	3,548,562	22.69%
Bemis Healthcare Packaging	11,230,384	896,211	5.73%
Granite Valley	6,345,705	582,486	3.72%
ThedaCare Medical Center	3,919,629	348,372	2.23%
Steel King	4,585,075	514,067	3.29%
New London High School	1,897,828	211,674	1.35%
Festival Foods	2,277,882	193,457	1.24%
Wohlt Cheese	1,814,857	167,598	1.07%
Bemis Graphics	1,163,505	106,798	0.68%

Electric Rates and Charges

Electric rates are subject to approval by the Wisconsin Public Service Commission. The following Electric rates and charges were approved September 25, 2015 and became effective October 1, 2015. Billings for all customers are rendered monthly. A charge of no more than 1% will be added to bills not paid within 20 days from date of issuance. The late payment charge shall be applied to the total unpaid balance for utility service, including unpaid payment charges. The charge is applicable to all customers.

Monthly Charge	Residential		General		CP1	CP2	CP3	CP4
	<u>(a)</u>	<u>Service (b)</u>	<u>Small</u>	<u>Power (c)</u>	<u>Large</u>	<u>Power (d)</u>	<u>Industrial</u>	<u>Industrial</u> Lg. <u>Power (f)</u>
Customer Charge				\$40.00	\$100.00	\$350.00	\$350.00	
Single Phase	\$14.00	\$14.00						
Three Phase	\$25.00	\$25.00						
Customer Demand Charge								
per kW of Max. Demand						\$2.00	\$2.15	
Demand Charge								
per kW of billed demand				\$1.72	\$7.50	\$8.00	\$9.50	
Energy Charge per kWh	\$0.10340	\$0.10790	\$0.06450					
On-Peak:					\$0.09010	\$0.08540	\$0.08300	
Off-Peak					\$0.05660	\$0.05450	\$0.05000	

(a) Residential single-phase customers for ordinary household purposes

(b) Commercial, institutional, government, farm and other single and three-phase customers

(c) Maximum Measured Demand in excess of 100 kW

(d) Monthly Maximum Measured Demand is in excess of 200 kW

(e) Monthly Maximum Measured Demand in excess of 1,000 kW

(f) Monthly Maximum Measured Demand in excess of 2,500 kW

Average Bill for Residential Service in 2017:

**Avg. Monthly Usage
in kWh**

622.39

Avg. Monthly Bill

\$75.63

PCAC (Purchase Power Cost Adjustment Clause): All metered rates are subject to a positive or negative power cost adjustment charge equivalent to the amount by which the current cost of power (per kilowatt-hour of sales) is greater or lesser than the base cost of power purchased and produced (per kilowatt-hour of sales).

The current cost per kilowatt-hour of energy billed is equal to the adjusted cost of power purchased for the most recent month divided by the kilowatt-hours of energy sold. The monthly adjustment is equal to the current cost less the base cost.

DESCRIPTION OF SEWER SYSTEM

The City’s Sewerage System, established in 1920, is owned and operated by the City and consists of a wastewater treatment facility and approximately 45 miles of various sized sewer lines. The treatment facility has an average daily flow capacity of 6.0 million gallons per day (1,468 gallons per minute) and a current usage of 1.0 million gallons per day. The treatment facility has a current projected design life to handle current and future development to at least the year 2025. The System provides sewer service to the customer located within the City.

The Utility is operated by the Board of Public Works, which consists of five members appointed by the Mayor, subject to approval of the Common Council. The Board of Public Works is the policy-making body of the Utility, overseeing all projects and programs, reviewing and approving the budget, and determining Utility projects. Utility operations are directed by the Utility Manager.

History of Sewer Customers

Year	Residential	Commercial	Other Customers ¹	Industrial	Total
2013	2,350	253	57	18	2,678
2014	2,362	256	58	18	2,694
2015	2,364	251	60	21	2,696
2016	2,401	255	60	21	2,737
2017	2,421	260	58	22	2,761

History of Sewer Billings by Customer Type

Year	Residential	Commercial	Industrial	Other Services ²	Total Billings
2013	\$581,247	\$220,836	\$32,666	\$76,749	\$911,498
2014	565,191	219,559	36,853	81,767	903,370
2015	561,164	225,804	40,573	82,840	910,381
2016	585,418	227,008	52,184	83,842	948,454
2017	720,317	272,576	83,364	98,281	1,174,539

¹ Includes other sales to public authorities, sales to irrigation customers, sales for resale, interdepartmental sale, and fire protection services, etc.

² Includes all charges, including private fire protection services.

History of Sewer Sales

Year	No. of Customers	Gallons Sold (in 000's)	Total Billings
2013	2,678	151,477	\$911,498
2014	2,694	150,180	903,370
2015	2,696	151,385	910,381
2016	2,737	150,180	948,454
2017	2,761	148,035	1,174,539

2017 Larger Sewer Customers

Total 2017 Gallons Sold:	148,035,176
Total 2017 Billings:	\$1,174,539

Customer	Gallons Sold (In 000's)	Billings ¹	% of Total Billings
Northgate Development GR LLC	3,180,270	\$25,812	2.20%
Steel King Industries Inc.	3,102,095	24,597	2.09%
St. Joseph Residence Inc.	2,290,228	18,745	1.60%
Bemis Company, Inc.	2,289,192	18,388	1.57%
TheDACARE Medical Center	2,103,263	17,403	1.48%
New London Housing Authority	1,785,163	14,445	1.23%
Kwik Trip	1,189,641	9,531	0.81%
Granite Valley Forest Product	1,109,239	9,132	0.78%
Bemis Healthcare Packaging Inc.	1,103,059	8,624	0.73%
New London High School	989,110	8,294	0.71%

¹ Does include charges for private fire protection services.

Sewer Rates and Charges

The following monthly Sewer rates have been in effect since November 1, 2017:

Base monthly fixed charge: \$3.00

Volume Charge:

Metered user: \$9.34 per thousand gallons

Unmetered user: \$21.24 per thousand gallons, based on estimated annual flows.

Average Bill for Residential Service in 2017

Average Monthly Bill	\$24.79
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CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the City will be issuing \$3,080,000* General Obligation Corporate Purpose Bonds, Series 2018A (the "Concurrent Obligations" or the "Series 2018A Bonds") on June 28, 2018.

*Preliminary, subject to change.

RATING

Outstanding revenue debt of the City is currently rated "A3" by Moody's Investors Service ("Moody's").

The City has requested a rating on this issue from Moody's, 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 Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

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

STATEMENT REGARDING COUNSEL PARTICIPATION

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

TAX EXEMPTION

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

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However,

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

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a

Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

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

RISK FACTORS

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

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

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

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

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

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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

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

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

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

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

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

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

Assessed Value

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

CURRENT PROPERTY VALUATIONS

	Waupaca County	Outagamie County	Total
2017 Equalized Value	\$263,821,200	\$122,626,600	\$386,447,800
2017 Equalized Value Reduced by Tax Increment Valuation	\$263,821,200	\$122,609,500	\$386,430,700
2017 Assessed Value	\$263,889,600	\$122,568,000	\$386,457,600

2017 EQUALIZED VALUE BY CLASSIFICATION

	2017 Equalized Value	Percent of Total Equalized Value
Residential	\$253,349,000	65.558%
Commercial	81,040,800	20.971%
Manufacturing	38,193,300	9.883%
Agricultural	63,200	0.016%
Undeveloped	164,700	0.043%
Forest	532,000	0.138%
Other	171,000	0.044%
Personal Property	12,933,800	3.347%
Total	<u>\$386,447,800</u>	<u>100.000%</u>

TREND OF VALUATIONS

Year	Assessed Value	Equalized Value ¹	Percent Increase/Decrease in Equalized Value
2013	\$373,637,600	\$355,970,800	-0.75%
2014	374,474,400	356,618,400	0.18%
2015	374,020,000	359,115,700	0.70%
2016	375,717,100	358,611,900	-0.14%
2017	386,457,600	386,447,800	7.76%

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
Curwood Inc.	Polyfilm Manufacturer	\$ 17,709,731	4.58%
Steel King Industries Inc.	Manufacturer	6,117,410	1.58%
Welter Forest Products Inc.	Lumber Manufacturer	4,801,152	1.24%
New London Family Med Center	Medical Facilities	4,376,841	1.13%
Jousef, LLC	Apartments	3,038,210	0.79%
Giesler Property One, LLC	Apartments	2,624,518	0.68%
Willow Creek LTD Partnership	Grocery Store	2,396,177	0.62%
Partridge Estates I LLC	Apartments	2,355,588	0.61%
Wohlt Cheese Corp.	Cheese Manufacturer	2,299,602	0.60%
Cole WM	Walmart Discount Store	1,945,194	0.50%
Total		\$ 47,664,423	12.33%
City's Total 2017 Equalized Value ²		\$386,447,800	

Source: The City.

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

² Includes tax increment valuation.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total General Obligation Debt (includes the Concurrent Obligations as defined herein)*	<u>\$8,940,000</u>
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Revenue Debt (see schedule on page 4)

Total revenue debt secured by sewer, water and electric revenues (includes the Bonds)*	<u>\$12,725,000</u>
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*Preliminary, subject to change.

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

City of New London, WI
Schedule of Bonded Indebtedness
General Obligation Debt
(As of June 28, 2018)

GO Promissory Notes
Series 2013A **Series 2016A** **Series 2018A**

Fiscal Year Ending	3/1/2013 \$900,000		5/26/2016 \$5,615,000		6/28/2018 \$3,080,000*		Total Principal*	Total Interest*	Principal & Interest*	Principal Outstanding*	Principal %Paid*	Year
	Principal	Interest	Principal	Interest	Principal*	Interest*						
2018		3,523		74,325		133,513	0	77,848	77,848	8,940,000	0.00%	2018
2019	110,000	6,413	250,000	144,900		99,013	360,000	284,825	644,825	8,580,000	4.03%	2019
2020	115,000	4,975	275,000	137,025	50,000	97,706	440,000	241,013	681,013	8,140,000	8.95%	2020
2021	120,000	3,210	150,000	130,650	75,000	96,000	345,000	231,566	576,566	7,795,000	12.81%	2021
2022	125,000	1,125	175,000	125,775	75,000	93,140	375,000	222,900	597,900	7,420,000	17.00%	2022
2023			275,000	119,025	160,000	88,994	435,000	212,165	647,165	6,985,000	21.87%	2023
2024			280,000	110,700	165,000	84,498	445,000	199,694	644,694	6,540,000	26.85%	2024
2025			295,000	103,550	165,000	79,836	460,000	188,048	648,048	6,080,000	31.99%	2025
2026			315,000	97,450	165,000	75,020	480,000	177,286	657,286	5,600,000	37.36%	2026
2027			325,000	90,238	170,000	69,930	495,000	165,258	660,258	5,105,000	42.90%	2027
2028			345,000	81,863	175,000	64,549	520,000	151,793	671,793	4,585,000	48.71%	2028
2029			355,000	73,113	175,000	58,993	530,000	137,661	667,661	4,055,000	54.64%	2029
2030			365,000	64,113	175,000	53,094	540,000	123,105	663,105	3,515,000	60.68%	2030
2031			365,000	54,075	185,000	46,765	550,000	107,169	657,169	2,965,000	66.83%	2031
2032			375,000	42,975	190,000	40,210	565,000	89,740	654,740	2,400,000	73.15%	2032
2033			385,000	31,575	190,000	33,465	575,000	71,785	646,785	1,825,000	79.59%	2033
2034			400,000	19,800	190,000	26,483	590,000	53,265	643,265	1,235,000	86.19%	2034
2035			460,000	6,900	190,000	19,263	650,000	33,383	683,383	585,000	93.46%	2035
2036					190,000	11,803	190,000	11,803	209,263	395,000	95.58%	2036
2037					195,000	4,000	195,000	11,803	206,803	200,000	97.76%	2037
2038					200,000		200,000	4,000	204,000	0	100.00%	2038
		470,000	19,245	5,390,000	1,508,050	3,080,000	8,940,000	2,803,566	11,743,566			

* Preliminary, subject to change

DEBT LIMIT

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

Equalized Value	\$ 386,447,800
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 19,322,390
Less: General Obligation Debt (includes the Concurrent Obligations)*	<u>(8,940,000)</u>
Unused Debt Limit*	<u><u>\$ 10,382,390</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2017 Equalized Value	% In City	Total G.O. Debt ²	City's Proportionate Share
Waupaca County	\$ 4,133,162,800	6.3830%	\$ 19,260,000	\$ 1,229,366
Outagamie County	14,882,910,000	0.8239%	64,680,000	532,899
New London School District	1,112,446,618	34.7385%	2,634,489	915,182
Fox Valley Technical College	37,795,272,487	1.0225%	83,270,000	<u>851,436</u>
City's Share of Total Overlapping Debt				<u><u>\$ 3,528,882</u></u>

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

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

DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$386,447,800	Debt/ Per Capita 7,245¹
Total General Obligation Debt *	\$ 8,940,000	2.31%	\$ 1,233.95
City's Share of Total Overlapping Debt	<u>3,528,882</u>	<u>0.91%</u>	<u>487.08</u>
Total*	\$12,468,882	3.23%	\$ 1,721.03

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

¹ Estimated 2017 population.

TAX LEVIES AND COLLECTIONS

Waupaca County

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$1,838,366	100%	\$8.28
2014/15	1,843,376	100%	8.24
2015/16	1,932,817	100%	8.65
2016/17	2,258,954	100%	9.22
2017/18	2,291,558	[-----] In process [-----]	8.69

Outagamie County

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$826,653	100%	\$8.28
2014/15	845,584	100%	8.24
2015/16	880,629	100%	8.65
2016/17	1,045,660	100%	9.22
2017/18	1,064,989	[-----] In process [-----]	8.69

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:

Waupaca County

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total
2013/14	\$12.29	\$6.30	\$8.28	\$0.19	\$27.06
2014/15	11.48	6.35	8.24	0.19	26.26
2015/16	11.43	6.50	8.65	0.19	26.77
2016/17	10.95	6.46	9.22	0.17	26.80
2017/18	10.25	6.53	8.69	0.00	25.47

Outagamie County

Year Levied/ Year Collected	Schools¹	County	Local	Other²	Total
2013/14	\$12.29	\$4.81	\$8.28	\$0.19	\$25.57
2014/15	11.48	4.85	8.24	0.18	24.75
2015/16	11.43	4.81	8.65	0.19	25.08
2016/17	10.95	4.79	9.22	0.17	25.13
2017/18	10.25	4.73	8.69	0.00	23.67

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

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.

LEVY LIMITS

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

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

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

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

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

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

in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

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

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

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1851 and is governed by a Mayor and a ten-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to two-year terms. The appointed Clerk and Finance Director/Treasurer are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 77 full-time, 132 part-time, and 18 seasonal employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are required to contribute half of the actuarially determined contributions, and the City may not pay the employees' required contribution. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015"), the fiscal year ended December 31, 2016 ("Fiscal Year 2016") and the fiscal year ended December 31, 2017 ("Fiscal Year 2017"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$330,221, \$318,510 and \$321,489 respectively.

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

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

As of December 31, 2016, the total pension liability of the WRS was calculated as \$93.4 billion and the fiduciary net position of the WRS was calculated as \$92.6 billion, resulting in a net pension liability of \$0.8 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2017, the City reported a liability of \$275,765 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2016 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.03345700% of the aggregate WRS net pension liability as of December 31, 2016.

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

Recognized and Certified Bargaining Units

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

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

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

The following bargaining units represent employees of the City:

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

OTHER POST EMPLOYMENT BENEFITS

The City does not provide any other post employment benefits.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

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

FUNDS ON HAND (as of December 31, 2017)

Fund	Total Cash and Investments
General	\$ 9,260,633
Special Revenue	1,202,513
Debt Service	81,313
Capital Projects	518,918
Enterprise Funds	2,692,357
Total Funds on Hand	<u><u>\$ 13,755,734</u></u>

ENTERPRISE FUNDS

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

	2015	2016	2017
Electric & Water			
Total Operating Revenues	\$17,856,873	\$ 17,710,742	\$ 17,937,841
Less: Operating Expenses	<u>(16,742,261)</u>	<u>(16,305,413)</u>	<u>(16,373,207)</u>
Operating Income	\$ 1,114,612	\$ 1,405,329	\$ 1,564,634
Plus: Depreciation	970,363	988,052	1,042,315
Interest Income	<u>21,707</u>	<u>30,452</u>	<u>34,469</u>
Revenues Available for Debt Service	<u><u>\$ 2,106,682</u></u>	<u><u>\$ 2,423,833</u></u>	<u><u>\$ 2,641,418</u></u>
Sewer			
Total Operating Revenues	\$ 1,078,045	\$ 1,091,315	\$ 1,338,367
Less: Operating Expenses	<u>(1,121,888)</u>	<u>(1,364,488)</u>	<u>(1,151,363)</u>
Operating Income	\$ (43,843)	\$ (273,173)	\$ 187,004
Plus: Depreciation	502,510	512,716	527,905
Interest Income	<u>35,468</u>	<u>66,309</u>	<u>97,569</u>
Revenues Available for Debt Service	<u><u>\$ 494,135</u></u>	<u><u>\$ 305,852</u></u>	<u><u>\$ 812,478</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 2017 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Audited	2018 Adopted Budget ¹
Revenues					
Taxes and special assessments	\$ 2,462,588	\$ 2,478,890	\$ 2,644,306	\$ 2,859,566	\$ 3,545,172
Intergovernmental	2,367,539	2,563,380	2,556,094	2,453,808	2,510,705
Licenses and permits	130,712	126,916	142,992	150,626	148,145
Penalties and forfeitures	98,829	118,161	118,283	76,627	99,000
Public charges for services	386,928	356,724	351,858	370,214	390,659
Intergovernmental charges for services	59,030	61,940	62,209	64,265	0
Interdepartmental charges for services	8,700	8,700	8,700	8,700	0
Interest	92,826	34,702	193,731	165,265	0
Miscellaneous general revenues	165,157	95,592	100,404	247,193	81,400
Total Revenues	\$ 5,772,309	\$ 5,845,005	\$ 6,178,577	\$ 6,396,264	\$ 6,775,081
Expenditures					
Current:					
General government	\$ 1,170,909	\$ 1,055,348	\$ 1,103,842	\$ 1,082,997	\$ 1,275,335
Public safety	2,210,400	2,208,660	2,220,791	2,281,029	2,445,927
Public works	856,726	869,273	1,001,678	951,062	892,822
Health and human services	158,693	162,819	165,267	177,788	216,765
Culture and recreation	1,735,973	1,758,541	1,745,277	1,852,004	1,944,232
Conservation and development	28,952	15,132	99,801	84,086	0
Total Expenditures	\$ 6,161,653	\$ 6,069,773	\$ 6,336,656	\$ 6,428,966	\$ 6,775,081
Excess of revenues over (under) expenditures	\$ (389,344)	\$ (224,768)	\$ (158,079)	\$ (32,702)	\$ 0
Other Financing Sources (Uses)					
Operating transfers in	902,978	759,235	1,701,835	728,997	
Operating transfers out	(288,826)	0	0	(476,649)	
Total Other Financing Sources (Uses)	\$ 614,152	\$ 759,235	\$ 1,701,835	\$ 252,348	\$ 0
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 224,808	\$ 534,467	\$ 1,543,756	\$ 219,646	\$ 0
General Fund Balance January 1	4,425,466	4,650,274	5,184,741	7,028,654*	7,248,300
General Fund Balance December 31	\$ 4,650,274	\$ 5,184,741	\$ 6,728,497	\$ 7,248,300	\$ 7,248,300
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	13,462	13,815	272,923	319,945	
Restricted	0	0	0	0	
Committed	0	0	0	0	
Assigned	1,918,714	2,175,848	1,840,336	2,164,940	
Unassigned	2,718,098	2,995,078	4,615,238	4,763,415	
Total	\$ 4,650,274	\$ 5,184,741	\$ 6,728,497	\$ 7,248,300	\$ 0

*restated fund balance

¹ The 2018 budget was adopted on November 14, 2017.

GENERAL INFORMATION

LOCATION

The City of New London, with a 2010 U.S. Census population of 7,295 and a current estimated population of 7,245, comprises an area of 5.66 square miles and is located approximately 40 miles west of Green Bay.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Tyson	Meat producer	950
Bemis Company	Food packaging	750
New London School District	Elementary and secondary education	375
ThedaCare Medical Center - New London	Health care	250
City of New London	Municipal government and services	227
St. Joseph Residence	Elder care services	201
Granite Valley Forest Products	Dry-Kiln wood products	95 ²
Northland Electrical Services	Electrical contracting, consulting & design	76
Steel King Industries	Metal fabrication	75
Wohlt Cheese	Cheese Processing	65

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

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

² Also known as Wolf River Lumber.

BUILDING PERMITS

	2014	2015	2016	2017	2018 ¹
<u>New Single Family Homes</u>					
No. of building permits	3	0	4	2	5
Valuation	\$460,000	\$0	\$449,000	\$240,000	\$740,000
<u>New Multiple Family Buildings</u>					
No. of building permits	1	3	5	3	0
Valuation	\$165,000	\$1,410,000	\$3,910,197	\$1,410,000	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	0	0	2	2	1
Valuation	\$0	\$0	\$3,513,362	\$1,325,000	\$100,000
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	191	182	215	224	59
Valuation	\$4,827,007	\$5,633,058	\$16,721,002	\$11,548,511	\$6,241,056

Source: The City.

¹ As of April 30, 2018.

U.S. CENSUS DATA

Population Trend: City of New London

2000 U.S. Census	7,085
2010 U.S. Census	7,295
2017 Estimated Population	7,245
Percent of Change 2000 - 2010	+ 2.96%

Income and Age Statistics

	City of New London	Waupaca	State of Wisconsin	United States
2016 per capita income	\$23,693	\$28,145	\$29,253	\$29,829
2016 median household income	\$45,409	\$52,441	\$54,610	\$55,322
2016 median family income	\$66,372	\$64,435	\$69,925	\$67,871
2016 median gross rent	\$641	\$685	\$789	\$928
2016 median value owner occupied units	\$114,200	\$137,700	\$167,000	\$184,700
2016 median age	36.6 yrs.	44.8 yrs.	39.1 yrs.	37.7 yrs.

	State of Wisconsin	United States
City % of 2016 per capita income	80.99%	79.43%
City % of 2016 median family income	94.92%	97.79%

Housing Statistics

	<u>City of New London</u>		
	2000	2016	Percent of Change
All Housing Units	3,045	3,331	9.39%

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>	
	Waupaca County	Waupaca County	State of Wisconsin	State of Wisconsin
2014	25,783	5.7%	5.4%	
2015	25,804	4.6%	4.5%	
2016	26,008	3.9%	4.0%	
2017	25,859	3.2%	3.3%	
2018, April	26,040	2.8%	2.7%	

Source: Wisconsin Department of Workforce Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

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



City Of
New London

CITY OF NEW LONDON, WISCONSIN
FINANCIAL STATEMENTS
Including Independent Auditor's Report
As of and for the year ended December 31, 2017

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

CITY OF NEW LONDON, WISCONSIN
DECEMBER 31, 2017

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JOHNSON BLOCK
CPAs

INDEPENDENT AUDITOR'S REPORT

To the Common Council
City of New London, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund except for the Water and Electric Utility Enterprise Fund, and the aggregate remaining fund information of the City of New London, Wisconsin ("City"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Water and Electric Utility Enterprise Fund, which is both a major fund and 77 percent, 67 percent, and 93 percent of the assets and deferred outflows of resources, net position, and revenues of the City's business-type activities.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water and Electric Utility Enterprise Fund, which represents 77 percent, 67 percent, and 93 percent of the assets and deferred outflows of resources, net position, and revenues of the City's enterprise funds and business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water and Electric Utility Enterprise Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, effective January 1, 2017, the City adopted provisions of Governmental Accounting Standards Board Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". In addition, the financial statements for the year ending December 31, 2016 have been restated to include pension plan assets that were not held in a trust or equivalent arrangement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the Wisconsin Retirement System schedules, and the length of service awards program pension schedules on pages 4 through 20 and pages 78 through 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Prior Year Summarized Information

We have previously audited the City's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund except for the Water and Electric Utility Enterprise Fund, and the aggregate remaining fund information in our report dated June 28, 2017. We did not audit the financial statements of the Water and Electric Utility Enterprise Fund, which represented 77 percent, 66 percent, and 94 percent of the assets and deferred outflows of resources, net position, and revenues of the City's enterprise funds and business-type activities. Those statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it related to the amounts included for the Water and Electric Utility Enterprise Fund, was based solely on the report of the other auditors. Except as noted in the emphasis of matters paragraph above related to inclusion of pension plan assets, in our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
Mineral Point, Wisconsin
May 17, 2018

CITY OF NEW LONDON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Our discussion and analysis of New London's financial performance provides an overview of the City's financial activities for the fiscal year end December 31, 2017. Please read it in conjunction with our Financial Statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total actual general fund revenue exceeded general fund budgeted revenue by \$548,079. This is due mostly to an increase in investment value at year-end, early collection of a mortgage, construction permits and recoup of special assessments. Total budgeted general fund expenditures exceeded actual general fund expenditures by \$33,370.
- The year-end general fund balance was \$7,248,300. City policy is to maintain a minimum fund balance of 25% of operational expenditures, which is approximately \$1,607,000.
- The City retained the services of Engineers & Architects for a GIS Mapping Program update for the 2017 calendar year.
- As part of the Beacon Avenue Cottages project, a developer constructed 42 units of low and moderate income housing, the City began reconstruction of Beacon Avenue to service the new development.
- The City reconstructed Starlight Drive.
- Construction of the second set of three twelve-unit apartments at the end of Partridge Drive was initiated. As part of this project the City agreed to extend Partridge Drive to serve this new development.
- Engineering and geotechnical work continued for the complete reconstruction of Division Street in 2018. This project is in cooperation with Waupaca County.
- Engineering work and preparation of bidding documents occurred for the rehabilitation of the river wall and the extension of the boat ramps. Both projects were bid out. Construction was completed on the first phase of the river wall at a cost in excess of half a million dollars.
- The City acquired state grant assistance for the rehabilitation of the rail line to service local business. Bids were solicited and construction was completed on the project.
- Demolition was completed on the old City Shop, the former Denny's Building and the former Trophy Shop.

CITY OF NEW LONDON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

- A reorganization effort was undertaken resulting in a combined position with the title of Director of Public Services.
- Flooring upgrades were made at the New London Public Library/Museum and the Community Rooms at the Washington Center.
- An agreement was entered into with the Wisconsin DNR and Boy Scout Troop 59 to place a Life Jacket Loaner Board Station at Riverside Park Boat Launch.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Report consists of a series of financial statements; notes and supplementary information which is either required or which we believe will be of value to the reader of this report. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a government-wide view of the City's finances. Following these are statements expressing the year's activities based on the source of the money to be used and types of services performed. These reports are termed fund financial statements and report the City's operations in more detail than the government-wide statements. Each of the various funds tell how services like public safety, public works and parks and recreation were financed. The basic government funds are described on page 37 and 38. Proprietary Fund Statements offer financial information about services managed as a business. In New London, these are our Water & Electric Utility, our Sewerage System, and Liability Insurance internal service fund. Fiduciary Fund Statements provide information about financed relationships in which the City acts as a trustee or agent for the benefit of others, to whom the resources belong. The major fiduciary relationship is to the tax collection fund which records the tax roll and tax collections for other jurisdictions overlapping the City of New London.

The financial statements include notes that provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combined statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic fund financial statements.

CITY OF NEW LONDON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

- In preparation for bidding, substantial engineering and design work was undertaken for the complete replacement of the majority of the mechanical systems in the New London Aquatics and Fitness Center.
- Planning for extension of the Newton/Blackmore Trail into the City was budgeted for.
- The ramp into the Library/Museum was torn out and completely replaced at a cost of \$270,000.
- New voting machines were purchased.
- The City implemented a new method to pick up brush and leaves by buying two Tink Claws.
- In partnership with the New London School District, engineers were hired by the City to conduct a Traffic Study in the vicinity of New London High School to try and remedy some of the traffic congestion and safety issues in the area.
- The City continued the digital marketing effort with a marketing company to include two videos regarding school-to-work and two business related videos.
- A new air bottle filling system was purchased for the Fire Department at the cost of \$67,000.
- A new Western Star model 4700 truck was purchased for the Street Division.
- The City leased the former Curt's Barbershop to a new retail client.
- In July, the City signed a contract with a realtor design/build in the amount of \$88,500 regarding planning for the development on the City river front property which may incorporate a new library.
- The City acquired laptop computers for City Council members in order to implement a "paperless" organization.
- The City implemented a Wheel Tax of \$20 to specifically build and reconstruct City streets and sidewalks.
- A salary compensation plan was undertaken. This plan was subsequently implemented effective 2018.
- Subsequent to the closure of a large cheese factory that contributed substantial flow to the City sewer plant, a rate study was conducted by a private consulting firm. The study resulted in a sewer rate increase.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health.

* Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

* To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into three categories:

* Government activities – Most of the City's basic services are included here, such as police, fire, public works, recreation, parks, and general administration. State shared revenue, property taxes and tax equivalents, interest or investments, and fees for licenses, permits and recreation programs finance most of these activities.

* Business type activities – The City charges for the consumption of water, electricity and the use of its sewerage system. Fees charged for these services are intended to cover their costs.

* Component Units – Component Units are separate entities for which the City is legally or financially accountable. Such units are required to be included in our financial statements. At this time, we have no component units to report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

* Some funds are required by Federal or State law and by bond covenants.

Figure A summarizes the major features of the City's financial statements including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A
MAJOR FEATURES OF NEW LONDON, WISCONSIN GOVERNMENT-WIDE
AND FUND FINANCIAL STATEMENTS**

	FUND STATEMENTS		
	GOVERNMENT-WIDE STATEMENTS	GOVERNMENTAL FUNDS	PROPRIETARY FUNDS
Scope	Entire City government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, & parks.	Activities the City operates similar to private businesses: the water & sewer system, and the electric system.
Required financial statements	* Statement of net position. * Statement of activities.	* Balance sheet * Statement of revenues, expenditures, and changes in fund balance.	* Statement of net position * Statement of revenues, expenses and changes in net position. * Statement of cash flows.
Accounting basis & measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term & long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities.	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.
			FIDUCIARY FUNDS Instances in which the City is the trustee or agent for someone else's resources. * Statement of fiduciary net position * Statement of changes in fiduciary net position.

CITY OF NEW LONDON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position: The City's combined net position in 2017 were \$49,191,021, compared to \$48,224,506 in 2016. This reflects an increase of total net position of 2.00%, caused by a reduction of assets due to use of funds for capital projects and reduction of long-term liabilities through payment of debt. (See Table 1)

Table 1
City of New London

	Governmental Activities		Business Type Activities		Total		Total % Change 2016-2017
	2016	2017	2016	2017	2016	2017	
Current and other assets	14,741,458	14,386,116	9,823,466	7,818,311	24,564,924	22,204,427	-9.61%
Capital assets, net of depreciation	17,527,113	18,519,968	29,269,925	30,875,551	46,797,038	49,395,519	5.55%
Total Assets	32,268,571	32,906,084	39,093,391	38,693,862	71,361,962	71,599,946	0.33%
Deferred outflows of resources	2,223,970	1,602,603	954,392	677,913	3,178,362	2,280,516	-28.25%
Long-Term liabilities outstanding	6,599,749	6,242,374	10,430,250	9,357,625	17,029,999	15,599,999	-8.40%
Other liabilities	2,362,053	2,965,331	2,356,318	1,896,293	4,718,371	4,861,624	3.04%
Total Liabilities	8,961,802	9,207,705	12,786,568	11,253,918	21,748,370	20,461,623	-5.92%
Deferred inflows of resources	4,257,031	3,991,230	310,417	236,588	4,567,448	4,227,818	-7.44%
Net position							
Net investment in capital	12,176,912	12,251,979	21,462,600	22,143,457	33,639,512	34,395,436	2.25%
Restricted	2,642,353	2,469,520	1,848,249	1,856,883	4,490,602	4,326,403	-3.66%
Unrestricted	6,454,443	6,588,253	3,639,949	3,880,929	10,094,392	10,469,182	3.71%
Total Net Position	21,273,708	21,309,752	26,950,798	27,881,269	48,224,506	49,191,021	2.00%

Change in net position:

The City total net position increased by 2.00% as explained above.

Table 2 below details the changes in net position. The total revenues increased by 4.60% during 2017. Revenues are more than budgeted due to an increase in construction permits, collection of mortgage and recoup of special assessments. Interest revenue is up due to an increase in market value at year end. On the Expense side, General government decreased due to saving in Municipal Court, legal fees and interdepartmental services. Conservation and development decreased due to less economic development funds used. The Water and Electric and Sewer decrease was annual wages and benefits.

CITY OF NEW LONDON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

* Other funds are established by the Common Council to control and manage money from particular sources (perhaps a restricted gift) or for a particular purpose (like cemetery perpetual care).

The City has three kinds of funds:

* *Governmental Funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. As this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

* *Proprietary Funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

- We use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities such as the City's Liability Self-insurance.

* *Fiduciary Funds* - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government wide financial statement because the resources of those funds are not available to support the City of New London's own programs. The most significant fiduciary fund maintained by the City is the tax collection fund which records the tax roll and tax collections for other taxing jurisdictions overlapping the City of New London. These are the New London School District, Fox Valley Technical College, Outagamie and Waupaca Counties and the State of Wisconsin. The accounting used for fiduciary funds is much like that used for governmental funds.

Table 2
Changes in New London's Net Position

	Governmental Activities		Business Type Activities		Total	Total % Change 2016-2017	
	2016	2017	2016	2017			
Revenues							
Program Revenue							
Charges for Services	738,206	750,413	18,802,057	19,276,208	19,540,263	20,026,621	2.49%
Operating Grants and Contributions	642,402	742,928	-	-	642,402	742,928	15.65%
Capital Grants and Contributions	12,043	742,611	12,004	207,516	24,047	950,127	3851.1%
Property & Other Taxes	3,786,912	3,408,195	-	-	3,786,912	3,408,195	-10.00%
Intergovernmental revenues not restricted to specific programs	2,145,731	2,158,331	-	-	2,145,731	2,158,331	.59%
Investment Income	246,994	216,447	96,761	132,038	343,755	348,485	1.38%
Other	331,489	184,263	13,087	34,566	144,576	218,829	51.36%
Total Revenues	7,703,777	8,203,188	18,923,909	19,650,328	26,627,686	27,853,516	4.60%
Expenses							
General Government	1,348,996	1,292,951	-	-	1,348,996	1,292,951	-4.15%
Public Safety	2,633,847	2,692,835	-	-	2,633,847	2,692,835	2.24%
Public Works	1,684,122	1,816,538	-	-	1,684,122	1,816,538	7.86%
Health & Human Services	249,137	251,202	-	-	249,137	251,202	1.24%
Culture & Recreation	2,049,690	2,201,591	-	-	2,049,690	2,201,591	7.41%
Conservation & Development	685,755	606,291	-	-	685,755	606,291	-11.59%
Interest, Amort & Fiscal Charges	291,147	170,254	-	-	291,147	170,254	-41.52%
Water/Electric	-	-	16,726,898	16,698,830	16,726,898	16,699,830	-0.16%
Sewer	-	-	1,371,449	1,155,509	1,371,449	1,155,509	-15.75%
Total Expenses	8,941,694	9,031,662	18,098,347	17,855,339	27,040,041	26,887,001	-0.57%
Increase in net position before transfers	-1,237,917	-828,474	825,562	1,794,989	-412,355	966,515	-334.39%
Transfers	889,781	864,518	-889,781	-864,518	-	-	0.00%
Increase (decrease) in net position	-348,136	36,044	-64,219	930,471	-412,355	966,515	-334.39%
PP Adj	-215,409	-	-	-	-215,409	-	-100.00%
Net position end of year	21,273,708	21,309,752	26,950,798	27,881,269	48,224,506	49,191,021	2.00%

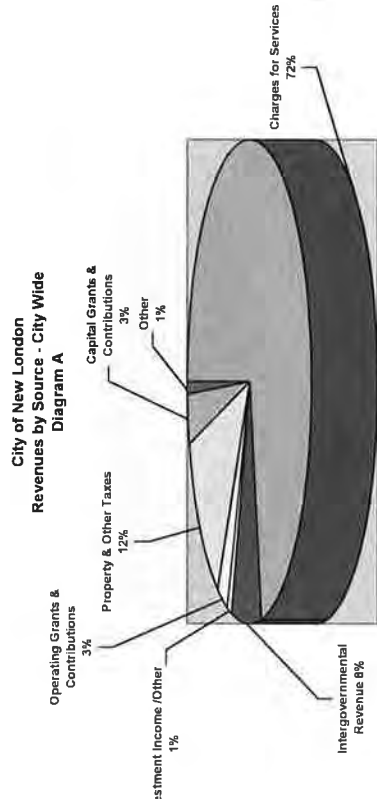
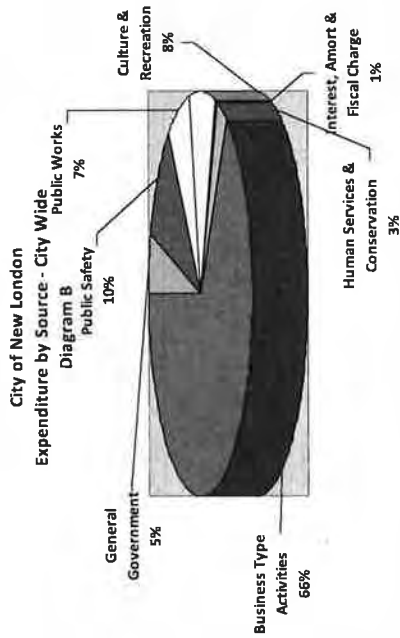


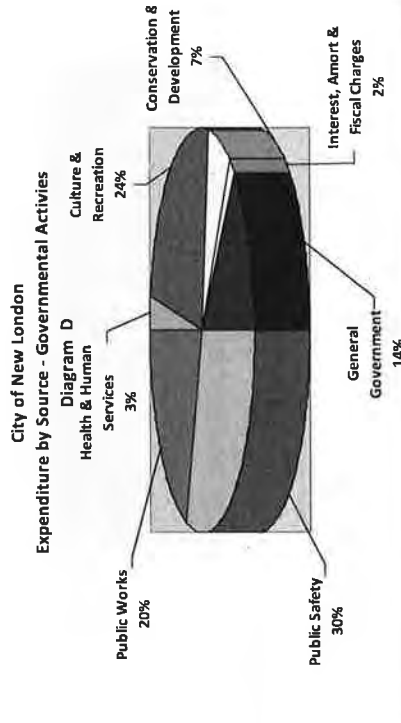
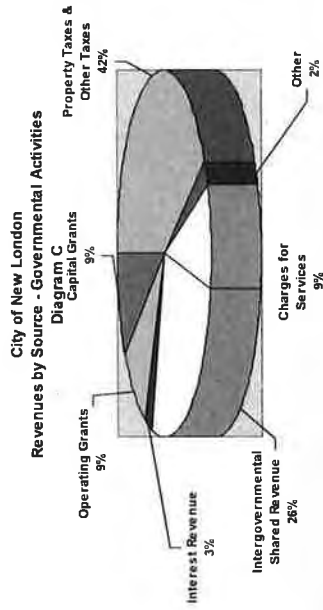
Diagram A displays the revenue sources for 2017 for the City, as a whole. Diagram B displays the percentage of expense each area of service consumed in 2017.

CITY OF NEW LONDON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017



The sources of revenue and expense for governmental activities, separate from business type activities are showing in Diagram C & D.

CITY OF NEW LONDON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017



GOVERNMENTAL ACTIVITIES

Diagram C and Table 2 displays for governmental activities the source of revenue. You will note that the majority comes from property tax, followed closely by State Shared Revenue, with the balance coming from a variety of sources: Block grants, other State and Capital Improvement aids, County Library operating grants, fees for services, interest income, industrial park land sales, etc. Diagram D displays how these revenues were used. Public Safety (29.82%), Public Works (20.11%), Culture and Recreation (24.38%) and General Government (14.32%) consume the lion's share.

Table 3 presents the cost of the City's four largest programs. General Administration, Public Safety, Public Works, and Culture and Recreation. Also presented, are the net costs of these programs (less fees and direct aid). The change between total cost and net cost is small in most cases as there is little in the way of user fees or direct aid received from most programs, except for public works to which we allocate a portion of state highway aid for operations and the library which receives a significant grant from the counties. Parks and recreation revenue comes from program user fees. Also saw a large decrease due to one-time grant money. General administration revenue comes mostly from fees for permits and licenses. Increases in expenditure over last year reflect greater labor and health insurance costs. In some departments these increases were lessened by personnel changes.

Table 3
Changes in New London's Net Position

	Total Cost of Services		Percentage Change 2016-2017	Net Cost of Services		Percentage Change 2016-2017
	2016	2017		2016	2017	
General Administration	1,348,996	1,292,951	-4.2%	1,114,723	1,035,856	-7.08%
Public Safety	2,633,847	2,692,835	2.2%	2,365,203	2,450,530	3.61%
Public Works	1,684,122	1,816,538	7.9%	1,333,632	1,126,031	-15.57%
Culture & Recreation	2,049,690	2,201,591	7.4%	1,577,456	1,571,960	-0.35%
Total	7,716,655	8,003,915	3.7%	6,391,014	6,184,377	-3.23%

Business Type Activities

Table 2 also displays changes in revenue and expenses from the water, electric and sewerage utilities. Revenue increases reflect the higher wholesale cost of electricity. Increased expenditures were due to plant and infrastructure upgrades.

Of note:

- The sewer facility has undergone a series of self-funded upgrades. The employees continue to do annual maintenance to help insure the efficient operation of the plant. This work included vacuum truck repairs, work benches, UV sensor assembly, north gate repair, touch screen flow pump gas monitoring, primary clarifier rehab. and large building infrastructure upgrade; including HVC and locker room. Engineering continued on an upgrade/replacement of the anaerobic digestion complex and grit removal facilities last renovated in 1987.
- The water utility added \$401,945 of equipment to its distribution system.
- The electric utility has added \$2,267,142 of equipment to its distribution system.
- The sewer underwent a rate study in 2015. Electric implemented rate increase in 2015, whereas sewer increased its rate in 2016.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds. As the City of New London completed the year, governmental funds reported a combined fund balance of \$8,167,077. Of this, \$1,206,134 is set aside due to legal commitments (restricted). The remainder is available to be spent as determined by the common council. At the end of the fiscal year, \$2,164,940 has been designated for specific projects or purposes. \$4,476,058 is unassigned as of the end of the year and functions as working capital. The working capital allows the City of New London to continue operations without the need to do interim borrowing, as significant revenues are not received until November in each budget year. The City of New London has a policy of maintaining at least 25% of its annual budget expenditures as unassigned fund balance for this purpose.

Proprietary Funds. The City of New London sewerage utility and electric and water utility have adequate rates of return, and strong programs in the replacement of older plant and infrastructure. Both have significant unrestricted net position of \$1,294,869 and \$2,586,060, respectively.

GENERAL FUND BUDGETING HIGHLIGHTS

The City of New London rarely amends its adopted budget, choosing instead to do a reconciling resolution after the audit. Thus, budget variances reflect actual changes from the initial budget. Budget variances are to be found as part of required supplementary information in Exhibit B-1. As you will notice, revenues exceeded forecasts in total. The most significant revenue increase was interest, which fluctuates in market value. Likewise, expenditures were all under budget in total. Also, there were unanticipated savings from dividend payments for insurance and a decrease in legal fees.

CAPITAL ASSET & DEBT ADMINISTRATION

At the end of 2017 the City had invested \$102.2 million in a broad range of capital assets including road maintenance equipment, fire equipment, park facilities, roads and water, sewer and electric systems. (See Table 4)

Major asset additions in 2017 were: Electric, water and sewer system improvements. General Fund capital acquisitions include:

- Completion of new City Garage
- Computer replacement and maintenance, including Mayor and Council Computers
- Digital advertising / signage
- Franklin Park ADA playground
- Street and sidewalk repair / replacement
- Police Department parking lot / flooring
- International flatbed truck
- Election Equipment
- Downtown riverwall / docking
- Police radios / cameras / radar gun
- Police squads
- Fire Department pager
- Fire Department air bottling filling system
- Library/Museum steps / ramp / roof / gutter
- Pool tile restoration / chemical upgrades
- Boat launch
- Ramp extension
- Park mower
- Ball diamond groomer
- Trail design
- Memorial and Hatten Park repaving
- Pickup Truck

Table 4
Changes in New London's Capital Assets

	Governmental Activities		Business Type Activities			Total	Total % Change 2016 - 2017
	2016	2017	2016	2017	2016		
Land	1,539,922	1,539,922	222,888	216,888	1,762,810	1,756,810	-0.34%
Buildings and Improvements	10,128,371	10,565,504	14,791,388	15,248,433	24,919,759	25,813,937	3.59%
Equipment	8,958,547	9,631,597	295,971	295,971	9,254,518	9,927,568	7.27%
Infrastructure	17,219,934	17,907,835	43,654,622	46,200,618	60,874,556	64,108,453	5.31%
Construction in Progress	-	458,231	445,144	104,599	445,144	562,830	26.44%
Total	37,846,774	40,103,089	59,410,013	62,056,509	97,256,787	102,169,598	5.05%

LONG TERM DEBT

At year-end, the City had \$6.3 million in General Obligation debt, which is significantly below the statutory General Obligation debt limit of \$19.3 million (see Note 5). Table 5 below summarizes all of the City's outstanding debt.

Table 5
Changes in New London's Outstanding Debt

	Governmental Activities		Business Type Activities			Total	Total % Change 2016 - 2017
	2016	2017	2016	2017	2016		
General obligation debt:							
Bonds	5,615,000	5,515,000	-	-	5,615,000	5,515,000	-1.78%
Notes	994,750	727,374	155,250	77,625	1,140,000	804,999	-29.39%
Total General Obligation Debt	6,599,750	6,242,374	155,250	77,625	6,755,000	6,319,999	-6.44%
Revenue Bonds	-	-	10,275,000	9,280,000	10,275,000	9,280,000	-9.68%
Total	6,599,750	6,242,374	10,430,250	9,357,625	17,030,000	15,599,999	-8.40%

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Financial Report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Director, City of New London, 2115 N. Shawano Street, New London, WI 54961.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATE

For the 2017 operations the levy limit was 0%, with the amount of increase being in net new construction to \$13,140. 2018 will follow this same levy limit with the net new construction amount being \$39,710. In addition, the City is allowed to levy what ever is needed to meet next year's debt service expense. The majority of the City's debt relates to its bond issuance during 2016. There are sufficient sinking funds established to meet any short-term timing differences between when funds are required and when they will be available.

Operational revenue and expenditures for 2018 are projected to increase in step with inflation, except for health insurance. The City is aggressively seeking to limit future health insurance increases by instituting a high deductible health plan where the employee will contribute a greater amount towards the deductible in years to come.

The overall economy in and around New London remains strong. The residential growth increased in 2017 and there was a larger amount of commercial growth that included expansion and maintenance of local industry. The manufacturing industry was also up significantly due to a large addition to an established business.

Economic Growth in the City of New London in 2017 (as measured by the construction values of issued building permits) decreased from 2016 largely due to reconstruction of existing businesses, completion of three multifamily apartments, completion of large manufacturing business addition and City of New London garage. Economic growth in 2016 was nearly three times more than the 2015 amount of \$5,633,058. In 2017, \$11,548,512 of new construction took place in the City as compared to \$16,721,002 in 2016.

Building Permit data: Construction values:

Type	2016	2017
Residential	1,571,612	143,915
Commercial	10,393,361	9,195,061
Manufacturing	4,756,029	2,209,536
Total	16,721,002	11,548,512

The equalized value of the City increased by 7.76% in 2017. \$386,447,800 in 2017 compared to \$358,611,900 in 2016. Due to the small size of the City, employment data is not available.

BASIC FINANCIAL STATEMENTS

Exhibit A-1
City of New London, Wisconsin
Statement of Net Position
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
ASSETS				
Current assets:				
Cash and investments	\$ 9,260,633	\$ 2,692,357	\$ 11,952,990	\$ 12,755,546
Restricted assets:				
Redemption account		83,201	83,201	108,875
Receivables:				
Taxes	2,124,732		2,124,732	2,077,856
Customer		1,511,012	1,511,012	1,460,791
Due from other governmental units	222,114		222,114	10,239
Other	95,951	175,992	271,943	198,537
Internal balances	692,439	(692,439)		
Materials and supplies		359,917	359,917	334,944
Prepayments	51,694	105,059	156,753	125,871
Unbilled revenue		393,794	393,794	410,623
Miscellaneous deposits		1,476	1,476	1,476
Total current assets	12,447,563	4,630,369	17,077,932	17,484,758
Noncurrent assets:				
Restricted assets:				
Cash and investments		2,389,120	2,389,120	4,332,137
Interest receivable		5,967	5,967	7,872
Other assets:				
Mortgages receivable	942,763		942,763	891,727
Loans receivable	64,267		64,267	98,912
Other long-term receivable	46,634		46,634	70,055
Preliminary survey and investigation		491,656	491,656	469,056
Special assessments receivable	313,871	251,532	565,403	574,665
Prepayments	286,080		286,080	301,137
Advance to telecommunications		1,691	1,691	1,691
Property held for future use		47,976	47,976	47,976
Deposits held by CVMIC	284,938		284,938	284,938
Capital assets:				
Cost or estimated cost	40,103,089	62,066,509	102,169,598	97,256,787
Less: accumulated depreciation	21,583,121	31,190,958	52,774,079	50,459,749
Net book value of capital assets	18,519,968	30,875,551	49,395,519	46,797,038
Total noncurrent assets	20,458,521	34,063,493	54,522,014	53,877,204
Total assets	32,906,084	38,693,862	71,599,946	71,361,962
DEFERRED OUTFLOWS OF RESOURCES				
Pension outflows - (Wisconsin Retirement System)	1,564,378	571,636	2,136,014	3,035,346
Pension outflows - (Length of Service Awards Program)	38,225		38,225	
Unamortized loss on advance refunding		106,277	106,277	143,016
Total deferred outflows of resources	1,602,603	677,913	2,280,516	3,178,362
Total assets and deferred outflows of resources	\$ 34,508,687	\$ 39,371,775	\$ 73,880,462	\$ 74,540,324

Exhibit A-1 (Continued)
City of New London, Wisconsin
Statement of Net Position
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 907,707	\$ 1,081,071	\$ 1,988,778	\$ 1,734,690
Customer deposits		18,280	18,280	28,445
Accrued wages	42,642	44,194	86,836	88,014
Accrued interest	28,582	7,792	36,374	38,081
Other current liabilities		41,665	41,665	42,922
Public benefits		68,165	68,165	120,139
Current portion of long-term obligations:				
General obligation debt	382,375	77,625	460,000	435,000
Compensated absences	36,000	133,589	169,589	159,517
Installment contract	6,830		6,830	6,830
Other commitments	25,000		25,000	
Total current liabilities	1,429,136	1,472,381	2,901,517	2,653,638
Current liabilities payable from restricted assets:				
Current portion of mortgage revenue bonds		720,000	720,000	995,000
Accrued interest		23,201	23,201	25,959
Total current liabilities payable from restricted assets		743,201	743,201	1,020,959
Noncurrent liabilities:				
General obligation debt	6,242,374	77,625	6,319,999	6,754,999
Installment contract	25,615		25,615	32,445
Mortgage revenue bonds		9,280,000	9,280,000	10,275,000
Unamortized debt premium	251,948	126,926	378,874	408,371
Compensated absences	826,929	409,556	1,236,485	1,138,709
Other commitments	100,000		100,000	
Net pension liability (Wisconsin Retirement System)	200,322	75,443	275,765	545,030
Total pension liability (Length of Service Awards Program)	581,586		581,586	
Less: current portion	(450,205)	(931,214)	(1,381,419)	(1,596,347)
Total noncurrent liabilities	7,778,569	9,038,336	16,816,905	17,558,207
Total liabilities	9,207,705	11,253,918	20,461,623	21,232,804
DEFERRED INFLOWS OF RESOURCES				
Tax apportionment	3,360,559		3,360,559	3,420,442
Pension inflows - (Wisconsin Retirement System)	630,670	236,588	867,258	1,147,006
Pension outflows - (Length of Service Awards Program)	1		1	
Total deferred inflows of resources	3,991,230	236,588	4,227,818	4,567,448
NET POSITION				
Net investment in capital assets	12,251,979	22,143,457	34,395,436	33,639,512
Restricted	2,469,520	1,856,883	4,326,403	4,490,602
Unrestricted	6,588,253	3,880,929	10,469,182	10,609,958
Total net position	21,309,752	27,881,269	49,191,021	48,740,072
Total liabilities, deferred inflows of resources, and net position	\$ 34,508,687	\$ 39,371,775	\$ 73,880,462	\$ 74,540,324

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

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Exhibit A-2
City of New London, Wisconsin
Statement of Activities
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital		Governmental Activities	Business Type Activities	Totals
			Operating Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 1,292,951	\$ 254,312	\$ 2,783	\$	\$ (1,035,856)	\$	\$ (1,114,723)
Public safety	2,692,835	204,808	37,497		(2,450,530)		(2,347,774)
Public works	1,816,538		456,391	234,116	(1,126,031)		(1,333,632)
Health and human services	251,202	36,495	26,173		(188,534)		(183,027)
Culture and recreation	2,201,591	253,318	220,084	156,229	(1,571,960)		(1,577,456)
Conservation and development	606,291	1,480		352,266	(252,545)		(683,855)
Interest, fiscal charges, and issuance costs	170,254				(170,254)		(291,147)
Total governmental activities	9,031,662	750,413	742,928	742,611	(6,795,710)		(7,531,614)
Business-type activities:							
Water and electric	16,699,830	17,937,841		207,034	1,445,045		994,741
Sewer	1,155,509	1,338,367		482	183,340		(279,027)
Total business-type activities	17,855,339	19,276,208		207,516	1,628,385		715,714
Total	\$ 26,887,001	\$ 20,026,621	\$ 742,928	\$ 950,127	(6,795,710)	1,628,385	(5,167,325)
General revenues:							
Property taxes:							
General purposes					2,687,612		2,687,612
Debt service					617,003		617,003
Tax increments					377		377
Other taxes					103,203		103,203
Federal and State aid not restricted for specific purposes:							
General					2,158,331		2,158,331
Interest and investment earnings					216,447		216,447
Gain (loss) on sale/disposal of assets					30,960		30,960
Miscellaneous revenue					153,303		153,303
Amortization of premium					15,816		15,816
Transfers					864,518		864,518
Total general revenues and transfers					6,831,754		6,831,754
Changes in net position					36,044		36,044
Net position - beginning of year, as previously reported					21,789,274		21,789,274
Prior period adjustments					(515,566)		(515,566)
Net position - beginning of year, as restated					21,273,708		21,273,708
Net position - end of year					\$ 21,309,752		\$ 21,309,752
Net position - end of year					27,881,269		27,881,269
Net position - end of year					49,191,021		49,191,021
Net position - end of year					\$ 48,740,072		\$ 48,740,072

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

Exhibit A-3
City of New London, Wisconsin
Balance Sheet
Governmental Funds
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	General	Capital Projects	Housing Rehabilitation	Other Governmental Funds	Totals	
					2017	2016
ASSETS						
Cash and investments	\$ 7,539,202	\$ 518,918	\$	\$ 1,202,513	\$ 9,260,633	\$ 9,896,715
Receivables:						
Taxes	1,495,101			629,631	2,124,732	2,077,856
Accounts	85,589	17,064		3,843	106,496	123,841
Other governments	6,416	251,786			258,202	55,348
Special assessments	313,871				313,871	315,929
Mortgages			942,763		942,763	891,727
Loans				64,267	64,267	98,912
Due from other funds	782,075				782,075	799,662
Advance to other funds	259,008				259,008	259,235
Prepaid items	51,694				51,694	1,376
Total assets	\$ 10,532,956	\$ 787,768	\$ 942,763	\$ 1,900,254	\$ 14,163,741	\$ 14,520,601
LIABILITIES						
Vouchers and accounts payable	\$ 166,425	\$ 741,135	\$	\$ 147	\$ 907,707	\$ 312,751
Accrued wages	42,642				42,642	39,500
Due to other funds	30,789		19,716	8,794	59,299	77,133
Advance from other funds				259,008	259,008	259,235
Total liabilities	239,856	741,135	19,716	267,949	1,268,656	688,619
DEFERRED INFLOWS OF RESOURCES	3,044,800	46,633	942,677	693,898	4,728,008	4,797,064
FUND BALANCE						
Nonspendable	319,945				319,945	272,923
Restricted				1,206,134	1,206,134	2,290,341
Assigned	2,164,940				2,164,940	2,140,493
Unassigned (deficit)	4,763,415		(19,630)	(267,727)	4,476,058	4,331,161
Total fund balances	7,248,300		(19,630)	938,407	8,167,077	9,034,918
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,532,956	\$ 787,768	\$ 942,763	\$ 1,900,254	\$ 14,163,741	\$ 14,520,601

Exhibit A-4
City of New London, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	2017	2016
Total fund balances-governmental funds:	\$ 8,167,077	\$ 9,034,918
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:		
Governmental capital assets	40,103,089	37,846,774
Governmental accumulated depreciation	(21,583,121)	(20,319,661)
	18,519,968	17,527,113
Pension deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plans. These items are reflected in the statement of net position and are being amortized with pension expense in the statement of activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.		
Deferred outflows of resources	1,602,603	2,223,970
Deferred inflows of resources	(630,671)	(836,589)
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Long-term notes and loans	1,006,945	990,639
Special assessments	313,871	315,928
Prepaid rent	286,080	301,137
Long-term accounts receivable	46,634	70,055
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of position.		
	254,601	256,003
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:		
General obligation debt	(6,242,374)	(6,599,749)
Installment contract	(25,615)	(32,445)
Unamortized debt premium	(251,948)	(265,628)
Accrued interest on long-term debt	(28,582)	(29,812)
Compensated absences	(826,929)	(768,739)
Net pension liability (Wisconsin Retirement System)	(200,322)	(397,527)
Total pension liability (Length of Service Awards Program)	(581,586)	(515,566)
Other long-term commitments	(100,000)	
Net position of governmental activities	\$ 21,309,752	\$ 21,273,708

Exhibit A-5
City of New London, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	General	Capital Projects	Housing Rehabilitation	Other Governmental Funds	Totals	
					2017	2016
REVENUES						
Taxes	\$ 2,742,268	\$ 6,572	\$	\$ 659,354	\$ 3,408,194	\$ 3,777,956
Special assessments	117,298				117,298	50,666
Intergovernmental	2,453,808	306,989		279,413	3,040,210	2,732,284
Licenses and permits	150,626				150,626	142,992
Fines and forfeitures	76,627				76,627	118,283
Public charges for services	370,214				370,214	351,858
Intergovernmental charges for services	64,265				64,265	62,209
Interdepartmental charges for services	8,700				8,700	8,700
Interest income	165,265	10,266	239	3,002	178,772	228,717
Miscellaneous	247,193	415,388	12,979	138,150	813,710	308,560
Total revenues	6,396,264	739,215	13,218	1,079,919	8,228,616	7,782,225
EXPENDITURES						
Current:						
General government	1,082,997				1,082,997	1,115,506
Public safety	2,281,029				2,281,029	2,203,362
Public works	951,062				951,062	1,001,678
Health and human services	177,788			28,777	206,565	200,212
Culture and recreation	1,852,004			38,691	1,890,695	1,745,277
Conservation and development	84,086		74,694	44,826	203,606	688,201
Capital outlay:		2,450,271		359,060	2,809,331	4,763,219
Debt service:						
Principal retirement				364,205	364,205	732,703
Interest, fiscal charges, and issuance costs				171,485	171,485	271,640
Total expenditures	6,428,966	2,450,271	74,694	1,007,044	9,960,975	12,721,798
Excess (deficiency) of revenues over expenditures	(32,702)	(1,711,056)	(61,476)	72,875	(1,732,359)	(4,939,573)

Exhibit A-5 (Continued)
City of New London, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	General	Capital Projects	Housing Rehabilitation	Other Governmental Funds	Totals	
					2017	2016
OTHER FINANCING SOURCES (USES)						
Transfer in	728,997	612,170		28,000	1,369,167	2,351,017
Transfer out	(476,649)	(28,000)			(504,649)	(1,461,236)
Premium on long-term debt						273,608
Long-term debt proceeds						5,615,000
Total other financing sources (uses)	252,348	584,170		28,000	864,518	6,778,389
Net change in fund balances	219,646	(1,126,886)	(61,476)	100,875	(867,841)	1,838,816
Fund balance-beginning of year, as previously reported	7,028,654	1,126,886	41,846	837,532	9,034,918	6,927,131
Prior period adjustment						268,971
Fund balance-beginning of year, as restated	7,028,654	1,126,886	41,846	837,532	9,034,918	7,196,102
Fund balance-end of year	\$ 7,248,300	\$	\$ (19,630)	\$ 938,407	\$ 8,167,077	\$ 9,034,918

Exhibit A-6
City of New London, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	2017	2016
Net change in fund balances-total governmental funds	\$ (867,841)	\$ 1,838,816
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay reported in governmental fund statements	2,340,290	4,573,114
Depreciation expenses reported in the statement of activities	<u>(1,347,435)</u>	<u>(1,113,504)</u>
Amount by which capital outlays are greater (less) than depreciation in the current period.	992,855	3,459,610
The City disposed of equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense and has no effect on the governmental funds balance sheet.		
The value of capital assets disposed of during the year was:	(83,975)	(228,218)
The amount of depreciation recapture for the year was:	<u>83,975</u>	<u>228,218</u>
The difference in the value of assets net of recaptured depreciation		
Compensated absences are reported in the governmental funds when amounts are paid. The statement of activities reports the amount earned during the year. The difference between the amount paid and earned was:		
	(58,190)	(83,960)
Proceeds of long-term debt are reported in the governmental funds as revenue, but are reported as an addition to long-term debt in the statement of net position and do not affect the statement of activities.		
The amount of additional long-term debt in the current year is:		(5,615,000)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year is:	364,205	732,703
Debt premiums are reported in the governmental funds as revenues when those amounts are received. However, the premium is shown in the statement of net position and allocated over the life of the debt issue in the statement of activities.		
Amount of debt premium received during the current year		(273,608)
Amount of debt premium amortized in the current year	<u>13,680</u>	<u>7,980</u>
	13,680	(265,628)
Internal service fund income (loss)	(1,402)	16,954
In governmental funds, special assessment collections are reflected as revenue when received. In the statement of activities, revenue is recognized when assessed.		
Amount assessed is greater (less) than the amount collected.	(2,057)	(4,204)

Exhibit A-6 (Continued)
City of New London, Wisconsin
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities (Continued)
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	2017	2016
Repayment of housing rehabilitation loans are reflected as revenue in governmental funds, but are reported as a reduction of loans receivable in the statement of net position and does not affect the statement of activities.	(12,979)	(39,623)
Additional housing rehabilitation loans are reflected as expenditures in governmental funds, but are reported as additions to loans receivable in statement of net position and does not affect the statement of activities.	63,930	24,126
Repayments of economic development loans receivable are reflected as revenue in governmental funds, but are reported as a reduction of notes receivable in the statement of net position and does not affect the statement of activities.	(34,645)	(65,675)
Repayment of the long-term portion of accounts receivable is reflected as revenue in governmental funds, but are reported as a reduction of loans receivable in the statement of net position and does not affect the statement of activities.	(23,421)	(18,522)
In governmental funds, leasehold improvements are reflected as an expenditure when paid. In the statement of net position, the payment is reflected as prepaid rent and is being amortized over the life of the lease. Amortization is:	(15,057)	(15,057)
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred. The amount of interest paid during the current period	170,784	96,934
The amount of interest accrued during the current period	(169,554)	(116,442)
Interest paid is greater (less) than interest expensed by	1,230	(19,508)
Other commitments payable are reported in the governmental funds when amounts are paid. The statement of activities reports the amount incurred during the year. The difference between the amount paid and incurred was:	(100,000)	
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plans. Pension expense in the statement of activities is actuarially determined by the defined benefit pension plan as the difference between the pension liabilities from the prior year to the current year, with some adjustments. Difference between the required contributions into the defined benefit plans and the actuarially determined change in pension liabilities between years, with adjustments.	(284,264)	(261,982)
Change in net position-governmental activities	\$ 36,044	\$ (316,950)

Exhibit A-7
City of New London, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	Business Type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund
	Electric and Water Utility	Sewer Utility	Totals 2017	Totals 2016	
ASSETS					
Current assets:					
Cash	\$ 1,688,183	\$ 1,004,174	\$ 2,692,357	\$ 2,858,831	\$
Restricted assets:					
Redemption account	83,201		83,201	108,875	
Receivables:					
Customer	1,493,157	17,855	1,511,012	1,460,791	
Other	175,992		175,992	99,642	
Materials and supplies	359,917		359,917	334,944	
Prepayments	105,059		105,059	124,495	
Unbilled revenue	393,794		393,794	410,623	
Due from other funds	16,115	139,886	156,001	153,654	
Miscellaneous deposits	1,476		1,476	1,476	
Total current assets	4,316,894	1,161,915	5,478,809	5,553,331	
Non-current assets:					
Restricted assets:					
Reserve account	1,171,777		1,171,777	1,169,848	
Construction account	503,602		503,602	2,480,074	
DNR equipment replacement		713,741	713,741	682,215	
Interest receivable	5,967		5,967	7,872	
Other assets:					
Preliminary survey and investigation	491,656		491,656	469,056	
Special assessments receivable	121,070	130,462	251,532	258,736	
Advance to telecommunications	1,691		1,691	1,691	
Property held for future use	47,976		47,976	47,976	
Deposits held by CVMIC					284,938
Capital assets:					
Property, plant and equipment	42,921,037	19,145,472	62,066,509	59,410,013	
Less: accumulated depreciation	19,384,510	11,806,448	31,190,958	30,140,088	
Net capital assets	23,536,527	7,339,024	30,875,551	29,269,925	
Total noncurrent assets	25,880,266	8,183,227	34,063,493	34,387,393	284,938
Total assets	30,197,160	9,345,142	39,542,302	39,940,724	284,938
DEFERRED OUTFLOWS OF RESOURCES					
Pension outflows	504,589	67,047	571,636	811,376	
Unamortized loss on advance refunding	106,277		106,277	143,016	
Total deferred outflows of resources	610,866	67,047	677,913	954,392	
Total assets and deferred outflows of resources	\$ 30,808,026	\$ 9,412,189	\$ 40,220,215	\$ 40,895,116	\$ 284,938

Exhibit A-7 (Continued)
City of New London, Wisconsin
Statement of Net Position
Proprietary Funds
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	Business Type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund
	Electric and Water Utility	Sewer Utility	Totals	Totals	
			2017	2016	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,052,376	\$ 28,695	\$ 1,081,071	\$ 1,421,854	\$
Due to other funds	848,440		848,440	847,333	30,337
Customer deposits	18,280		18,280	28,445	
Accrued wages	44,194		44,194	48,514	
Accrued interest	7,546	246	7,792	8,269	
Other current liabilities	41,665		41,665	42,922	
Commitment to community	68,165		68,165	120,139	
Current portion of:					
Compensated absences	133,589		133,589	121,517	
Long-term debt		77,625	77,625	77,625	
Total current liabilities	2,214,255	106,566	2,320,821	2,716,618	30,337
Current liabilities payable from restricted assets:					
Current portion of revenue bonds	720,000		720,000	995,000	
Accrued interest	23,201		23,201	25,959	
Total current liabilities payable from restricted assets	743,201		743,201	1,020,959	
Non-current liabilities					
Revenue bonds	9,280,000		9,280,000	10,275,000	
Unamortized debt premium	126,926		126,926	142,743	
General obligation debt		77,625	77,625	155,250	
Compensated absences	409,556		409,556	369,970	
Net pension liability	66,858	8,585	75,443	147,503	
Less: current portion	(853,589)	(77,625)	(931,214)	(1,194,142)	
Total non-current liabilities	9,029,751	8,585	9,038,336	9,896,324	
Total liabilities	11,987,207	115,151	12,102,358	13,633,901	30,337
DEFERRED INFLOWS OF RESOURCES					
Pension inflows	209,559	27,029	236,588	310,417	
NET POSITION					
Net investment in capital assets	14,882,058	7,261,399	22,143,457	21,462,600	
Restricted	1,143,142	713,741	1,856,883	1,848,249	254,601
Unrestricted	2,586,060	1,294,869	3,880,929	3,639,949	
Total net position	18,611,260	9,270,009	27,881,269	26,950,798	254,601
Total liabilities, deferred inflows of resources and net position	\$ 30,808,026	\$ 9,412,189	\$ 40,220,215	\$ 40,895,116	\$ 284,938

Exhibit A-8
City of New London, Wisconsin
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	Business Type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund
	Electric and Water Utility	Sewer Utility	Totals 2017	Totals 2016	
OPERATING REVENUES					
Sales of water	\$ 2,163,351	\$	\$ 2,163,351	\$ 2,066,410	\$
Sales of electricity	15,578,267		15,578,267	15,457,818	
Other	196,223	80	196,303	186,514	
Charges for services		1,338,287	1,338,287	1,091,315	
Total operating revenues	17,937,841	1,338,367	19,276,208	18,802,057	
OPERATING EXPENSES					
Operation and maintenance	15,330,892	623,458	15,954,350	16,169,133	
Insurance payments and claims					25,397
Depreciation	1,042,315	527,905	1,570,220	1,500,768	
Total operating expenses	16,373,207	1,151,363	17,524,570	17,669,901	25,397
Operating income (loss)	1,564,634	187,004	1,751,638	1,132,156	(25,397)
NON-OPERATING REVENUES (EXPENSES)					
Investment income	34,469	97,569	132,038	96,761	23,995
Gain on sale of asset	18,750		18,750		
Interest expense	(308,892)	(4,146)	(313,038)	(307,859)	
Interest charged to construction expense	19,170		19,170		
Amortization of premium	15,816		15,816	13,087	
Amortization of loss on advance refunding	(36,739)		(36,739)	(43,344)	
Miscellaneous expense	(162)		(162)	(164)	
Debt issuance costs				(77,079)	
Total non-operating revenues (expenses)	(257,588)	93,423	(164,165)	(318,598)	23,995
Income before contributions and transfers	1,307,046	280,427	1,587,473	813,558	(1,402)
Capital contributions	207,034	482	207,516	12,004	
Transfers to other funds	(5,769)	(135,521)	(141,290)	(140,812)	
Transfers-tax equivalent	(723,228)		(723,228)	(748,969)	
Change in net position	785,083	145,388	930,471	(64,219)	(1,402)
Net position - beginning	17,826,177	9,124,621	26,950,798	27,015,017	256,003
Net position - ending	\$ 18,611,260	\$ 9,270,009	\$ 27,881,269	\$ 26,950,798	\$ 254,601

Exhibit A-9
City of New London, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	Business Type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund
	Electric and Water Utility	Sewer Utility	Totals	Totals	
			2017	2016	
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES					
Received from customers	\$ 17,903,662	\$ 1,300,889	\$ 19,204,551	\$ 18,692,186	\$
Received from municipality for services	103,961		103,961	103,933	
Paid to suppliers for goods and services	(14,623,303)	(543,147)	(15,166,450)	(14,963,595)	(25,397)
Payment of interfund balances					(11,682)
Paid to employees for operating payroll	(744,118)	(168,194)	(912,312)	(918,437)	
Net cash flows from (used by) operating activities	2,640,202	589,548	3,229,750	2,914,087	(37,079)
CASH FLOWS (USED BY) NONCAPITAL FINANCING ACTIVITIES					
Operating transfers from (to) other funds	(754,738)	(135,521)	(890,259)	(884,414)	
Interest paid on customer deposits	(384)		(384)	(1,822)	
Net cash flows (used by) noncapital financing activities:	(755,122)	(135,521)	(890,643)	(886,236)	
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(2,454,455)	(876,747)	(3,331,202)	(1,767,840)	
Capital contributions received	103,816	482	104,298	233,801	
Special assessments received		7,204	7,204	9,335	
Debt retired	(995,000)	(77,625)	(1,072,625)	(1,025,900)	
Interest paid	(311,504)	(4,386)	(315,890)	(311,571)	
Proceeds from debt issue				3,144,000	
Debt issuance costs				(77,079)	
Net cash flows from (used by) capital and related financing activities	(3,657,143)	(951,072)	(4,608,215)	204,746	
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES					
Investments purchased	(2,524,852)	(1,597,193)	(4,122,045)	(4,206,498)	
Investments sold and matured	4,020,597		4,020,597	2,460,824	
Investment income	36,374	97,569	133,943	91,684	20,636
Net cash flows from (used by) investing activities	1,532,119	(1,499,624)	32,495	(1,653,990)	20,636
Net change in cash and cash equivalents	(239,944)	(1,996,669)	(2,236,613)	578,607	(16,443)
Cash and cash equivalents - beginning of year	2,011,332	2,117,391	4,128,723	3,550,116	
Cash and cash equivalents - end of year	\$ 1,771,388	\$ 120,722	\$ 1,892,110	\$ 4,128,723	\$
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS					
Cash and investments	\$ 1,688,183	\$ 1,004,174	\$ 2,692,357	\$ 2,858,831	\$
Redemption account	83,201		83,201	108,875	
Reserve account	1,171,777		1,171,777	1,169,848	
Construction account	503,602		503,602	2,480,074	
DNR equipment replacement		713,741	713,741	682,215	
Total cash and investments	3,446,763	1,717,915	5,164,678	7,299,843	
Less: noncash equivalents	(1,675,375)	(1,597,193)	(3,272,568)	(3,171,120)	
Cash and cash equivalents	\$ 1,771,388	\$ 120,722	\$ 1,892,110	\$ 4,128,723	\$
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Amortization of loss on advance refunding	\$ (36,739)				
Amortization of premium	\$ 15,816				
Interest charged to construction	\$ 19,170				

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

Exhibit A-9 (Continued)
City of New London, Wisconsin
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)

	Business Type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund
	Electric and Water Utility	Sewer Utility	Totals	Totals	
			2017	2016	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 1,564,634	\$ 187,004	\$ 1,751,638	\$ 1,132,156	\$ (25,397)
Nonoperating revenue (expense)	(162)		(162)	(164)	
Noncash items in operating income:					
Depreciation expense	1,042,315	527,905	1,570,220	1,500,768	
Depreciation charged to clearing and other utilities	19,877		19,877	22,706	
Amortization of commitment to community	(58,204)		(58,204)	(58,204)	
Discontinued construction work in process				227,147	
Changes in assets, deferred outflows, and liabilities:					
Customer accounts receivable	(29,480)	(3,912)	(33,392)	18,709	
Other accounts receivable	44,369		44,369	(5,475)	
Due from other funds	45,093	(33,566)	11,527	(32,997)	
Material and supplies	(24,973)		(24,973)	(23,924)	
Prepayments	19,436		19,436	(5,329)	
Pension related deferrals, assets, and liabilities	86,199	7,652	93,851	72,742	
Accounts payable	(119,917)	(88,815)	(208,732)	19,695	
Due to other funds	20,941	(6,720)	14,221	30,116	(11,682)
Customer deposits	(10,165)		(10,165)	(2,585)	
Accrued wages	(4,320)		(4,320)	20,704	
Compensated absences	39,586		39,586	31,768	
Other current liabilities	(1,257)		(1,257)	(7,612)	
Commitment to community	6,230		6,230	(26,134)	
Net cash provided (used) by operating activities	<u>\$ 2,640,202</u>	<u>\$ 589,548</u>	<u>\$ 3,229,750</u>	<u>\$ 2,914,087</u>	<u>\$ (37,079)</u>

Exhibit A-10
City of New London, Wisconsin
Statement of Net Position
Fiduciary Funds
December 31, 2017
 (With Summarized Financial Information as of December 31, 2016)

	Tax Collection Fund	Totals	
		2017	2016
ASSETS			
Cash and investments	\$ 2,327,585	\$ 2,327,585	\$ 2,443,745
Taxes receivable	3,936,147	3,936,147	3,668,383
	\$ 6,263,732	\$ 6,263,732	\$ 6,112,128
LIABILITIES			
Due to other taxing units	\$ 6,263,732	\$ 6,263,732	\$ 6,112,128
	\$ 6,263,732	\$ 6,263,732	\$ 6,112,128

City of New London, Wisconsin
December 31, 2017

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NOTES TO THE BASIC FINANCIAL STATEMENTS

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a municipal corporation governed by an elected ten-member council. This report includes all of the funds of the City of New London. The reporting entity for the City consists of the (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The City has identified the following component unit that is required to be included in the financial statements in accordance with governmental accounting standards:

Related Organization

The Common Council is responsible for appointing a majority of the board members of the Housing Authority of the City of New London, but the City's accountability for this organization does not extend beyond making the appointments. Therefore, the organization is not included in the City's reporting entity.

B. Government-Wide and Fund Financial Statements

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

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

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

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

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

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

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

Major Governmental Funds

The City reports the following major governmental funds:

General – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

Housing Rehabilitation – Used to account for the activity of the Community Development Block Grant program whose purpose is to provide housing rehabilitation loans to qualified individuals.

The City reports the following major enterprise funds:

Major Enterprise Funds

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-Major Governmental Funds

The City reports the following non-major governmental funds:

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

- Cemetery Perpetual Care
- Tourism
- Library and Museum
- Community Development
- Community Cupboard
- Grant Reimbursement

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

Environmental TTD Fund – Accounts for the activity of environmental remediation district No. 1.

In addition, the City reports the following fund types:

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

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

Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and electric, and sewer utilities 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Certain expenditure driven intergovernmental revenues have a delay in receiving reimbursements from the grantor. Because of this, an extended availability period is used for expenditure driven intergovernmental revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

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

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

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

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

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

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Cash and Cash Equivalent/Investments

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

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

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

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

E. Receivables

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

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables (Continued)

Property tax calendar - 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale - 2017 delinquent real estate taxes	October 2020

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

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

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

The following receivables are reflected in the water and electric utility:

1) Special Assessments Receivable

This account represents the balances of special assessments levied against property owners for infrastructure improvements. The balances are receivable over various time periods with interest accrued annually. Payments will begin when the related property is annexed by the municipality.

2) Other

Transactions between the utility and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the utility and other funds of the municipality are reported as due to/from other funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories and Prepaid Items

Inventories of governmental fund types are charged as expenditures when purchased. Inventories of proprietary fund types are recorded at cost which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is charged to construction or expense at the time individual inventory items are used.

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

G. Restricted Assets

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

H. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$3,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are reported at acquisition value.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. Capital assets are defined by the utilities as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	20-50 Years
Land Improvements	10-100 Years
Machinery and Equipment	3-40 Years
Utility System	5-77 Years
Infrastructure	30 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Fund Financial Statements

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

I. Other Assets

Other assets of the water and electric utility are as follows:

Preliminary Survey and Investigation

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized on commencement of the project.

Special Assessments Receivable

This account represents the balances of special assessments levied against property owners for infrastructure improvements. The balances are receivable over various time periods with interest accrued annually. Payments will begin when related property is annexed by the municipality.

Property Held for Future Use

This account represents the purchase of land in 2006 for a future well site.

J. 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, or are payable with expendable available 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, 2017 are determined on the basis of current salary rates and include salary related payments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Long-Term Obligations/Conduit Debt

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debits (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.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$840,000, made up of one issue.

L. Claims and Judgments

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

M. Equity Classifications

Government-Wide Statements

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

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

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Equity Classifications (Continued)

Fund Statements

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

- Non-Spendable - Includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted - Includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed - Includes amounts constrained to specific purposes by the Council, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the Council takes the same highest level action to remove or change the constraint.
- Assigned - Includes amounts a government intends to use for a specific purpose; intent can be expressed by the Council or by an official or body to which the Council delegates the authority. Assignments may take place after the end of the reporting period.
- Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

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

The City's financial policy is to maintain a general fund balance of no less than 25% of general fund expenditures.

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

N. Deferred Amount on Refunding

Deferred amounts on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunding debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as deferred outflows of resources.

O. Transfers

Transfers include the payment in lieu of taxes from the electric and water utility to the general fund.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Budgets and Budgetary Accounting

The City follows these procedures in establishing budgetary data:

- a. During November, City management submits to the Common Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Common Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and debt service funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund and debt service funds. Management control for the community development and housing rehabilitation special revenue funds is achieved through requirements of grant agreements. Management control for the tax incremental financing districts reported in the capital projects funds are achieved through approved project plans of the districts.
- d. Expenditures may not exceed budget appropriations by functional level (general government, public safety, public works, health and human services, culture and recreation, conservation and development and debt service) of the City. Amendments within the same function can be approved by management while amendments between functions require the initial approval of management and are subsequently authorized by a two-thirds vote of the Common Council.
- e. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

Q. Commitment to Community

The electric utility charges fees to all customers as required by the 1999 Energy Reliability Act and 2006 Act 141. Revenues generated from the fees are used to fund energy conservation and low-income energy assistance ("Commitment to Community") programs. The utility is acting as an agent administering the program so net collections and expenditures/remittances associated with the program are recorded as a current liability on the statements of net position.

R. Summarized Comparative Information

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position, operations, and cash flows. However, comparative (i.e., presentations of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Pensions

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

T. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The City has items that qualify for reporting in this category. The deferred outflows of resources are for the pensions and the unamortized loss on advance refunding.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resource (revenue) until then. The City has items that qualify for reporting in this category. Deferred inflows of resources related to the pensions are discussed in Note 6 and Note 7 and remaining deferred inflows of resources are discussed in Note 15.

U. Change in Accounting Principle

Effective January 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of GASB Statement No. 73 required net position in the governmental activities to be decreased. A prior period adjustment of \$515,566 has been recorded to decrease net position by the actuarially determined total pension liability as of January 1, 2017. The total pension liability relates to the City's fire department length of service awards program and is further discussed in Note 7.

V. Prior Period Adjustment

The financial statements for the year ending December 31, 2016 have been restated to include pension plan assets for the City's fire department length of service awards program. The plan assets are not held in a trust or equivalent arrangement and are not legally protected from City creditors. A prior period adjustment of \$268,971 has been recorded to increase governmental activities net position and general fund fund balance by the value of the plan assets as of January 1, 2016. The 2016 change in net position/fund net position was increased by \$31,186 in the governmental activities and general fund for investment gains on the plan assets and for reclassification of contributions to the plan assets that had previously been recorded as expenditures. Accordingly, January 1, 2017 net position/fund net position in the governmental activities and general fund have been increased by \$300,157.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

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

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

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

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

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

NOTE 3

CASH AND INVESTMENTS

At December 31, 2017, the cash and investments included the following:

Deposits with financial institutions	\$ 13,163,602
Wisconsin Local Government Investment Pool	25,532
Mutual funds	1,414,290
Federal agency notes	596,585
U.S. Treasury securities	445,639
Corporate bonds	329,350
Foreign issues	225,619
Repurchase agreement	220,000
Annuity contracts	330,469
Petty cash	1,810
Total cash	<u>\$ 16,752,896</u>

Cash and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Exhibit A-1:	
Cash and investments	\$ 11,952,990
Restricted redemption account	83,201
Restricted cash and investments	2,389,120
Exhibit A-10:	
Cash and investments	<u>2,327,585</u>
Total cash and investments	<u>\$ 16,752,896</u>

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

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

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

Foreign Currency Risk

The City did not invest in any foreign currency during their fiscal year.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy states that, generally, the City will not invest in securities with maturities of more than three years.

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

Investment Type	Remaining Maturity			
	Fair Value	1 year or less	1-3 years	4 or more years
Certificates of Deposit	\$ 1,927,772	\$ 1,927,772	\$	\$
Mutual Funds	1,414,290	1,414,290	-	-
U.S. Government agency securities	596,585	88,420	189,627	318,538
U.S. Treasury securities	445,639	174,304	271,335	-
Corporate bonds	329,350	49,967	234,436	44,947
Foreign bank bonds	225,619	150,007	50,059	25,553
Repurchase agreement	220,000	220,000	-	-
Totals	<u>\$ 5,159,255</u>	<u>\$ 4,024,760</u>	<u>\$ 745,457</u>	<u>\$ 389,038</u>

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits investments to those authorized by State Statute. As of December 31, 2017, the City's investments were rated as follows:

Wisconsin Local Government Investment Pool	Amount	Morningstar Rating
Mutual funds	\$ 25,532	Not rated
Mutual funds	133,621	Not rated
Mutual funds	382,175	(3) Stars
Mutual funds	64,939	(4) Stars
Mutual funds	813,555	(5) Stars

Corporate bonds held as part of the City's monies placed under external management were rated Aaa, Aa1, Aa2, or Aa3 by Moody's Investors Service or in similar categories by Standard & Poor's. Investments in U.S. Treasury securities and U.S. Government agency securities are all issued and guaranteed by government-supported enterprises, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Association (Freddie Mae), and the Government National Mortgage Association (Ginnie Mae). Moody's Investors Service ratings vary for the government issued and guaranteed securities. As of December 31, 2017, the City's investments in the Wisconsin Local Government Investment Pool and money market mutual fund were not rated.

Custodial Credit Risk

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

Federal Deposit Insurance Corporation (FDIC) Insurance

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Collateralization of Public Unit Deposits

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

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

The City's investment policy requires all financial institutions acting as a depository for the City to pledge collateral for any balances exceeding FDIC and State Deposit Guarantee Fund limits. Amounts exceeding these limits must be fully collateralized and held by a third party or fully insured by an insurance company with an A rating or better by A.M. Best. All collateral shall be specifically pledged to the City and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution.

As of December 31, 2017, \$12,061,716 of the City's deposits with financial institutions were in excess of federal depository insurance limits. Of this amount, \$10,322,679 was collateralized by securities pledged by financial institutions and \$1,739,037 was uninsured and uncollateralized. \$400,000 of the FDIC uninsured and uncollateralized amount would be insured by the State of Wisconsin Guarantee Fund, provided funds are available at the time of any potential loss.

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

Wisconsin Local Government Investment Pool

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board (SWIB). The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <http://www.doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2017, the fair value of the City's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the City.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

SWIB may invest in obligations of the U.S. Treasury and it agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund investment guidelines.

Investment allocation in the local government investment pool as of December 31, 2017 was: 89.97% in U.S. Government Securities and 1.52% in Bankers' Acceptances, and 8.51% in commercial paper and corporate notes. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Government securities and investments in mutual funds are excluded from this risk. At December 31, 2017, the investment portfolio had no concentrations of applicable investments greater than 5% of the total portfolio.

Fair value measurement

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

The City uses the following hierarchical disclosure framework:

- Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date
- Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Measurement based on the City's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

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

	Assets at Fair Value as of December 31, 2017		
	Fair Value	Level 1	Level 2
Mutual funds	\$ 1,414,290	\$ 1,414,290	\$
U.S. Treasury Notes	445,639	445,639	
Federal agency obligations	596,585		596,585
Corporate bonds	329,350		329,350
Foreign bank bonds	225,619		225,619
	\$ 3,011,483	\$ 1,859,929	\$ 1,151,554

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,539,922	\$	\$	\$ 1,539,922
Construction in progress		458,231		458,231
Total capital assets not being depreciated	1,539,922	458,231		1,998,153
Other capital assets				
Land improvements	206,415	12,828		219,243
Buildings	9,921,956	424,305		10,346,261
Machinery and equipment	8,958,547	757,025	(83,975)	9,631,597
Infrastructure	17,219,934	687,901		17,907,835
Total other capital assets at historical costs	36,306,852	1,882,059	(83,975)	38,104,936
Less accumulated depreciation for:				
Land improvements	130,550	10,290		140,840
Buildings	3,786,283	252,778		4,039,061
Machinery and equipment	5,873,793	550,006	(83,975)	6,339,824
Infrastructure	10,529,035	534,361		11,063,396
Total accumulated depreciation	20,319,661	1,347,435	(83,975)	21,583,121
Net other capital assets	15,987,191	534,624		16,521,815
Total net capital assets	\$ 17,527,113	\$ 992,855	\$	\$ 18,519,968

Depreciation expense was charged to functions as follows:

Governmental Activities	\$
General government	98,101
Public safety	210,883
Public works, which includes the depreciation of infrastructure	780,185
Health and human services	23,662
Culture and recreation	234,604
Total governmental activities depreciation expense	\$ 1,347,435

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Removals	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 445,144	\$ 2,877,223	\$ (3,217,768)	\$ 104,599
Land and land rights	222,888		(6,000)	216,888
Total capital assets not being depreciated	668,032	2,877,223	(3,223,768)	321,487
Capital assets being depreciated:				
Source of supply	274,654			274,654
Pumping	1,680,163	29,812	(10,000)	1,699,975
Water treatment	21,317			21,317
Transmission and distribution	35,838,128	2,617,875	(228,046)	38,227,957
Sewer collecting mains and laterals	6,136,331	136,355		6,272,686
Treatment plant	11,209,267	687,741	(271,571)	11,625,437
General	3,582,121	74,051	(33,176)	3,622,996
Total capital assets being depreciated	58,741,981	3,545,834	(542,793)	61,745,022
Less: accumulated depreciation for:				
Source of supply	235,532	7,965		243,497
Pumping	1,184,565	61,963	(10,000)	1,236,528
Water treatment	22,596			22,596
Transmission and distribution	15,035,416	936,989	(224,480)	15,747,925
Sewer collecting mains and laterals	1,738,454	68,905		1,807,359
Treatment plant	9,422,840	399,607	(271,571)	9,550,876
General	2,500,685	114,668	(33,176)	2,582,177
Total accumulated depreciation	30,140,088	1,590,097	(539,227)	31,190,958
Net capital assets being depreciated	28,601,893	1,955,737	(3,566)	30,554,064
Total net capital assets	\$ 29,269,925	\$ 4,832,960	\$ (3,227,334)	\$ 30,875,551
Depreciation expense was charged to functions as follows:				
Business-Type Activities:				
Water and electric			\$ 1,062,192	
Sewer			527,905	
Subtotal			1,590,097	
Less: depreciation charged to clearing and other utilities			(19,877)	
Total business-type activities depreciation expense			\$ 1,570,220	

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 5 LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due within One Year
Governmental Activities					
Bonds and notes payable:					
-General obligation debt	\$ 6,599,750	\$	\$ (357,376)	\$ 6,242,374	\$ 382,375
Other liabilities:					
Installment note	32,445		(6,830)	25,615	6,830
Compensated absences	768,739	29,396		798,135	36,000
Other commitments		125,000	(25,000)	100,000	25,000
Unamortized debt premium	265,628		(13,680)	251,948	
Total other liabilities	1,066,812	154,396	(45,510)	1,175,698	67,830
Total governmental activities long-term liabilities	\$ 7,666,562	\$ 154,396	\$ (402,886)	\$ 7,418,072	\$ 450,205
Business-Type Activities					
General obligation debt	\$ 155,250	\$	\$ (77,625)	\$ 77,625	\$ 77,625
Revenue bonds	10,275,000		(995,000)	9,280,000	720,000
Other liabilities:					
Compensated absences	369,970	69,516	(29,930)	409,556	133,589
Unamortized debt premium	142,743		(15,817)	126,926	
Total other liabilities	512,713	69,516	(45,747)	536,482	133,589
Total business-type activities long-term liabilities	\$ 10,942,963	\$	\$ (1,118,372)	\$ 9,894,107	\$ 931,214

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2017 was \$19,322,390. Total general obligation debt outstanding at year-end was \$6,320,000.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt		Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/17
Governmental Activities						
Notes	2008	6/1/18	3.80%	\$ 894,075	\$ 147,374	
Notes	2013	9/1/22	1.0-1.80%	900,000	580,000	
Bonds	2016	5/1/35	2.0-3.0%	5,615,000	5,515,000	
Total governmental activities - general obligation debt						\$ 6,242,374
Business-Type Activities						
Notes	2008	6/1/18	3.80%	\$ 470,925	\$ 77,625	

Debt service requirements to maturity are as follows:

Years	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 382,375	\$ 160,920	\$ 77,625	\$ 1,475
2019	360,000	151,313		
2020	390,000	142,000		
2021	270,000	133,860		
2022	300,000	126,900		
2023-2027	1,490,000	520,963		
2028-2032	1,805,000	316,138		
2033-2035	1,244,999	58,275		
Totals	\$ 6,242,374	\$ 1,610,369	\$ 77,625	\$ 1,475

Installment Note

The City entered into an installment note with WPPJ Energy for a lighting upgrade project. The note is non-interest bearing and due in monthly payments of \$569, with final payment due September 28, 2021. Debt service requirements are as follows:

Year	Principal
2018	\$ 6,830
2019	6,830
2020	6,830
2021	5,125
Total	\$ 25,615

Other Long-Term Obligations

The City entered into an agreement on April 8, 2016 to provide \$25,000 a year for five years to a developer, providing the developer met construction criteria. The criteria were met in 2017. The balance of this obligation at December 31, 2017 was \$100,000. Future payments are as follows:

Year	
2018	\$ 25,000
2019	25,000
2020	25,000
2021	25,000
Total	\$ 100,000

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Debt

Revenue bonds are payable only from revenues derived from the operation of the utilities

Revenue debt payable at December 31, 2017 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/17
Revenue refunding bonds	8/1/11	12/1/30	2.00-4.375%	\$ 4,450,000	\$ 3,950,000
Revenue refunding bonds	3/7/13	12/1/23	2.00-2.20%	3,475,000	2,300,000
Revenue refunding bonds	5/26/16	12/1/36	0.90-4.00%	3,030,000	3,030,000
Total business-type activities - revenue debt					\$ 9,280,000

Debt service requirements to maturity are as follows:

Years	Business-Type Activities	
	Principal	Interest
2018	\$ 720,000	\$ 278,413
2019	735,000	263,083
2020	745,000	247,173
2021	765,000	230,473
2022	770,000	212,763
2023-2027	2,720,000	783,408
2028-2032	2,015,000	333,583
2033-2036	810,000	80,650
Totals	\$ 9,280,000	\$ 2,429,546

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2017 and 2016 were \$1,306,503 and \$1,254,383, respectively. Total customer net revenues as defined for the same periods were \$2,641,418 and \$2,423,833. Annual principal and interest payments are expected to require 23% of net revenues on average.

Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the 2005, 2011, 2013, and 2016 revenue bonds:

Insurance

The utility 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. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

The electric and water utility is covered under the following insurance policies at December 31, 2017:

Type	Coverage
Local government property	\$ 82,140,100 Maximum
Contractors equipment	1,743,407 Maximum
Monies and securities	210,000 Maximum
Causes of loss	297,000 Maximum
Auto, comp. & collision	\$15,000,000 Each occurrence
Auto, comp. & collision	1,500,000 Per vehicle
Crime coverage	3,000,000 Maximum
General liability	\$ 5,000,000 Each occurrence
Boiler and machinery	250,000,000 Program limit
Employment practices liability	1,000,000 Each occurrence
Workers compensation	100,000 Each accident

Number of Customers – Electric

The electric and water utility has the following number of customers and billed volumes for 2017 and 2016:

	Customers		Sales (000 kWh)	
	2017	2016	2017	2016
Residential	3,329	3,320	24,863	25,657
Small commercial and industrial	456	453	11,951	12,703
Industrial	36	34	131,712	129,320
Street and highway lighting	15	15	587	580
Public authority	54	57	757	811
Totals	3,890	3,879	169,870	169,071

Number of Customers – Water

The electric and water utility has the following number of customers and billed volumes for 2017 and 2016:

	Customers		Sales (000 gals)	
	2017	2016	2017	2016
Residential	2,422	2,428	89,615	94,806
Commercial	302	298	44,261	44,248
Industrial	29	28	360,473	323,915
Public authority	26	30	7,262	7,966
Totals	2,779	2,784	501,611	470,935

NOTE 6

DEFINED BENEFIT PENSION PLAN

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

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

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.

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

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

DEFINED BENEFIT PENSION PLAN (CONTINUED)

NOTE 6

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)

Contributions: Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employees are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$321,489 in contributions from the employer.

Contribution rates as of December 31, 2017 are:

	2017	
	Employee	Employer
General (including teachers)	6.8%	6.8%
Protective with social security	6.8%	10.6%
Protective without social security	6.8%	14.9%

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

At December 31, 2017, the City reported a liability of \$275,765 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City's proportion was 0.03345700%, which was a decrease of 0.0008371% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$712,490.

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

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

DEFINED BENEFIT PENSION PLAN (CONTINUED)

NOTE 6

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 105,149	\$ 867,258
Changes of assumptions	288,324	
Net differences between projected and actual earnings on pension plan investments	1,372,674	
Changes in proportion and differences between employer contributions and proportionate share of contributions		9,626
Employer contributions subsequent to the measurement date	360,241	
Total	\$ 2,136,014	\$ 867,258

\$360,241 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Net Outflows (Inflows) of Resources	
	Year ended December 31:	
	2018	2019
	\$ 368,592	\$ 368,592
	2020	252,105
	2021	(81,300)
	2022	526
Total	\$ 908,515	

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

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

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

News 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 New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 6

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$3,627,873	\$275,765	(\$2,305,509)

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://ef.wj.gov/publications/cafir.htm>

NOTE 7

LENGTH OF SERVICE AWARDS PROGRAM – LOSAP

The City established a single employer defined benefit Service Awards Program (referred to as a "LOSAP" – length of service awards program) effective January 1, 1998 for the active volunteer firefighter members of the City. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The City is the sponsor of the program. Benefits and eligibility are established and amended by the City Council.

Program Description

Under the program, participating volunteers begin to be paid a service award upon attainment of the program "entitlement age". The amount of the service award paid to a volunteer is based upon the number of years of service credit the volunteer earned under the program for performing active volunteer firefighter activities.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 7 LENGTH OF SERVICE AWARDS PROGRAM - LOSAP (CONTINUED)

Participation, Vesting and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age 62 with one year of Plan participation. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program. A participant may also receive credit for years of firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the City.

There are 20 active participants in the plan as of January 1, 2017 and 23 inactive participants. 2 of the inactive participants are retired and are currently receiving benefit payments. 21 of the inactive participants are not currently eligible to receive benefit payments. No active participants are receiving benefits.

Benefits

A participant's benefit under the program is the equivalent of a monthly payment for life equal to \$5 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit is unlimited. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

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

At December 31, 2017, the City reported a liability of \$581,586. The pension liability was measured as of December 31, 2017 and was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

For the year ended December 31, 2017, the City recognized pension expense of \$40,555.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 38,225	\$ 1
Changes of assumptions	\$ 38,225	\$ 1
Total	\$ 76,450	\$ 2

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

Year ended December 31:	Net Outflows (Inflows) of Resources
2018	\$ 7,645
2019	7,645
2020	7,645
2021	7,645
2022	7,644
Total	\$ 38,224

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 7 LENGTH OF SERVICE AWARDS PROGRAM - LOSAP (CONTINUED)

Below is a schedule of changes in the total pension liability for the current reporting period:

Beginning balance	\$ 515,566
Changes for the year:	
Service cost	15,938
Interest	16,972
Changes of benefit terms	-
Differences between expected and actual experience	(1)
Changes of assumptions or other inputs	45,870
Benefit payments and expenses	(12,759)
Net changes	66,020
Ending balance	\$ 581,586

Actuarial assumptions

The total pension liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2017
Measurement Date of Total Pension Liability:	December 31, 2017
Inflation:	0.0%
Discount Rate / Investment Rate of Return:	3.31% percent, net of pension plan investment expense, including inflation. Based on municipal bond rates
Projected salary increases:	Not Applicable
Mortality:	No pre-retirement mortality; post-retirement RP2000MF with improvement
Retirement Turnover:	First eligible T5
Disability:	None

Single Discount rate

A single discount rate of 3.31% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments.

Sensitivity of the City's total pension liability to changes in the discount rate

The following presents the City's total pension liability calculated using the discount rate of 3.31 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point (2.31 percent) or 1-percentage point higher (4.31 percent) than the current rate:

1% Decrease to Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase to Discount Rate (4.31%)
\$622,460	\$581,586	\$539,802

NOTE 7 LENGTH OF SERVICE AWARDS PROGRAM – LOSAP (CONTINUED)

Funding Policy, Plan Assets, and Control
Service credit is determined by the governing board of the sponsor. The governing board of the sponsor has retained and designated VFIS to assist in the administration of the program. The designated program administrator's functions include installation assistance in the following areas: specimen adoption agreement, specimen master plan, insurance applications, participant enrollment forms, explanation of benefits and benefit certificates provided at enrollment and every three years thereafter. In addition, VFIS provides the following administrative assistance: reminder letter to the City with census for current anniversary date, participant's benefit calculation at the time of termination or retirement for verification by the City, schedule of benefits and costs, valuation and recommended deposit, summary of required contribution and actuarial review and recommended benefit enhancement.

Disbursements of program assets for the payment of benefits or administrative expenses must be approved.

The following is an explanation of process for approving disbursements:

Payment of Benefits:

1. Entitlement Benefits - VFIS prepares and submits to the Plan Administrator (Sponsor) a Verification of Benefits statement and an Annuity Enrollment form for participants active at entitlement age and for vested participants upon termination from the Plan. Following review for accuracy, the Plan Administrator signs and returns the paperwork to VFIS authorizing VFIS to disburse entitlement benefits.
2. Death Benefits - Upon notification from the Plan Administrator (Sponsor) of a participant death, VFIS prepares a Verification of Benefits statement and a Lump Sum Death Benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork accompanied by a death certificate to VFIS authorizing VFIS to disburse a death benefit.
3. Disability Benefits - Upon notification from the Plan Administrator (Sponsor) of a participant total and permanent disability, VFIS prepares a Verification of Benefits Statement, a Physician Statement form, and a Lump Sum Disability Benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork authorizing VFIS to disburse a disability benefit.

Payment of Administrative Expenses:

Per the executed Service Fee Agreement, the Plan Administrator (Sponsor) agrees to payment as contracted.

NOTE 7 LENGTH OF SERVICE AWARDS PROGRAM – LOSAP (CONTINUED)

Funding Policy, Plan Assets, and Control (Continued)
Plan assets are not held in trust. The obligation of the Sponsor to pay any benefits under this Plan shall be unfunded and unsecured. Any payments under this Plan shall be made from the general assets of the Sponsor, which general assets are subject to the claims of creditors of the Sponsor. The Sponsor, however, in its discretion, may set aside assets or purchase an annuity or life insurance contract to discharge all or part of its obligation under this Plan. In coordination with VFIS, the City has set aside assets in annuity contracts in the name of the City. It is not intended that any trust for the benefit of Participants is to be created by setting aside the assets or purchasing the annuity contracts. Plan assets are recorded as assets of the City within its governmental activities and general fund.

Authority to invest the program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with the investment policy statement adopted by the City.

Plan assets activity for 2017 is provided below:

Plan Assets, beginning of year	\$ 300,157
Changes during the year:	
Plan contributions	26,901
Investment income earned	9,640
Administrative and Other Fees/Charges	(589)
Benefit payments	(5,640)
Plan Assets, end of year	<u>\$ 330,469</u>

Annuity contracts are reported using a cost based measure and are not subject to the fair value hierarchy.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. Funding status information as of December 31, 2017 is provided below:

Actuarially Accrued Liability at December 31, 2017	\$ 581,586
Less: Assets Available for Benefits	(330,469)
Total Underfunded Benefits	<u>\$ 251,117</u>

NOTE 8

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 has chosen to retain a portion of the risks through a self-insurance program and has also purchased insurance to transfer other risks to outside parties. The City is partial self-insured for liability insurance and participates in a public entity risk pool called the Cities and Villages Mutual Insurance Company (CVMIC) to provide coverage for its excess liability insurance coverage. Settled claims have not exceeded the CVMIC coverage in any of the last three years. All other risks are covered through the purchase of commercial insurance, with minimal deductibles. There has been no reduction in insurance coverage from coverage in prior years. Settled claims have not exceeded commercial insurance in any of the last three years.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 8 RISK MANAGEMENT (CONTINUED)

Public Entity Risk Pool

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

The WMMIC 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 19, 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 WMMIC.

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 WMMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

The initial investment in WMMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$284,938 in the insurance internal service fund.

The City pays an annual premium to CVMIC for its general liability, police liability, professional liability, public officials liability and vehicle liability coverages. The City's retained liability is limited to \$17,500 per occurrence and an annual aggregate limit of \$70,000. An actuarially determined estimate has not been recorded for this liability, as well as for claims incurred but not reported at December 31, 2017. Changes in the fund's claims loss liability follow:

	Liability January 1	Incurred Claims	Claim Payments	Liability December 31
2017	\$ 11,675	\$ 1,675	\$ 11,675	\$ 11,675
2016	10,000	1,675	6,122	10,000
2015	16,122			16,122
2014	10,000	6,122		10,000
2013		10,000		10,000

Premiums paid to CVMIC for insurance coverage are recorded in a self-insurance internal service fund (governmental activities column of government-wide statement of activities). The self-insurance fund charges various City departments and operations for their portion of insurance coverage for the year.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 9 WISCONSIN PUBLIC POWER INCORPORATED (WPPI)

The electric utility is one of 51 WPPI member municipalities located throughout the States of Wisconsin, Iowa, and Michigan. On December 1, 1989, each initial WPPI member commenced purchasing electric service from WPPI under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI members to pay for power and energy requirements supplied or made available by WPPI at rates sufficient to cover WPPI's revenue requirement including power supply costs, administrative expenses and debt service. WPPI's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI obligations. The long-term contract provides that all payments to WPPI constitute operating expenses of the electric utility payable from any operating and maintenance fund established for that system.

In 2015 and 2016, all but two of WPPI Energy members ratified an extension to their existing contracts. The new contract expires at midnight on December 31, 2055. The contract for the remaining members expires on December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract is \$388 million as of December 31, 2017.

NOTE 10 ENVIRONMENTAL REMEDIATION TAX INCREMENT DISTRICT

The City of New London, Wisconsin Environmental Remediation Tax Incremental District No. 1 was created under the provisions of Wisconsin Statute Section 66.1106. The purpose of that section is to allow a municipality to recover costs incurred in brownfield remediation projects from the property taxes generated in the increased value of the property after the creation of the District. The tax on the increased value is called a tax increment.

Project costs may be incurred up to 15 years after the base is certified. The statutes allow the municipality to collect tax increments until the net project costs have been fully recovered, or a maximum of 23 years after the base was certified.

Environmental Remediation District No. 1	Date Base Certified	Last Day to Incur Project Costs	Final Dissolution Date
	1/1/01	12/31/15	12/31/23

At December 31, 2017, the amounts recoverable by the City from future excess tax increments was \$259,008. This amount does not include any interest on advances from the general fund to finance the remediation costs.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 11 CONTINGENT LIABILITIES

- The City has identified the following items as potential liabilities not recorded on the financial statements:
1. The City participates in a number of federal and state assistance programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.
 2. From time to time, the City is party to various claims and legal proceedings. Although the outcome of such matters cannot be forecast 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.

NOTE 12 SIGNIFICANT CUSTOMERS

The water and electric utility have two significant customers who were responsible for 30% of water operating revenues and 44% of electric operating revenues in 2017.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 13 NET POSITION/FUND BALANCES

GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2017 includes the following:

Nonspendable:		
Unpaid special charges	\$	6,416
Delinquent personal property taxes		2,827
Prepaid items		51,694
Advance to other funds		259,008
Total nonspendable	\$	<u>319,945</u>
Restricted:		
Cemetery perpetual care	\$	329,163
Community development		337,079
Tourism		55,169
Debt service		81,313
Donor restricted:		
Library and museum		322,347
Community cupboard		81,063
Total restricted	\$	<u>1,206,134</u>
Assigned:		
General Fund:	\$	468
New library		245,177
Cable TV reserve		80,158
Boat launch		21,000
Phone upgrade		39,934
Trails/ATC		97,579
Downtown Façade/Economic Development		495,000
Retirement reserve		4,006
Downtown revitalization		44,357
Technology		15,000
Weather sirens		18,564
Wellness		50,000
Succession planning		330,469
Length of service awards program		723,228
Subsequent year budget-tax equivalent		
Total assigned	\$	<u>2,164,940</u>

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 13 NET POSITION/FUND BALANCES (CONTINUED)

The following nonmajor funds had a fund balance deficit at December 31, 2017:

Environmental TID	\$ 259,008
Grant Reimbursement	8,719
Total (deficit)	<u>\$ 267,727</u>

GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at December 31, 2017 includes the following:

Net investment in capital assets	
Land and construction in progress	\$ 1,998,153
Other capital assets, net of accumulated depreciation	16,521,815
Less: long-term debt outstanding	(6,267,989)
(excluding noncapital related debt proceeds)	<u>12,251,979</u>
Total net investment in capital assets	

Restricted for:

Investment in CVMIC	284,938
Endowments	322,347
Economic development	401,346
Housing rehabilitation	942,763
Perpetual care	329,163
Tourism	55,169
Debt service	52,731
Donor restricted community cupboard	81,063
Total restricted	<u>2,469,520</u>

Unrestricted
Total governmental activities net position
\$ 21,309,752

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 13 NET POSITION/FUND BALANCES (CONTINUED)

BUSINESS-TYPE ACTIVITIES AND ENTERPRISE FUND NET POSITION

Business-type activities and enterprise fund net position at December 31, 2017 includes the following:

Net investment in capital assets:		\$ 62,066,509
Plant in service		(31,190,958)
Accumulated depreciation		47,976
Property held for future use		<u>30,923,527</u>
Subtotal		
Less: capital related debt		(797,625)
Current portion of capital related long-term debt		(8,560,000)
Long-term portion of capital related long-term debt		(126,926)
Unamortized debt premium		106,277
Unamortized loss of advance refunding		<u>(9,378,274)</u>
Subtotal		
Add: unspent debt proceeds		503,602
Construction funds		94,602
Reserve from borrowing		598,204
Subtotal		<u>22,143,457</u>
Total net investment in capital assets		

Restricted:

Water and electric utility		
Restricted assets		
Redemption account	83,201	
Reserve account	1,171,777	
Construction account	503,602	
Interest receivable	5,967	
Total restricted assets	<u>1,764,547</u>	

Less: restricted assets not funded by revenues
Reserve from borrowing
Construction account

	(94,602)
	<u>(503,602)</u>
Total restricted assets not funded by revenues	(598,204)
Current liabilities payable from restricted assets	<u>(23,201)</u>
Total restricted assets - water and electric utility	1,143,142

Sewer utility

Restricted assets	713,741
DNR equipment replacement	1,856,883
Total restricted net position	<u>3,880,929</u>

Unrestricted

Total business-type activities and enterprise fund net position
\$ 27,881,269

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 14 RESTRICTED ASSETS

A) **Bond Accounts**
Certain proceeds of the utility's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The following revenue bond accounts are reported as restricted assets:

- 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.
- Construction - Used to report bond proceeds restricted for use in construction.

B) **DNR Replacement Account**

As a condition of receiving state funds for wastewater treatment facility construction, the sewer utility has established an account for replacement of mechanical equipment during the life of the facility. The balance at December 31, 2017 was \$713,741.

NOTE 15 DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2017 the various components of deferred inflows of resources reported in the governmental funds were as follows:

Property tax receivable	\$ 3,360,155
Tax increment receivable	405
Special assessments not yet due	313,871
Subsequent period repayments	46,633
Loans receivable	1,006,944
Total deferred inflows of resources for governmental funds	<u>\$ 4,728,008</u>

Postponed special assessments are generally collectible on annual installments from one to five years while others have been deferred until the property is sold or placed in service.

The loans receivable of \$1,006,944 represents various loans to local business and homeowners that were originally financed from economic development grants received by the City from the State of Wisconsin. Repayment of principal and interest loans is recorded as revenue in the community development and housing rehabilitation special revenue funds and is used to finance additional development loans.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 16 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount	Principal Purpose
Government Funds:			
General	Internal service	\$ 30,337	Cash flow
General	Housing rehabilitation	19,716	Cash flow
General	Grant reimbursement	8,794	Cash flow
General	Water and electric	723,228	Tax equivalent
	Total	<u>\$ 782,075</u>	
Proprietary Funds:			
Sewer	Water and electric	\$ 112,587	Sewer billings
Sewer	Water and electric	12,625	Joint metering
Sewer	General	14,674	Tax roll items
Water and electric	General	16,115	Tax roll items
	Total	<u>\$ 156,001</u>	

Interfund advances were as follows at December 31, 2017:

Receivable Fund	Payable Fund	Amount
Governmental Funds (Exhibit A-3):		
General	TTD	<u>\$ 259,008</u>

The general fund advanced funds to the environmental remediation tax increment district to pay for environmental costs. To date no specific repayment schedules have been established.

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

The following is a schedule of interfund transfers:

Fund Transferred To:	Fund Transferred From:	Amount	Principal Purpose
General	Water & electric utility	\$ 728,997	Tax equivalent and appropriations
Capital projects	General	476,649	Capital costs
Capital projects	Sewer utility	135,521	Future capital improvements
Grant reimbursement	Capital projects	28,000	Rail project contribution
	Total	<u>\$ 1,369,167</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) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move fund balances whose designated purpose has been removed.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 17

LEASE DISCLOSURES

A) Lessee – Capital Leases

The City has no material outstanding capital leases.

B) Lessee – Operating Leases

The City entered into a lease agreement for facilities. The lease is for a period of 33 years beginning February 15, 2004. Improvements to the facilities of \$496,878 that were paid for by the City in 2003 are considered prepaid rent and are being amortized to expense over the life of the lease for the government-wide statements. The City does not make any payments monthly, annually, or otherwise, for rental of the facilities.

NOTE 18

LANDFILL

The City has retained a consultant to perform monitoring and testing of a landfill. Estimated annual costs are \$25,000 and it is anticipated the monitoring will continue for 10-15 years.

NOTE 19

TAX LEVY LIMIT

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

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

NOTE 20 EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 87, *Leases*. When these become effective, application of these standards may restate portions of these financial statements.

City of New London, Wisconsin
December 31, 2017
Notes to the Basic Financial Statements

NOTE 21

COMMITMENTS/SUBSEQUENT EVENTS

As of December 31, 2017, the City has a riverwall reconstruction, dredging, and floating dock project in process. The total overall budget for the project is \$1,241,505. Through December 31, 2017, the City has incurred approximately \$458,000 in costs. The remainder of costs are scheduled to occur in 2018. \$495,200 of the project is grant funded.

Subsequent to December 31, 2017, the City approved the following:

- Boat launch extension project at a cost of approximately \$173,000.
- Wastewater lift station project at a cost of approximately \$350,000.
- Division Street reconstruction and swimming pool upgrades at a total approximated cost of \$5,000,000. The City will be issuing bonds for long-term financing of these projects.
- Sale of approximately \$3,785,000 in mortgage revenue bonds for financing improvements to the City's sewerage, water and electric system.

**Exhibit B-1
Required Supplementary Information**

**City of New London, Wisconsin
Budgetary Comparison Schedule for the General Fund
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Taxes	\$ 2,731,427	\$ 2,731,427	\$ 2,742,268	\$ 10,841	\$ 10,841
Special assessments	1,200	1,200	117,298	116,098	116,098
Intergovernmental	2,414,162	2,414,162	2,453,808	39,646	39,646
Licenses and permits	109,769	109,769	150,626	40,857	40,857
Fines and forfeitures	103,000	103,000	76,627	(26,373)	(26,373)
Public charges for services	321,025	321,025	370,214	49,189	49,189
Intergovernmental charges for services	61,481	61,481	64,265	2,784	2,784
Interdepartmental charges for services	8,700	8,700	8,700		
Interest income	41,500	41,500	165,265	123,765	123,765
Miscellaneous	55,921	55,921	247,193	191,272	191,272
Total revenues	5,848,185	5,848,185	6,396,264	548,079	548,079
EXPENDITURES					
Current:					
General government	1,187,832	1,159,105	1,167,083	20,749	(7,978)
Public safety	2,378,576	2,355,779	2,281,029	97,547	74,750
Public works	929,647	952,258	951,062	(21,415)	1,196
Health and human services	190,725	177,081	177,788	12,637	(707)
Culture and recreation	1,905,007	1,818,113	1,852,004	53,003	(33,891)
Total expenditures	6,591,787	6,462,336	6,428,966	162,821	33,370
Excess (deficiency) of revenues over expenditures	(743,602)	(614,151)	(32,702)	710,900	581,449
OTHER FINANCING SOURCES					
Transfer from other funds	743,602	743,602	728,997	(14,605)	(14,605)
Transfer to other funds		(129,451)	(476,649)	(476,649)	(347,198)
Net change in fund balances			219,646	219,646	219,646
Fund balance-beginning of year	7,028,654	7,028,654	7,028,654		
Fund balance-end of year	\$ 7,028,654	\$ 7,028,654	\$ 7,248,300	\$ 219,646	\$ 219,646

Required Supplementary Information

General government	1,187,832	1,159,105	1,167,083	20,749	(7,978)
Public safety	2,378,576	2,355,779	2,281,029	97,547	74,750
Public works	929,647	952,258	951,062	(21,415)	1,196
Health and human services	190,725	177,081	177,788	12,637	(707)
Culture and recreation	1,905,007	1,818,113	1,852,004	53,003	(33,891)
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Net change in fund balances			219,646	219,646	219,646
Fund balance-beginning of year	7,028,654	7,028,654	7,028,654		
Fund balance-end of year	\$ 7,028,654	\$ 7,028,654	\$ 7,248,300	\$ 219,646	\$ 219,646

See accompanying Notes to Required Supplementary Information

Exhibit B-2
City of New London, Wisconsin
Wisconsin Retirement System Schedules
December 31, 2017

Exhibit B-3
Required Supplementary Information

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

Last 10 Calendar Years*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2016	0.03345700%	\$ 275,765	\$ 4,355,589	6.33%	99.12%
2015	0.03354071%	545,030	4,223,351	12.91%	98.20%
2014	(0.03388466%)	(832,071)	4,187,310	(19.87%)	102.74%

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

SCHEDULE OF CONTRIBUTIONS

Last 10 Calendar Years**

Year ended December 31,	Contributions in relation to		Contributions as a percentage of covered- employee payroll	
	Contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	employee payroll
2017	\$ 360,241	\$(360,241)	\$ 4,554,547	7.91%
2016	322,557	(322,557)	4,355,589	7.41%
2015	320,019	(320,019)	4,223,351	7.58%

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

City of New London, Wisconsin
Length of Service Awards Program Pension Plan Schedules
For the Year Ended December 31, 2017

SCHEDULE OF CHANGES IN PENSION LIABILITY AND RELATED RATIOS

	Last 10 Years	Year Ended December 31 2017
Changes for the Year		
Service Costs		\$ 15,938
Interest		16,972
Change of Benefit Terms		-
Difference Between Expected and Actual Experiences		(1)
Change of Assumptions or Other Inputs		45,870
Benefit Payments		(12,759)
Net Change in Total Pension Liability		66,020
Total Pension Liability - Beginning		515,566
Total Pension Liability - Ending		\$ 581,586

Covered Payroll \$ -

Total Pension Liability as a Percentage of Covered Payroll N/A

The length of service awards program is for volunteer firefighters. Accordingly, there is no covered payroll

City of New London, Wisconsin
Notes to the Required Supplementary Information
December 31, 2017

NOTE 1 BUDGET SCHEDULE

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

The City budget is adopted in accordance with state law. The original budget amounts in the required supplemental information include appropriations authorized in the original budget resolution. Revisions to the original budget are required by a statutory provision, which states that no expenditures can be made from an expired appropriation. The statutes also require publication of the budget revisions. Revisions require a majority vote of the Common Council. Appropriations for the general fund lapse at year end unless specifically carried forward by council action. No budget is required for the Housing Rehabilitation fund.

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

NOTE 2 EXCESS EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded budget appropriations in the general fund for the year ended December 31, 2017:

Expenditure	Excess Expenditure
General government	\$ 7,978
Health and human services	707
Culture and recreation	33,891

NOTE 3 WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively; therefore, the illustrations do not present similar information for the 7 preceding years.

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

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

NOTE 4 LENGTH OF SERVICE AWARDS PROGRAM PENSION PLAN SCHEDULES

Governmental Accounting Standards Board Statement No. 73 requirements have been implemented prospectively; therefore, the illustrations do not present similar information for the 9 preceding years.

Changes of benefit terms. There were no changes of benefit terms during the year.

Changes of assumptions. There were no changes in the assumptions.

Assets. There are no assets accumulated in a trust that meet the criteria in governmental accounting standards to pay related benefits.

Exhibit C-1
 City of New London, Wisconsin
 Combining Balance Sheet
 Non-major Governmental Funds
 December 31, 2017

	Cemetery Perpetual Care	Tourism	Library and Museum	Community Development	Community Cupboard	Grant Reimbursement	Debt Service	Environmental TIID	Total
ASSETS									
Cash and investments	\$ 329,163	\$ 51,401	\$ 322,347	\$ 337,079	\$ 81,210	\$	\$ 81,313	\$	\$ 1,202,513
Receivables:									
Taxes							629,226	405	629,631
Accounts Loans		3,768		64,267		75			3,843
									64,267
Total assets	\$ 329,163	\$ 55,169	\$ 322,347	\$ 401,346	\$ 81,210	\$ 75	\$ 710,539	\$ 405	\$ 1,900,254
LIABILITIES									
Accounts payable	\$	\$	\$	\$	\$ 147	\$	\$	\$	\$ 147
Due to other funds						8,794			8,794
Advance from other funds							259,008		259,008
Total liabilities					147	8,794	259,008		267,949
DEFERRED INFLOWS OF RESOURCES				64,267			629,226	405	693,898
FUND BALANCES									
Restricted	329,163	55,169	322,347	337,079	81,063		81,313		1,206,134
Unassigned (deficit)						(8,719)		(259,008)	(267,727)
Total fund balances	329,163	55,169	322,347	337,079	81,063	(8,719)	81,313	(259,008)	938,407
Total liabilities, deferred inflows of resources, and fund balances	\$ 329,163	\$ 55,169	\$ 322,347	\$ 401,346	\$ 81,210	\$ 75	\$ 710,539	\$ 405	\$ 1,900,254

Exhibit C-2
 City of New London, Wisconsin
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non-major Governmental Funds
 For the Year Ended December 31, 2017

	Cemetery Perpetual Care	Tourism	Library and Museum	Community Development	Community Cupboard	Grant Reimbursement	Debt Service	Environmental TID	Total
REVENUES									
Taxes	\$	41,974	\$	\$	\$	\$	\$	377	\$ 659,354
Intergovernmental						279,413			279,413
Interest income	60	71	188	1,718	965				3,002
Miscellaneous:									
Loan repayments				36,112					36,112
Other		13	1,024		24,655	76,346			102,038
Total revenues	60	42,058	1,212	37,830	25,620	355,759	617,003	377	1,079,919
EXPENDITURES									
Current:					28,777				28,777
Health and human services									38,691
Culture and recreation			38,691						44,826
Conservation and development		36,100				8,726			359,060
Capital outlay:						358,910		150	
Debt service:							364,205		364,205
Principal retirement							171,485		171,485
Interest and fiscal charges									
Total expenditures		36,100	38,691		28,777	367,636	535,690	150	1,007,044
Excess (deficiency) of revenues over over expenditures	60	5,958	(37,479)	37,830	(3,157)	(11,877)	81,313	227	72,875
OTHER FINANCING SOURCES (USES)									
Transfer in						28,000			28,000
Total other financing sources (uses)						28,000			28,000
Net change in fund balances	60	5,958	(37,479)	37,830	(3,157)	16,123	81,313	227	100,875
Fund balance - beginning of year	329,103	49,211	359,826	299,249	84,220	(24,842)	(259,235)		837,532
Fund balance - end of year	\$ 329,163	\$ 55,169	\$ 322,347	\$ 337,079	\$ 81,063	\$ (8,719)	\$ 81,313	\$ (259,008)	\$ 938,407

FORM OF LEGAL OPINION

(See following pages)

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

June 28, 2018

Re: City of New London, Wisconsin ("Issuer")
\$3,445,000 Sewerage, Water and Electric System Mortgage Revenue Bonds,
Series 2018B, dated June 28, 2018 ("Bonds")

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

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

The Bonds are issued pursuant to Section 66.0621, Wisconsin Statutes, and a resolution adopted by the Common Council of the Issuer on June 12, 2018 (the "Bond Resolution"). Pursuant to the Bond Resolution, the Bonds are issued on a parity with the Issuer's Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2011B, dated August 3, 2011, the Sewerage, Water and Electric System Mortgage Revenue Refunding Bonds, Series 2013B, dated March 7, 2013, and the Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2016B, dated May 26, 2016 (collectively, the "Prior Bonds"). The Issuer covenanted in the Bond Resolution that revenues derived from the operation of the Sewer, Water and Electric System (the "System") of the Issuer which are deposited in the Special Redemption Fund provided by the Bond Resolution (the "Revenues") shall at all times be sufficient to pay the principal of and interest on the Prior Bonds and the Bonds as the same falls due.

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$125,000	___%
2020	130,000	___
2021	130,000	___
2022	135,000	___
2023	140,000	___
2024	145,000	___
2025	150,000	___
2026	150,000	___
2027	160,000	___
2028	165,000	___
2029	170,000	___
2030	175,000	___
2031	180,000	___

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2032	\$190,000	___%
2033	195,000	___
2034	205,000	___
2035	210,000	___
2036	220,000	___
2037	230,000	___
2038	240,000	___

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

The Bonds maturing on December 1, 2028 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on December 1, 2027 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

[The Bonds maturing in the years _____ are subject to mandatory redemption by lot as provided in the resolution authorizing the Bonds, at the redemption price of par plus accrued interest to the date of redemption and without premium.]

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

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

1. The Issuer is duly created and validly existing under the Constitution and laws of the State of Wisconsin with the power to adopt the Bond Resolution, perform the agreements on its part contained therein and issue the Bonds.

2. The Bond Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. The Bonds have been lawfully authorized and issued by the Issuer pursuant to the laws of the State of Wisconsin now in force and are valid and binding special obligations of the Issuer in accordance with their terms payable solely from the Revenues of the System. The Bonds, together with interest thereon, do not constitute an indebtedness of the Issuer nor a charge against its general credit or taxing power.

4. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in

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

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

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

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

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

QUARLES & BRADY LLP

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 New London, Outagamie and Waupaca Counties, Wisconsin (the "Issuer") in connection with the issuance of \$3,445,000 Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2018B, dated June 28, 2018 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on June 12, 2018 (the "Resolution") and delivered to _____ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

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

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

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

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

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

"Final Official Statement" means the Final Official Statement dated June 13, 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 New London, Outagamie and Waupaca Counties, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Administrator of the Issuer who can be contacted at City Hall, 215 North Shawano Street, New London, Wisconsin, phone (920) 982-8500, fax (920) 982-8665.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

"SEC" means the Securities and Exchange Commission.

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

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ending December 31, 2018, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

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

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

1. DEBT - Direct Debt
2. DEBT - Debt Limit
3. VALUATIONS - Current Property Valuations
4. THE BONDS - Description of Water System
5. THE BONDS - Description of Electric System
6. THE BONDS - Description of Sewer System

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 28th day of June, 2018.

(SEAL)

Gary Henke
Mayor

Jackie Beyer
City Clerk

NOTICE OF SALE

**\$3,445,000* SEWERAGE, WATER AND ELECTRIC SYSTEM MORTGAGE REVENUE BONDS,
SERIES 2018B
CITY OF NEW LONDON, WISCONSIN**

Bids for the purchase of \$3,445,000* Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2018B (the "Bonds") of the City of New London, Wisconsin (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on June 12, 2018, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The bid offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

PURPOSE

The Bonds are being issued pursuant to Section 66.0621, Wisconsin Statutes, to provide funds for the public purpose of financing improvements and extensions to the City's Combined Utility System (the "Combined Utility System"). The Bonds are not general obligations of the City but are payable only from and secured by a pledge of income and revenue to be derived from the operation of the Combined Utility System. The Bonds are being issued on a parity with the City's outstanding \$4,450,000 Sewerage, Water & Electric System Mortgage Revenue Bonds, Series 2011B dated August 3, 2011, the \$3,475,000 Sewerage, Water & Electric System Mortgage Revenue Refunding Bonds, Series 2013B dated March 7, 2013, and the \$3,030,000 Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2016B dated May 26, 2016.

DATES AND MATURITIES

The Bonds will be dated June 28, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on December 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$125,000	2026	\$150,000	2033	\$195,000
2020	130,000	2027	160,000	2034	205,000
2021	130,000	2028	165,000	2035	210,000
2022	135,000	2029	170,000	2036	220,000
2023	140,000	2030	175,000	2037	230,000
2024	145,000	2031	180,000	2038	240,000
2025	150,000	2032	190,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

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 Bonds maturing on or after December 1, 2028 shall be subject to optional redemption prior to maturity on December 1, 2027 and on any date thereafter, at a price of par plus accrued interest.

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

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about June 28, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

STATEMENT REGARDING COUNSEL PARTICIPATION

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

SUBMISSION OF BIDS

Bids must not be for less than \$3,401,937, nor more than \$3,651,700, plus accrued interest on the principal sum of \$3,445,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

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

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

A good faith deposit ("Deposit") in the amount of \$68,900 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) "public" means any person other than an underwriter or a related party,

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the Common Council

Jackie Beyer, Clerk
City of New London, Wisconsin

BID FORM

The Common Council
City of New London, Wisconsin

June 12, 2018

RE: **\$3,445,000* Sewerage, Water and Electric System Mortgage Revenue Bonds, Series 2018B**
DATED: **June 28, 2018**

For all or none of the above Bonds, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$3,401,937, nor more than \$3,651,700) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2019	_____ % due	2026	_____ % due	2033
_____ % due	2020	_____ % due	2027	_____ % due	2034
_____ % due	2021	_____ % due	2028	_____ % due	2035
_____ % due	2022	_____ % due	2029	_____ % due	2036
_____ % due	2023	_____ % due	2030	_____ % due	2037
_____ % due	2024	_____ % due	2031	_____ % due	2038
_____ % due	2025	_____ % due	2032		

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$68,900, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about June 28, 2018.

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

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

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale.

By submitting this bid, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

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

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 28, 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 New London, Wisconsin, on June 12, 2018.

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