

# PRELIMINARY OFFICIAL STATEMENT DATED MAY 1, 2018

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

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

**New Issue**

**Rating Application Made: S&P Global Ratings**

## CITY OF EVANSVILLE, WISCONSIN (Rock County)

### \$4,220,000\* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2018A

**BID OPENING:** May 8, 2018, 9:30 A.M., C.T.

**CONSIDERATION:** May 8, 2018, 6:30 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$4,220,000\* General Obligation Promissory Notes, Series 2018A (the "Notes") of the City of Evansville, Wisconsin (the "City") are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes including financing street improvement projects, library improvement projects and public works facilities projects and to effect a current refunding of certain outstanding obligations of the City as more fully described herein. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

**DATE OF NOTES:** May 30, 2018

**MATURITY:** April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$345,000	2023	\$420,000	2027	\$460,000
2020	390,000	2024	430,000	2028	480,000
2021	395,000	2025	440,000		
2022	405,000	2026	455,000		

**MATURITY ADJUSTMENTS:** \* The City reserves the right to increase or decrease the principal amount of the Notes 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:** April 1, 2019 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Notes maturing on April 1, 2026 and thereafter are subject to call for prior optional redemption on April 1, 2025 or any date thereafter, at a price of par plus accrued interest.

**MINIMUM BID:** \$4,177,800.

**MAXIMUM BID:** \$4,473,200.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$84,400 shall be made by the winning bidder by wire transfer of funds.

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

**BOND COUNSEL:** Quarles & Brady LLP

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

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

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



## REPRESENTATIONS

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

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

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

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

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

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

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

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

## CLOSING CERTIFICATES

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

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## COMMON COUNCIL

		<u>Term Expires</u>
Bill Hurtley	Mayor	April 2020
Jim Brooks	Aldersperson	April 2019
Rick Cole	Aldersperson	April 2020
Larry Dobbs	Aldersperson	April 2019
Erika Stuart	Aldersperson	April 2020
Dianne Duggan	Aldersperson	April 2019
Ben Ladick	Aldersperson	April 2020
James Montgomery	Aldersperson	April 2019
Joy Morrison	Aldersperson	April 2020

## ADMINISTRATION

Ian Rigg, City Administrator/Finance Director

Judy Walton, Clerk

## PROFESSIONAL SERVICES

Mark Kopp, City Attorney, Janesville, 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 Evansville, Wisconsin (the "City") and the issuance of its \$4,220,000\* General Obligation Promissory Notes, Series 2018A (the "Notes" or the "Obligations"). Any descriptions or summaries of the Notes, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Notes to be included in the resolution authorizing the sale of the Notes ("Award Resolution") to be adopted by the Common Council on May 8, 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](http://www.ehlers-inc.com) by connecting to the link to the Bond Sales and following the directions at the top of the site.

## THE NOTES

### GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 30, 2018. The Notes will mature on April 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2019, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Notes of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

### OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after April 1, 2026 shall be subject to optional redemption prior to maturity on April 1, 2025 or on any date thereafter, at a price of par plus accrued interest.

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

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

**AUTHORITY; PURPOSE**

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes including financing street improvement projects, library improvement projects and public works facilities projects and to effect a current refunding of the City’s Note Anticipation Note, dated December 1, 2017 (the “Series 2017 Notes”) as follows:

<b>Issue Being Refunded</b>	<b>Date of Refunded Issue</b>	<b>Call Date</b>	<b>Call Price</b>	<b>Maturities Being Refunded</b>	<b>Interest Rates</b>	<b>Principal to be Refunded</b>
Series 2017 Notes	12/01/17	05/30/18	Par	2018	1.82%	<u>\$1,750,000</u>
<b>Total Series 2017 Notes Being Refunded</b>						<b><u>\$1,750,000</u></b>

**ESTIMATED SOURCES AND USES\***

**Sources**

Par Amount of Notes	\$4,220,000	
Transfer from Debt Service Fund	180,849	
Interest Earnings	<u>1,000</u>	
<b>Total Sources</b>		<b>\$4,401,849</b>

**Uses**

Project Costs	\$2,545,000	
Deposit to Refunding Fund	1,755,849	
Estimated Discount	42,200	
Finance Related Expenses	55,575	
Rounding/Contingency	<u>3,225</u>	
<b>Total Uses</b>		<b>\$4,401,849</b>

\*Preliminary, subject to change

**SECURITY**

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

## **RATING**

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

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

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

## **CONTINUING DISCLOSURE**

In order to assist the underwriters in complying with 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 Notes. 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 Notes and their market price.

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

## **LEGAL OPINION**

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

## **STATEMENT REGARDING COUNSEL PARTICIPATION**

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

## **TAX EXEMPTION**

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

"The interest on the Notes is excludable from federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Notes is included in adjusted current earnings. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The City has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes."

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

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

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

## **Original Issue Discount**

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



federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

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

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

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Bonds, a portion of the original issue discount that is accrued in each year will be included in adjusted current earnings for purposes of calculating the corporation's alternative minimum tax liability. Corporate owners of any Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018.

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

## **Bond Premium**

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

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction

for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

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

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **MUNICIPAL ADVISOR**

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

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

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

## **INDEPENDENT AUDITORS**

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

## RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

# VALUATIONS

## WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

### **Equalized Value**

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

### **Assessed Value**

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

## CURRENT PROPERTY VALUATIONS

2017 Equalized Value	\$370,948,600
2017 Equalized Value Reduced by Tax Increment Valuation	\$358,790,700
2017 Assessed Value	\$353,957,000

## 2017 EQUALIZED VALUE BY CLASSIFICATION

	<b>2017 Equalized Value</b>	<b>Percent of Total Equalized Value</b>
Residential	\$ 299,266,100	80.676%
Commercial	56,207,100	15.152%
Manufacturing	8,866,200	2.390%
Agricultural	106,900	0.029%
Undeveloped	20,000	0.005%
Ag Forest	1,400	0.000%
Personal Property	6,480,900	1.747%
Total	<u>\$ 370,948,600</u>	<u>100.000%</u>

## TREND OF VALUATIONS

<b>Year</b>	<b>Assessed Value</b>	<b>Equalized Value<sup>1</sup></b>	<b>Percent Increase/Decrease in Equalized Value</b>
2013	\$ 334,435,300	\$ 318,005,800	0.59%
2014	338,175,300	318,725,500	0.23%
2015	342,331,700	333,992,400	4.79%
2016	348,363,500	351,338,400	5.19%
2017	353,957,000	370,948,600	5.58%

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

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

## LARGER TAXPAYERS

<b>Taxpayer</b>	<b>Type of Business/Property</b>	<b>2017 Equalized Value<sup>1</sup></b>	<b>Percent of City's Total Equalized Value</b>
Landmark Services	Commercial	\$ 7,584,051	2.04%
Battery EVH & EVM LLC	Commercial	5,602,885	1.51%
Stoughton Trailer Inc.	Manufacturing	4,181,541	1.13%
Grove Partners LLC	Commercial/Residential	3,703,126	1.00%
Blue Scope (Varco Prudent)	Manufacturing/Commercial	3,225,976	0.87%
Prairie Crossing LLC	Residential	3,075,161	0.83%
Triple B Investment	Commercial/Residential	2,808,444	0.76%
Adevco LLC	Commercial	2,763,904	0.75%
Morning Berg LLC	Commercial	2,286,957	0.62%
Dysis Group	Commercial/Residential	1,761,592	0.47%
<b>Total</b>		<b>\$ 36,993,637</b>	<b>9.97%</b>
City's Total 2017 Equalized Value <sup>2</sup>		\$370,948,600	

**Source:** The City.

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

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

## DEBT

### DIRECT DEBT<sup>1</sup>

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

Total General Obligation Debt (includes the Notes)*	<u>\$ 9,148,991</u>
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#### Revenue Debt (see schedules following)

Total revenue debt secured by water and electric revenues	<u>\$ 5,980,000</u>
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Total revenue debt secured by sewer revenues	<u>\$ 2,874,689</u>
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#### Other Long-Term Debt (see schedules following)

Total Other Long-Term Debt	<u>\$ 270,612</u>
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\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Notes.



**CITY OF EVANSVILLE, WISCONSIN**  
 Schedule of Bonded Indebtedness  
 General Obligation Debt  
 (As of May 30, 2018)

Dated Amount	GO Ref. Bonds Series 2009		GO Tax. Ref Bnds Series 2012A		GO Prom Notes Series 2013A		GO Prom Notes Series 2015A		GO Ref. Bonds Series 2017A		State Trust Fund Loan		GO Prom Notes Series 2018A		Total Principal*	Total Interest*	Principal & Interest*	Principal Outstanding*	Principal %Paid*	Year
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
4/30/2009	\$1,205,000		5/24/2012	\$460,000	1/24/2013	\$2,765,000	5/28/2015	\$960,000	8/30/2017	\$1,855,000	9/1/2017	\$717,919	5/30/2018	\$4,220,000*	977,120	52,781	1,237,343	9,148,991	0.00%	2018
Maturity	4/1	4/1	4/1	4/1	4/1	4/1	4/1	4/1	4/1	4/1	3/15	3/15	4/1	4/1	0	260,222	1,272,020	8,171,870	10.69%	2019
Fiscal Year Ending															977,120	202,781	1,272,020	7,102,631	22.37%	2020
2018	65,000	17,949	30,000	4,923	240,000	5,985	60,000	5,300	175,000	18,625	62,120	22,540	345,000	139,440	977,120	52,781	1,237,343	9,148,991	0.00%	2018
2019	70,000	33,168	30,000	9,470	245,000	10,770	90,000	10,210	180,000	34,625	64,239	20,421	390,000	139,440	1,069,239	260,222	1,237,343	8,171,870	10.69%	2019
2020	70,000	30,193	30,000	8,720	245,000	8,100	90,000	9,100	180,000	30,200	64,239	20,421	390,000	96,048	1,069,239	202,781	1,272,020	7,102,631	22.37%	2020
2021	70,000	26,973	30,000	7,835	245,000	4,915	90,000	7,660	175,000	26,650	66,543	18,117	395,000	87,804	1,071,543	179,953	1,251,496	6,031,089	34.08%	2021
2022	75,000	23,525	30,000	6,815	200,000	1,600	90,000	6,085	200,000	22,900	68,872	15,788	405,000	78,799	1,068,872	155,512	1,224,384	4,962,217	45.76%	2022
2023	80,000	19,728	30,000	5,795	200,000	1,600	90,000	4,375	200,000	18,900	71,282	13,378	420,000	68,790	891,282	130,965	1,022,248	4,070,934	55.50%	2023
2024	80,000	15,748	35,000	4,690	200,000	1,600	80,000	2,640	200,000	14,900	73,748	10,913	430,000	57,950	898,748	106,840	1,006,588	3,172,187	65.33%	2024
2025	85,000	11,581	35,000	3,413	200,000	880	80,000	880	200,000	10,800	76,359	8,302	440,000	46,420	926,359	81,395	1,007,754	2,245,828	75.45%	2025
2026	90,000	7,140	35,000	2,048	200,000	650	80,000	650	200,000	6,850	79,031	5,629	455,000	34,110	864,031	55,576	919,608	1,381,797	84.90%	2026
2027	95,000	2,423	35,000	683	200,000	31,370	80,000	2,640	230,000	2,300	81,797	2,863	460,000	7,200	901,797	29,338	931,135	480,000	94.75%	2027
2028	710,000	188,425	290,000	54,390	930,000	31,370	560,000	46,250	1,775,000	186,550	643,991	117,950	4,220,000	637,630	9,148,991	1,262,565	10,411,555	480,000	100.00%	2028

\*Preliminary, subject to change

**CITY OF EVANSVILLE, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Water & Electric Revenue Debt**  
**(As of May 30, 2018)**

Dated Amount	W&E Rev Bonds Series 2009		W&E Rev Bonds Series 2014A		W&E Rev Bonds Series 2016A		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	9/24/2009 \$935,000	5/1	7/2/2014 \$3,165,000	5/1	7/21/2016 \$3,240,000	5/1						
<b>Fiscal Year Ending</b>												
2018					28,618		0	72,348	72,348	5,980,000	0.00%	2018
2019	40,000		310,000		56,210	205,000	555,000	140,295	695,295	5,425,000	9.28%	2019
2020	45,000		320,000		54,064	195,000	560,000	130,651	690,651	4,865,000	18.65%	2020
2021	45,000		325,000		51,610	205,000	575,000	119,415	694,415	4,290,000	28.26%	2021
2022	45,000		335,000		48,610	230,000	610,000	106,645	716,645	3,680,000	38.46%	2022
2023	50,000		335,000		44,983	245,000	630,000	92,260	722,260	3,050,000	49.00%	2023
2024	45,000		350,000		40,791	255,000	650,000	76,334	726,334	2,400,000	59.87%	2024
2025	50,000		360,000		36,185	250,000	660,000	58,935	718,935	1,740,000	70.90%	2025
2026	170,000		12,135		30,210	360,000	530,000	42,345	572,345	1,210,000	79.77%	2026
2027	175,000		4,113		23,145	330,000	505,000	27,258	532,258	705,000	88.21%	2027
2028					18,639	85,000	85,000	18,639	103,639	620,000	89.63%	2028
2029					16,618	80,000	80,000	16,618	96,618	540,000	90.97%	2029
2030					14,658	80,000	80,000	14,658	94,658	460,000	92.31%	2030
2031					12,646	75,000	75,000	12,646	87,646	385,000	93.56%	2031
2032					10,653	70,000	70,000	10,653	80,653	315,000	94.73%	2032
2033					8,565	75,000	75,000	8,565	83,565	240,000	95.99%	2033
2034					6,240	80,000	80,000	6,240	86,240	160,000	97.32%	2034
2035					3,780	80,000	80,000	3,780	83,780	80,000	98.66%	2035
2036					1,260	80,000	80,000	1,260	81,260	0	100.00%	2036
	665,000		2,335,000		507,483	2,980,000	5,980,000	959,543	6,939,543			

**CITY OF EVANSVILLE, WISCONSIN**  
**Schedule of Bonded Indebtedness**  
**Sewer Revenue Debt**  
**(As of May 30, 2018)**

Fiscal Year Ending	CWF Loan Series 2005		CWF Loan Series 2009		Sewr Rev Bonds Series 2016		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity						
2018							0	36,850	36,850	2,874,689	0.00%	2018
2019							269,787	70,297	340,084	2,604,902	9.38%	2019
2020							276,230	63,406	339,636	2,328,672	18.99%	2020
2021							282,839	56,348	339,187	2,045,833	28.83%	2021
2022							289,618	49,118	338,735	1,756,216	38.91%	2022
2023							296,571	41,710	338,281	1,459,644	49.22%	2023
2024							303,703	34,122	337,825	1,155,941	59.79%	2024
2025							311,019	26,348	337,367	844,922	70.61%	2025
2026							217,019	19,583	236,601	627,904	78.16%	2026
2027							203,815	14,034	217,849	424,088	85.25%	2027
2028							209,253	8,523	217,776	214,836	92.53%	2028
2029							214,836	2,866	217,702	0	100.00%	2029
							2,874,689	423,205	3,297,894			

**CITY OF EVANSVILLE, WISCONSIN**  
**Schedule of Other Long-Term Debt**  
**(As of May 30, 2018)**

Fiscal Year Ending	WPPI Loan		WPPI Loan		WPPI Loan		Total Principal	Total Interest	Principal & Interest & Interest	Principal Outstanding	Principal %Paid	Year
	Dated Amount	Maturity	Principal	Interest	Principal	Interest						
2018	3/25/2010 \$161,000	Monthly	9,427		17,757		29,167	0	29,167	241,444	10.78%	2018
2019	10/1/2011 \$33,994	Monthly	16,160	1,983	30,441	3,400	50,001	0	50,001	191,444	29.26%	2019
2020			5,387	3,400	30,441	3,400	39,228	0	39,228	152,216	43.75%	2020
2021				2,550	30,441		32,990	0	32,990	119,226	55.94%	2021
2022					30,441		30,441	0	30,441	88,785	67.19%	2022
2023					30,441		30,441	0	30,441	58,345	78.44%	2023
2024					30,441		30,441	0	30,441	27,904	89.69%	2024
2025					27,904		27,904	0	27,904	0	100.00%	2025
			30,974	0	228,305	0	270,612	0	270,612			

**DEBT LIMIT**

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

Equalized Value	\$ 370,948,600
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 18,547,430
Less: General Obligation Debt (includes the Notes)*	<u>(9,148,991)</u>
Unused Debt Limit*	<u>\$ 9,398,439</u>

\*Preliminary, subject to change.

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

<b>Taxing District</b>	<b>2017 Equalized Value</b>	<b>% In City</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>City's Proportionate Share</b>
Rock County	\$ 10,907,782,900	3.4008%	\$ 46,915,000	\$ 1,595,485
Blackhawk Technical College District	13,008,450,305	2.8516%	46,810,000	1,334,834
Evansville School District	743,400,392	49.8989%	7,005,000	<u>3,495,418</u>
City's Share of Total Overlapping Debt				<u>\$ 6,425,737</u>

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

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

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Equalized Value \$370,948,600</b>	<b>Debt/ Per Capita 5,238<sup>1</sup></b>
Total General Obligation Debt (includes the Notes)*	\$ 9,148,991	2.47%	\$ 1,746.66
City's Share of Total Overlapping Debt	<u>6,425,737</u>	<u>1.73%</u>	<u>1,226.75</u>
Total*	\$15,574,728	4.20%	\$ 2,973.41

\*Preliminary, subject to change.

## DEBT PAYMENT HISTORY

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

## FUTURE FINANCING

The City plans to close on a \$3,909,139 Clean Water Fund Loan, \$270,000 Sewer Revenue Bonds, and \$655,000 Storm Water Revenue Bonds by June 1, 2018. The City will also be securing a \$1,250,000 Note Anticipation Note within the next 12 months.

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

## TAX LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$4,417,013	100%	\$7.11
2014/15	4,552,794	100%	7.15
2015/16	4,649,088	100%	6.91
2016/17	4,441,812	100%	6.95
2017/18	4,557,801	[ - - - - - In process - - - - - ]	7.51

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:

<b>Year Levied/ Year Collected</b>	<b>Schools<sup>1</sup></b>	<b>County</b>	<b>Local</b>	<b>Other<sup>2</sup></b>	<b>Total</b>
2013/14	\$14.22	\$6.88	\$7.11	\$0.17	\$28.38
2014/15	14.73	6.67	7.15	0.18	28.73
2015/16	14.40	6.66	6.91	0.18	28.15
2016/17	13.08	6.58	6.95	0.18	26.79
2017/18	12.70	6.38	7.51	0.00	26.59

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

## LEVY LIMITS

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

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

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

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



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

## THE ISSUER

### CITY GOVERNMENT

The City was incorporated in 1896 and is governed by a Mayor and an eight-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to two-year terms. The appointed City Administrator/Finance Director and City Clerk are responsible for administrative details and financial records.

### EMPLOYEES; PENSIONS

The City employs a staff of 39 full-time, 15 part-time, and 20 seasonal employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are required to contribute half of the actuarially determined contributions, and the City may not pay the employees' required contribution. The total retirement plan contributions (including both the City's and the employees' contributions) for the fiscal year ended December 31, 2014 were \$314,970. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015") and the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$169,557 and \$159,269 respectively.

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

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

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

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2016, the City reported a liability of \$272,460 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2015 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.01676696% of the aggregate WRS net pension asset as of December 31, 2015.

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

### **Recognized and Certified Bargaining Units**

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

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

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

The following bargaining units represent employees of the City:

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
WPPA	December 31, 2019

### **OTHER POST EMPLOYMENT BENEFITS**

The City does not provide any other post employment benefits.

### **LITIGATION**

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

## **MUNICIPAL BANKRUPTCY**

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

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

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

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

**FUNDS ON HAND** (as of April 19, 2018)

<b>Fund</b>	<b>Total Cash and Investments</b>
City General Fund/ W&L	\$ 6,267,603
WWTP DNR Replacement	733,545
Police	52,595
LGIP Investments	158,631
Hometown Bank	18,540
Revolving Fund Account	87,957
BMO Harris	131,255
Greenwood State Bank	155,854
Wells Fargo/US Treasury	904,377
<b>Total Funds on Hand</b>	<b><u><u>\$ 8,510,357</u></u></b>

## ENTERPRISE FUNDS

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

	2014	2015	2016
<b>Electric &amp; Water</b>			
Total Operating Revenues	\$ 8,887,229	\$ 8,686,175	\$ 8,741,982
Less: Operating Expenses	<u>(8,038,685)</u>	<u>(8,129,975)</u>	<u>(7,632,847)</u>
Operating Income	\$ 848,544	\$ 556,200	\$ 1,109,135
Plus: Depreciation	747,120	776,917	692,569
Interest Income	55,760	55,947	68,933
Miscellaneous non-operating revenue	<u>41,748</u>	<u>43,967</u>	<u>55,914</u>
Revenues Available for Debt Service	<u><u>\$ 1,693,172</u></u>	<u><u>\$ 1,433,031</u></u>	<u><u>\$ 1,926,551</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$ 670,057	\$ 661,161	\$ 931,268
Less: Operating Expenses	<u>(894,144)</u>	<u>(888,648)</u>	<u>(807,903)</u>
Operating Income	\$ (224,087)	\$ (227,487)	\$ 123,365
Plus: Depreciation	427,452	402,269	395,046
Interest Income	<u>16,889</u>	<u>23,675</u>	<u>14,973</u>
Revenues Available for Debt Service	<u><u>\$ 220,254</u></u>	<u><u>\$ 198,457</u></u>	<u><u>\$ 533,384</u></u>

## SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Unaudited <sup>1</sup>	2018 Adopted Budget <sup>2</sup>
Revenues					
Taxes	\$ 1,052,086	\$ 1,244,584	\$ 1,288,632	\$ 1,442,116	\$ 1,891,069
Intergovernmental	772,015	746,576	723,240	678,011	698,535
Licenses and permits	106,941	94,285	92,244	125,889	254,565
Fines, forfeitures and penalties	113,094	86,136	74,187	65,684	80,500
Public charges for services	390,662	398,715	409,595	391,566	432,420
Interest income	14,438	14,077	26,569	18,489	0
Miscellaneous general revenues	47,019	60,401	62,741	44,478	78,300
Total Revenues	<u>\$ 2,496,255</u>	<u>\$ 2,644,774</u>	<u>\$ 2,677,208</u>	<u>\$ 2,766,233</u>	<u>\$ 3,435,389</u>
Expenditures					
Current:					
General government	\$ 476,086	\$ 455,403	\$ 439,809	\$ 402,598	\$ 434,955
Public safety	1,427,564	1,441,830	1,484,126	1,634,614	1,678,699
Public works	752,418	758,756	766,798	811,361	922,393
Health and social services	35,610	36,110	36,133	36,110	38,760
Culture, recreation and education	248,259	268,601	273,639	283,838	291,632
Conservation and development	90,176	101,466	106,703	88,243	116,900
Total Expenditures	<u>\$ 3,030,113</u>	<u>\$ 3,062,166</u>	<u>\$ 3,107,208</u>	<u>\$ 3,256,764</u>	<u>\$ 3,483,339</u>
<b>Excess of revenues over (under) expenditures</b>	\$ (533,858)	\$ (417,392)	\$ (430,000)	\$ (490,531)	\$ (47,950)
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	439,023	440,375	419,384	414,379	47,950
Operating transfers out	0	0	(116,082)	0	
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 439,023</u>	<u>\$ 440,375</u>	<u>\$ 303,302</u>	<u>\$ 414,379</u>	<u>\$ 47,950</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	\$ (94,835)	\$ 22,983	\$ (126,698)	\$ (76,152)	\$ 0
General Fund Balance January 1	2,304,642	2,209,807	2,232,790	2,106,092	2,029,940
General Fund Balance December 31	<u>\$ 2,209,807</u>	<u>\$ 2,232,790</u>	<u>\$ 2,106,092</u>	<u>\$ 2,029,940</u>	<u>\$ 2,029,940</u>
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	826,500	696,283	710,649		
Restricted	87,046	85,961	83,900		
Committed	0	0	0		
Assigned	0	0	0		
Unassigned	1,296,261	1,450,546	1,311,543		
<b>Total</b>	<u>\$ 2,209,807</u>	<u>\$ 2,232,790</u>	<u>\$ 2,106,092</u>		

<sup>1</sup> Unaudited data is as of December 31, 2017.

<sup>2</sup> The 2018 budget was adopted on November 14, 2017 and amended on April 10, 2018.

# GENERAL INFORMATION

## LOCATION

The City of Evansville, with a 2010 U.S. Census population of 5,012 and a current estimated population of 5,238 comprises an area of 2,110 acres and is located approximately 23 miles south of Madison.

## LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Land Mark Service Co-op	Agronomy center/grain storage	400
Evansville Community School District	Elementary and secondary education	256
Vacro-Pruden Buildings	Manufacturing	216
Stoughton Trailer	Manufacturing	170 <sup>2</sup>
Evansville Manor	Nursing home	150
Baker Manufacturing Co.	Manufacturing	118
City of Evansville	Municipal government and services	74
Piggly Wiggly	Grocery store	65
Evansville Auto Auction	Wholesale auto auction	50
Union Bank and Trust Co.	Commercial bank	49

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

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<sup>1</sup> 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.

<sup>2</sup> This is the number for the Evansville location only.



## BUILDING PERMITS

	2014	2015	2016	2017	2018 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	11	25	34	22	8
Valuation	\$1,815,000	\$3,300,000	\$4,361,500	\$4,000,000	\$1,480,000
<u>New Multiple Family Buildings</u>					
No. of building permits	5	5	0	2	0
Valuation	\$1,010,000	\$950,000	\$0	\$525,000	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	5	1	0	3	1
Valuation	\$2,603,850	\$70,000	\$0	\$3,000,000	\$2,700,000
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	174	203	34	203	56
Valuation	\$7,057,738	\$6,067,474	\$4,361,500	\$11,037,000	\$5,000,000

**Source:** The City.

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<sup>1</sup> As of April 18, 2018.

## U.S. CENSUS DATA

### Population Trend: City of Evansville

2000 U.S. Census	4,039
2010 U.S. Census	5,012
2017 Estimated Population	5,238
Percent of Change 2000 - 2010	24.09%

### Income and Age Statistics

	City of Evansville	Rock County	State of Wisconsin	United States
2016 per capita income	\$27,089	\$25,884	\$29,253	\$29,829
2016 median household income	\$56,198	\$50,968	\$54,610	\$55,322
2016 median family income	\$77,702	\$61,315	\$69,925	\$67,871
2016 median gross rent	\$743	\$749	\$789	\$928
2016 median value owner occupied units	\$162,200	\$132,500	\$167,000	\$184,700
2016 median age	36.3 yrs.	39.1 yrs.	39.1 yrs.	37.7 yrs.

	State of Wisconsin	United States
City % of 2016 per capita income	92.60%	90.81%
City % of 2016 median family income	111.12%	114.48%

### Housing Statistics

	<u>City of Evansville</u>		
	2000	2016	Percent of Change
All Housing Units	1,635	2,190	33.95%

**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](http://www.factfinder2.census.gov)).

## EMPLOYMENT/UNEMPLOYMENT DATA

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

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Rock County	Rock County	State of Wisconsin	State of Wisconsin
2014	77,314	6.1%	5.4%	
2015	79,075	5.2%	4.5%	
2016	80,538	4.6%	4.0%	
2017	82,531	3.7%	3.3%	
2018, February	82,823	3.6%	3.3%	

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

### FINANCIAL STATEMENTS

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

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



**Johnson & Block**  
AND COMPANY, INC.

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Certified Public Accountants

**CITY OF EVANSVILLE**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended December 31, 2016**

*Quality service through our commitment to clients and staff.*

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**City of Evansville  
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Certified Public Accountants

406 Science Drive, Suite 100 • Madison, Wisconsin 53711-1097 • TEL 608-274-2002 • FAX 608-274-4320

## **INDEPENDENT AUDITOR'S REPORT**

July 27, 2017

To the City Council  
City of Evansville  
Evansville, Wisconsin

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

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



### ***Opinions***

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

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through x, the budgetary comparison information on page 48, and the Wisconsin Retirement System schedules on page 49 be presented to the 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.

#### *Supplementary Information*

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

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
Certified Public Accountants  
Madison, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2016

As management of the City of Evansville, we offer readers of the City of Evansville financial statements this narrative overview and analysis of the financial activities of the City of Evansville for the fiscal year ended December 31, 2016. We encourage the reader to consider the information presented here in conjunction with the Independent Auditor's Report at the front of this report and the City's financial statements, which immediately follow this section.

### THE FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net position. You can think of this relationship between revenues and expenses as the City's operating results. You can think of the City's net position, as measured in the Statement of Net Position, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, the City's goal is to provide services that improve the quality of life for our residents, not to generate profits as companies do. For this reason, you will need to consider many other non-financial factors, such as the condition of our roads, in assessing the overall health of our City.

- The assets of the primary government of the City of Evansville exceeded its liabilities as of December 31, 2016, by \$28,155,458 (net position). Of this amount, \$4,958,531 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total general fund expenditures for operations were \$45,157 less than budgeted.
- General fund revenues were less than budgeted amounts by \$401.
- As of December 31, 2016, the City of Evansville's governmental funds reported combined ending fund balances of \$959,209.
- As of December 31, 2016, the unassigned fund balance for the general fund was \$1,311,543, or approximately 42 percent of total general fund expenditures.
- The City of Evansville's governmental liability for long-term debt including compensated absences and long-term debt was \$5,280,353. The business-type debt totaled \$12,331,916.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Evansville's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are the *Statement of Net Position* and *Statement of Activities*. These statements present an aggregate view of the City's finances in a manner similar to private-sector business. The government-wide financial statements can be found on pages 1 and 2 of this report.

- The **statement of net position** presents information on all of the City of Evansville's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Evansville is improving or deteriorating.
- The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City of Evansville that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Evansville include general government, public safety, public works, health and human services, parks and recreation, and conservation and development. The business-type activities of the City of Evansville include the Water and Light Utility, and the Wastewater Treatment Plant or sanitary sewer utility. The Stormwater utility was reclassified as a governmental fund in 2014. Previously, it was reported as a business-type fund.

**Fund financial statements.** The City also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the City-wide statements and provide information that may be useful in evaluating a City's short-term financing requirements. There are two fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund statements focus on short-term inflows and outflows of expendable resources and their impact on fund balance.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Evansville maintains ten individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service, Capital Projects and TIF 5 funds. Data from the remaining seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

The City of Evansville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

**Proprietary funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric and water utilities (Water and Light Committee) and the sewer utility (Public Works Committee), which are considered to be major funds of the City of Evansville. The basic proprietary fund financial statements can be found on pages 7 through 11 of this report.

**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 statements because the resources of those funds are not available to support the City of Evansville's programs. The fiduciary fund maintained by the City of Evansville is the Tax Collection Agency Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Evansville. The basic fiduciary fund financial statement can be found on page 12 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 47 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds is presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 51 and 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1, below, provides a summary of the City's net position for the year ended December 31, 2016.

TABLE 1  
City of Evansville Net Position

	Governmental Activities		Business-Type Activities		Total
	2016	2015	2016	2015	2016
Current and other assets	\$ 4,934,103	\$5,271,841	\$ 7,418,125	\$ 6,419,097	\$ 12,352,228
Capital assets	7,910,301	7,957,241	29,549,237	29,552,130	37,459,538
Total Assets	12,844,404	13,229,082	36,967,362	35,971,227	49,811,766
Deferred Outflows of Resources	1,029,100	301,008	483,824	130,911	1,512,924
Long-term liabilities outstanding	4,773,889	5,207,335	11,287,298	10,713,764	16,061,187
Other liabilities	970,204	885,049	1,809,197	1,792,257	2,779,401
Total Liabilities	5,744,093	6,092,384	13,096,495	12,506,021	18,840,588
Deferred Inflows of Resources	3,665,350	3,127,465	663,294	485,586	4,328,644
Net Position:					
Net investment in capital assets	3,586,544	3,104,660	18,426,363	18,674,200	22,012,907
Restricted	365,309	586,751	818,711	1,127,694	1,184,020
Unrestricted	512,208	618,830	4,446,323	3,308,637	4,958,531
Total Net Position	\$ 4,464,061	\$4,310,241	\$23,691,397	\$23,110,531	\$ 28,155,458
					\$27,420,772

A significant portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$4,958,531, may be used to meet the City's ongoing obligations to citizens and creditors.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Table 2, below, provides a summary of the City's operating results and their impact on net position for the year ended December 31, 2016. In 2016, the governmental activities relied primarily on property taxes (51%), program revenues (38%) and state aids (9%) to fund its operations. Combined, these account for 98% of all revenues or \$5.0 million. Business-type activities relied primarily on program revenues to fund its operations. Utility charges accounted for 98% of business-type revenues.

**TABLE 2  
City of Evansville's Change in Net Position  
2016 and 2015**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,372,798	\$ 1,261,215	\$ 9,607,942	\$ 9,437,744	\$ 10,980,740	\$ 10,698,959
Operating Grants and Contributions	353,514	349,782	14,335	17,155	367,849	367,137
Capital Grants and Contributions	150,472	47,046	70,498	212,310	220,970	259,356
General Revenues:						
Property Taxes	2,566,588	2,505,451	-	-	2,566,588	2,505,451
Grants and Contributions Not Restricted to Specific Programs	471,553	466,731	-	-	471,553	466,731
Unrestricted Interest/Investment Income	35,805	17,425	83,906	74,076	119,711	91,501
Other- Gain (Loss) on Capital Assets	8,051	(9,284)	-	-	8,051	(9,284)
Miscellaneous	43,802	43,351	31,530	19,603	75,332	62,954
Total Revenues	5,002,583	4,681,717	9,808,211	9,761,088	14,810,794	14,442,805
<b>Expenses:</b>						
General Government	513,443	527,651	-	-	513,443	527,651
Public Safety	2,097,398	1,968,519	-	-	2,097,398	1,968,519
Public Works	1,296,703	1,151,166	-	-	1,296,703	1,151,166
Health & Human Services	145,860	147,596	-	-	145,860	147,596
Culture and Recreation	801,640	788,532	-	-	801,640	788,532
Conservation and Development	144,419	109,625	-	-	144,419	109,625
Interest on Long-Term Debt	268,684	329,582	-	-	268,684	329,582
Electric and Water	-	-	7,909,405	8,325,574	7,909,405	8,325,574
Sewer	-	-	898,556	982,302	898,556	982,302
Total Expenses	5,268,147	5,022,671	8,807,961	9,307,876	14,076,108	14,330,547
Increase (Decrease) in Net Position Before Transfers	(265,564)	(340,954)	1,000,250	453,212	734,686	112,258
Transfers	419,384	440,375	(419,384)	(440,375)	-	-
Increase (Decrease) in Net Position	153,820	99,421	\$80,866	12,837	734,686	112,258
Net Position - January 1	4,310,241	4,210,820	23,110,531	23,097,694	27,420,772	27,308,514
Net Position - December 31	\$ 4,464,061	\$ 4,310,241	\$ 23,691,397	\$ 23,110,531	\$ 28,155,458	\$ 27,420,772

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Governmental Activities:** Governmental activities increased the City's net position by \$153,820. **Business-type activities:** Business-type activities increased City of Evansville's net position by \$580,866. Key elements of this increase are as follows:

- The City's electric and water utility had a change in net position of \$606,207. This was a result of decreased maintenance and professional services and purchased power costs, along with a slight increase in operating revenues.
- The City's sewer had a decrease in net position of \$25,342.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental funds.** The focus of City of Evansville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$959,209. Of the combined ending fund balance, \$720,010 is nonspendable, \$365,309 is restricted, \$764,792 is committed, and \$123,166 is assigned. The net deficit of \$(1,014,068) in unassigned fund balance is due mainly to the TIF 5 deficit of \$(2,325,611). This deficit has been financed by advances from the general fund, electric and water utility and sewer fund.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$1,311,543, while total fund balance reached \$2,106,092. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42% of total general fund expenditures, while total fund balance represents 68% of that same amount.

During the current year, the City's general fund balance decreased by \$126,698. Key factors in this decrease are as follows:

- The total revenues were \$401 less than budgeted amounts and expenditures were \$45,157 under budget.
- Total transfers in amounted to \$419,384, which was \$35,616 less than budgeted, while total transfers out totaled \$116,082.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)**

**Proprietary funds.** City of Evansville's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail.

The Electric and Water Utility had an increase in net position of \$606,207 in 2016 after deducting a transfer of \$419,384 to the City's General Fund. Net position was \$14,274,027 as of December 31, 2016.

The Wastewater Treatment Plant Utility (Sewer Fund) had a decrease in net position of \$25,342 in 2016. Net position was \$9,417,370 as of December 31, 2016.

The Electric and Water Utility's outstanding debt at December 31, 2016 was \$8,543,965, an increase of \$759,559 over the balance at December 31, 2015. Fixed assets, net of accumulated depreciation, of \$17,374,207 increased \$66,504 from 2015.

The Wastewater Treatment Plant Utility's outstanding debt at December 31, 2016 was \$3,684,441, a decrease of \$69,071 from the balance at December 31, 2015. Fixed assets, net of accumulated depreciation, of \$12,175,030 decreased \$69,397 from 2015.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City of Evansville's general fund expenditures had an original budget of \$3,146,217 and a final budget of \$3,152,365. Actual expenditures totaled \$3,107,208. Budgeted differences can be briefly summarized as follows:

- Actual expenditures were less than budgeted expenditures by \$45,157.
- The general fund had revenues and other financing sources that were less than expenditures and financing uses by \$126,698.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** City of Evansville's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$37,459,538 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, public domain infrastructure (highway and bridges), and construction in progress.

- A summary of the fixed assets is identified below:

	City of Evansville Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 602,043	\$ 602,043	\$ 171,362	\$ 171,362	\$ 773,405	\$ 773,405
Infrastructure Work in Process	82,539	239,170	369,139	459,129	451,678	698,299
Depreciable Capital Assets	13,861,875	13,315,429	44,417,081	43,247,468	58,278,956	56,562,897
Accumulated depreciation	(6,636,156)	(6,199,401)	(15,408,345)	(14,325,829)	(22,044,501)	(20,525,230)
Total	\$ 7,910,301	\$ 7,957,241	\$ 29,549,237	\$ 29,552,130	\$ 37,459,538	\$ 37,509,371

Additional information on the City of Evansville's capital assets can be found in Note IV-B on pages 28-30 of this report.

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

**Long-term debt.** At the end of the current fiscal year, the City of Evansville had total debt outstanding of \$17,612,269. Of this amount, \$6,415,956 was backed by the full faith of the City.

- The City's financial results are dependent on two main factors:
  - Having sufficient growth in tax base from new construction to produce sufficient revenue to cover increased costs of current service levels without needing to increase the City's mill rate on assessed value.
  - Being able to provide high-quality services to a growing population while putting off increases in staffing as long as possible.
- Where appropriate, services should be funded by reasonable user charges.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

**City of Evansville Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total
	2016	2015	2016	2015	
2007 GO Comm. Dev. Bonds	\$ 765,000	\$ 810,000	\$ -	\$ -	\$ 765,000
2007 GO Comm. Dev. Bonds	2,290,000	2,440,000	-	-	2,290,000
2009 GO Refunding Notes	830,000	890,000	-	-	830,000
2011 STFL	25,956	50,969	-	-	25,956
2005 CWFL	-	-	814,256	894,603	814,256
2009 CWFL	-	-	2,396,320	2,548,883	2,396,320
2005 Mortgage Revenue Bonds	-	-	-	180,000	180,000
2007 Mortgage Revenue Bonds	-	-	120,000	2,040,000	120,000
2009 Water Revenue Bonds	-	-	750,000	795,000	750,000
2014 Revenue Bonds	-	-	2,940,000	3,055,000	2,940,000
2016 Revenue Bonds	-	-	3,425,000	-	3,425,000
2010 WPPI Loan	-	-	53,865	70,026	53,865
2011 WPPI Loan	16,149	19,546	-	-	16,149
2015 WPPI Loan	-	-	273,965	304,406	273,965
2012 GO Bond	350,000	380,000	-	-	350,000
2013 GO Notes	485,000	565,000	1,155,000	1,080,000	1,640,000
2015 GO Notes	215,000	390,000	300,000	570,000	515,000
Compensated absences	303,248	280,217	103,510	122,507	406,758
<b>Total</b>	<b>\$ 5,280,353</b>	<b>\$ 5,825,732</b>	<b>\$ 12,331,916</b>	<b>\$ 11,660,425</b>	<b>\$ 17,612,269</b>

Additional information on the City's long-term debt can be found in Note III-D on pages 32-38 of this report.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Evansville's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Evansville Finance Department, 31 South Madison Street, Evansville, Wisconsin, 53536. General information relating to the City of Evansville, Wisconsin, can be found at the City's website, <http://www.ci.evansville.wi.gov>.

**City of Evansville, Wisconsin**

**Statement of Net Position  
December 31, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Investments	\$ 2,773,386	\$ 2,069,134	\$ 4,842,520
Receivables	3,576,960	1,419,350	4,996,310
Internal Balances	(1,454,119)	1,454,119	-
Inventories	-	145,069	145,069
Other assets	37,876	207,617	245,493
Restricted Assets			
Cash and Investments	-	2,122,836	2,122,836
Capital Assets			
Land, improvements, and construction in progress	684,582	540,501	1,225,083
Other Capital Assets, net of depreciation	7,225,719	29,008,736	36,234,455
Net Capital Assets	<u>7,910,301</u>	<u>29,549,237</u>	<u>37,459,538</u>
Total Assets	<u>12,844,404</u>	<u>36,967,362</u>	<u>49,811,766</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows	<u>1,029,100</u>	<u>483,824</u>	<u>1,512,924</u>
Total Deferred Outflows of Resources	<u>1,029,100</u>	<u>483,824</u>	<u>1,512,924</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 13,873,504</u>	 <u>\$ 37,451,186</u>	 <u>\$ 51,324,690</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 228,110	\$ 618,000	\$ 846,110
Net Pension Liability	185,329	87,131	272,460
Long-Term Liabilities			
Due Within One Year			
Bonds and Notes	444,355	1,028,982	1,473,337
Accrued Interest	50,301	59,448	109,749
Compensated Absences	62,109	15,636	77,745
Due in More Than One Year			
Bonds and Notes	4,532,750	11,199,424	15,732,174
Compensated Absences	241,139	87,874	329,013
Total liabilities	<u>5,744,093</u>	<u>13,096,495</u>	<u>18,840,588</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>3,665,350</u>	<u>663,294</u>	<u>4,328,644</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,586,544	18,426,363	22,012,907
Restricted for:			
Other Purposes	365,309	818,711	1,184,020
Unrestricted	<u>512,208</u>	<u>4,446,323</u>	<u>4,958,531</u>
Total Net Position	<u>4,464,061</u>	<u>23,691,397</u>	<u>28,155,458</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 13,873,504</u>	<u>\$ 37,451,186</u>	<u>\$ 51,324,690</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

Statement of Activities  
For the Year Ended December 31, 2016

Functions/Programs Primary government	Program Revenue			Net (Expense) Revenue and Changes in Net position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
General Government	\$ 513,443	\$ -	\$ -	\$ (381,926)	\$ -	\$ (381,926)
Public Safety	2,097,398	49,301	-	(1,580,803)	-	(1,580,803)
Public Works	1,296,703	247,717	147,058	(402,341)	-	(402,341)
Health, Welfare and Sanitation	145,860	42,115	-	(103,745)	-	(103,745)
Culture and Recreation	801,640	206,957	3,414	(534,773)	-	(534,773)
Conservation and Development	144,419	25,328	-	(119,091)	-	(119,091)
Interest on Long-term debt	268,684	-	-	(268,684)	-	(268,684)
Total governmental activities	5,268,147	353,514	150,472	(3,391,363)	-	(3,391,363)
Business-type activities:						
Electric and Water	7,909,405	8,795,462	39,796	-	\$ 925,853	\$ 925,853
Sewer	898,556	812,480	30,702	-	(41,039)	(41,039)
Total business-type activities	8,807,961	9,607,942	70,498	-	884,814	884,814
Total primary government	\$ 14,076,108	\$ 367,849	\$ 220,970	\$ (3,391,363)	\$ 884,814	\$ (2,506,549)
<b>General revenues:</b>						
Taxes:						
Property taxes, levied for general purposes				2,236,597	-	2,236,597
Property taxes, levied for debt service				306,104	-	306,104
Other taxes				23,887	-	23,887
Grants and contributions not restricted to specific programs				471,553	-	471,553
Unrestricted investment earnings				35,805	83,906	119,711
Miscellaneous				43,802	31,530	75,332
Special item - gain (loss) on disposal of asset				8,051	-	8,051
Transfers				419,384	(419,384)	-
Total general revenues and transfers				3,545,183	(303,948)	3,241,235
Change in Net position				153,820	580,866	734,686
Net position - beginning				4,310,241	23,110,531	27,420,772
Net position - ending				\$ 4,464,061	\$ 23,691,397	\$ 28,155,458

City of Evansville, Wisconsin

Balance Sheet  
Governmental Funds  
December 31, 2016

	General Fund	Debt Service	Capital Projects	TIF 5	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,462,957	\$ 87,828	\$ 115,571	\$ -	\$ 1,107,030	\$ 2,773,386
Receivables:						
Taxes	1,438,517	233,850	265,750	117,804	619,135	2,675,056
Special Assessments	300,033	177,529	-	-	55,025	532,587
Accounts	-	-	-	-	32,560	32,560
Loans	235,200	-	-	-	-	235,200
Other	101,321	-	-	236	-	101,557
Prepaid Expenses	28,515	-	-	-	9,361	37,876
Advances Receivable	953,877	-	-	-	-	953,877
Total Assets	\$ 4,520,420	\$ 499,207	\$ 381,321	\$ 118,040	\$ 1,823,111	\$ 7,342,099

**LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES**

Liabilities:						
Accounts Payable	\$ 97,572	\$ -	\$ 52,328	\$ -	\$ 21,190	\$ 171,090
Accrued Liabilities	46,034	-	-	-	10,986	57,020
Due to Other Funds	-	-	-	-	-	-
Advances Payable	-	-	50,000	2,267,960	90,036	2,407,996
Total Liabilities	143,606	-	102,328	2,267,960	122,212	2,636,106
Deferred Inflows of Resources	2,270,722	389,284	265,750	175,691	645,337	3,746,784
Fund Balances (Deficit)						
Nonspendable	710,649	-	-	-	9,361	720,010
Restricted	83,900	-	-	-	281,409	365,309
Committed	-	-	-	-	764,792	764,792
Assigned	-	109,923	13,243	-	-	123,166
Unassigned	1,311,543	-	-	(2,325,611)	-	(1,014,068)
Total Fund Balances (Deficit)	2,106,092	109,923	13,243	(2,325,611)	1,055,562	959,209
Total Liabilities, Deferred Inflows and Fund Balances (Deficit)	\$ 4,520,420	\$ 499,207	\$ 381,321	\$ 118,040	\$ 1,823,111	\$ 7,342,099

See accompanying notes to the basic financial statements.

**City of Evansville, Wisconsin**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net  
Position  
December 31, 2016**

Total fund balance, governmental funds	\$	959,209
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		
		7,910,301
<p>The net pension liability is not a current financial usage and is, therefore, not reported in the fund statements.</p>		
		(185,329)
<p>Pension deferred outflows of resources and inflows of resources are actuarially determined by the defined benefit pension plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities. The deferred outflows of resources and inflows of resources are not financial resources and therefore are not reported in the fund statements.</p>		
Deferred Outflows of Resources		1,029,100
Deferred Inflows of Resources		(393,289)
<p>Special assessment and loan receivables are fully accrued and recognized as revenue when the receivable is established for the governmental activities of the Statement of Net Position. They are reported as deferred inflows in the fund financial statements to the extent they are not available.</p>		
		474,723
<p>Some liabilities (such as Notes Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p>		
Bonds and notes - due within one year	444,355	
Bonds and notes - due in more than one year	4,532,750	
Compensated absences - current	62,109	
Compensated absences - non-current	241,139	
Accrued interest	50,301	
		(5,330,654)
Net Position of Governmental Activities in the Statement of Net Position	\$	4,464,061

See accompanying notes to the basic financial statements.



**City of Evansville, Wisconsin**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	General Fund	Debt Service	Capital Projects	TIF 5	Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>						
Property Taxes	\$ 1,281,624	\$ 306,104	\$ 175,650	\$ 134,606	\$ 642,890	\$ 2,540,874
Other Taxes	7,008	-	-	-	20,589	27,597
Special Assessment Revenue	-	25,400	4,612	-	26,203	56,215
Intergovernmental	723,240	-	31,653	1,692	130,302	886,887
License and Permits	92,244	-	-	-	-	92,244
Fines, Forfeits and Penalties	74,187	-	-	-	-	74,187
Public Charges for Services	409,595	-	-	-	561,547	971,142
Interest Income	26,569	9,378	412	-	2,931	39,290
Miscellaneous Income	62,741	23,001	11,572	54,663	125,996	277,973
Total Revenues	<u>2,677,208</u>	<u>363,883</u>	<u>223,899</u>	<u>190,961</u>	<u>1,510,458</u>	<u>4,966,409</u>
<b>EXPENDITURES</b>						
Current:						
General Government	439,809	-	-	500	975	441,284
Public Safety	1,484,126	-	-	-	401,679	1,885,805
Public Works	766,798	-	-	-	227,849	994,647
Health and Human Services	36,133	-	-	-	104,949	141,082
Culture, Recreation and Education	273,639	-	-	-	300,249	573,888
Conservation and Development	106,703	-	443	-	17,000	124,146
Capital Outlay	-	-	579,116	2,797	3,040	584,953
Principal Repayment	-	528,412	-	-	-	528,412
Interest Expense	-	206,153	-	104,774	48,987	359,914
Total Expenditures	<u>3,107,208</u>	<u>734,565</u>	<u>579,559</u>	<u>108,071</u>	<u>1,104,728</u>	<u>5,634,131</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(430,000)</u>	<u>(370,682)</u>	<u>(355,660)</u>	<u>82,890</u>	<u>405,730</u>	<u>(667,722)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	419,384	396,536	168,455	-	36,082	1,020,457
Transfers Out	(116,082)	-	-	(159,444)	(325,547)	(601,073)
Total Other Financing Sources and Uses	<u>303,302</u>	<u>396,536</u>	<u>168,455</u>	<u>(159,444)</u>	<u>(289,465)</u>	<u>419,384</u>
Net Change in Fund Balances	<u>(126,698)</u>	<u>25,854</u>	<u>(187,205)</u>	<u>(76,554)</u>	<u>116,265</u>	<u>(248,338)</u>
Fund Balances (Deficits) - Beginning	<u>2,232,790</u>	<u>84,069</u>	<u>200,448</u>	<u>(2,249,057)</u>	<u>939,297</u>	<u>1,207,547</u>
Fund Balances (Deficits) - Ending	<u>\$ 2,106,092</u>	<u>\$ 109,923</u>	<u>\$ 13,243</u>	<u>\$ (2,325,611)</u>	<u>\$ 1,055,562</u>	<u>\$ 959,209</u>

See accompanying notes to the basic financial statements.

**City of Evansville, Wisconsin**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to  
the Statement of Activities  
For the Year Ended December 31, 2016**

Net change in fund balances - total governmental funds: \$ (248,338)

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	594,090
Depreciation expenses reported in the statement of activities	<u>(641,030)</u>

Amount by which capital outlays are greater (less) than depreciation in the current period. (46,940)

Compensated absences are reported in the governmental funds as an expenditure when paid, but are reported as a liability in long-term debt in the statement of Net Position when incurred.

Amount by which the compensated absences liability increased (23,031)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

The amount of long-term debt principal payments in the current year is: 568,410

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.

Interest accrual change 3,813

In governmental funds, revenues are reported when measurable and available. In the statements of activities, revenue is reported when earned.

Special assessments revenue accrued in previous years on government-wide	66,130
Developer revenue accrued on government-wide but not on the fund financials	(29,955)

Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments. (136,269)

Change in Net Position of governmental activities \$ 153,820

See accompanying notes to the basic financial statements.

**City of Evansville, Wisconsin**

**Statement of Net Position  
Proprietary Funds  
December 31, 2016**

	<b>Enterprise Funds</b>		
	<b>Electric and Water</b>	<b>Sewer</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,852,815	\$ 216,319	\$ 2,069,134
Receivables			
Taxes	24,307	-	24,307
Special Assessments	1,788	-	1,788
Accounts	1,393,255	-	1,393,255
Due from Other Funds	34,156	-	34,156
Inventories	145,069	-	145,069
Prepaid Expenses	14,075	4,278	18,353
Total Current Assets	3,465,465	220,597	3,686,062
Restricted:			
Restricted Cash and Cash Equivalents	1,440,336	682,500	2,122,836
Total Restricted Assets	1,440,336	682,500	2,122,836
Capital Assets:			
Land and Improvements	76,448	94,914	171,362
Construction Work in Progress	240,128	129,011	369,139
Other Capital Assets	27,894,025	16,523,056	44,417,081
Less Accumulated Depreciation	(10,836,394)	(4,571,951)	(15,408,345)
Net Capital Assets	17,374,207	12,175,030	29,549,237
Noncurrent Assets			
Advances Receivable	1,226,142	227,977	1,454,119
Other Deferred Debits	189,264	-	189,264
Total Noncurrent Assets	1,415,406	227,977	1,643,383
Total Assets	23,695,414	13,306,104	37,001,518
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows	405,985	77,839	483,824
Total Deferred Outflows of Resources	405,985	77,839	483,824
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 24,101,399</b>	<b>\$ 13,383,943</b>	<b>\$ 37,485,342</b>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

Statement of Net Position  
Proprietary Funds  
December 31, 2016

	Enterprise Funds		
	Electric and Water	Sewer	Total
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 553,603	\$ 26,013	\$ 579,616
Accrued Liabilities	77,199	20,633	97,832
Due to Other Funds	-	34,156	34,156
Compensated Absences	15,635	1	15,636
Current Portion of Long-Term Debt:			
Bonds and Notes Payable	750,441	278,541	1,028,982
Total Current Liabilities	<u>1,396,878</u>	<u>359,344</u>	<u>1,756,222</u>
Non-Current Liabilities:			
Long-Term Debt			
Bonds and Notes Payable	7,793,524	3,405,900	11,199,424
Total Long-Term Debt	<u>7,793,524</u>	<u>3,405,900</u>	<u>11,199,424</u>
Other Liabilities			
Compensated Absences	59,011	28,863	87,874
Net Pension Liability	73,113	14,018	87,131
Total Other Liabilities	<u>132,124</u>	<u>42,881</u>	<u>175,005</u>
Total Non-Current Liabilities	<u>7,925,648</u>	<u>3,448,781</u>	<u>11,374,429</u>
Total Liabilities	<u>9,322,526</u>	<u>3,808,125</u>	<u>13,130,651</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>504,846</u>	<u>158,448</u>	<u>663,294</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,935,774	8,490,589	18,426,363
Restricted Assets	136,211	682,500	818,711
Unrestricted	4,202,042	244,281	4,446,323
Total Net Position	<u>14,274,027</u>	<u>9,417,370</u>	<u>23,691,397</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, &amp; NET POSITION</b>	<u>\$ 24,101,399</u>	<u>\$ 13,383,943</u>	<u>\$ 37,485,342</u>

See accompanying notes to the basic financial statements.

City of Evansville, Wisconsin

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

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Electric and Water</u>	<u>Sewer</u>	
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 8,722,217	\$ 812,480	\$ 9,534,697
Other Operating Revenues	19,765	18,788	38,553
Total Operating Revenues	<u>8,741,982</u>	<u>831,268</u>	<u>9,573,250</u>
<b>OPERATING EXPENSES</b>			
Operation and Maintenance	6,940,278	412,857	7,353,135
Depreciation	692,569	395,046	1,087,615
Total Operating Expenses	<u>7,632,847</u>	<u>807,903</u>	<u>8,440,750</u>
Operating Income (Loss)	<u>1,109,135</u>	<u>23,365</u>	<u>1,132,500</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and Investment Revenue	68,933	14,973	83,906
Miscellaneous Non-Operating Revenue	55,914	26,972	82,886
Interest Expense	(190,379)	(90,652)	(281,031)
Net Amortization Revenue (Expense)	(57,808)	-	(57,808)
Total Non-Operating Revenue (Expenses)	<u>(123,340)</u>	<u>(48,707)</u>	<u>(172,047)</u>
Income (Loss) Before Contributions and Transfers	985,795	(25,342)	960,453
Capital Contributions	39,796	-	39,796
Transfers Out	(419,384)	-	(419,384)
Change in Net Position	<u>606,207</u>	<u>(25,342)</u>	<u>580,865</u>
Total Net Position - Beginning	13,667,820	9,442,712	23,110,532
Total Net Position - Ending	<u>\$ 14,274,027</u>	<u>\$ 9,417,370</u>	<u>\$ 23,691,397</u>

See accompanying notes to the basic financial statements.

**City of Evansville, Wisconsin**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016**

	Enterprise Funds		Total
	Electric & Water	Sewer	
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers	\$ 8,692,528	\$ 831,268	\$ 9,523,796
Payments to suppliers	(6,181,522)	(194,191)	(6,375,713)
Payments to employees	(902,446)	(178,686)	(1,081,132)
Taxes paid	(419,384)	-	(419,384)
Net cash provided (used) by operating activities	<u>1,189,176</u>	<u>458,391</u>	<u>1,647,567</u>
<u>Cash Flows From Capital and Related</u>			
<u>Financing Activities:</u>			
Acquisition and construction of plant assets	(770,037)	(314,685)	(1,084,722)
Proceeds from long-term debt	3,240,000	185,000	3,425,000
Principal payments on long-term debt	(2,480,441)	(254,071)	(2,734,512)
Deferred charges	(99,232)	(19,800)	(119,032)
Interest and fiscal charges	(190,379)	(90,652)	(281,031)
Contributions for plant	39,796	-	39,796
Net cash provided (used) for capital and related financing activities	<u>(260,293)</u>	<u>(494,208)</u>	<u>(754,501)</u>
<u>Cash Flows From Investing Activities:</u>			
Interest on investments	68,933	14,973	83,906
Net cash provided (used) for investing activities	<u>68,933</u>	<u>14,973</u>	<u>83,906</u>
Net increase (decrease) in cash and equivalents	997,816	(20,844)	976,972
Cash and equivalents - beginning of year	2,295,335	919,663	3,214,998
Cash and equivalents - end of year	<u>\$ 3,293,151</u>	<u>\$ 898,819</u>	<u>\$ 4,191,970</u>

See accompanying notes to the basic financial statements.

**City of Evansville, Wisconsin**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	Enterprise Funds		
	Electric & Water	Sewer	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 1,109,135	\$ 23,365	\$ 1,132,500
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Non-Operating Revenues	55,914	26,972	82,886
Tax equivalent	(419,384)	-	(419,384)
Depreciation	692,569	395,046	1,087,615
Joint meter allocation	10,964	(10,964)	-
Pension Expense	42,090	1,302	43,392
Changes in Assets and Liabilities:			
Receivables	(49,454)	-	(49,454)
Advances receivable	(193,942)	124,697	(69,245)
Due to/from other funds	101,398	(101,398)	-
Inventories	29,509	-	29,509
Prepays	(2,758)	(352)	(3,110)
Accounts payable	(169,681)	8,464	(161,217)
Other Accrued liabilities	(17,184)	(8,741)	(25,925)
Net cash provided (used) by operating activities	\$ 1,189,176	\$ 458,391	\$ 1,647,567
Reconciliation of cash and cash equivalents to balance sheet accounts			
Cash and investments	\$ 1,852,815	\$ 216,319	\$ 2,069,134
Restricted assets	1,440,336	682,500	2,122,836
Total Cash and Investments	3,293,151	898,819	4,191,970
Cash and cash equivalents- End of year	\$ 3,293,151	\$ 898,819	\$ 4,191,970

See accompanying notes to the basic financial statements.

**City of Evansville, Wisconsin**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2016**

	<b>Tax Agency</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,986,835
Receivables:	
Taxes Receivable	4,747,597
Total Assets	\$ 6,734,432
 <b>LIABILITIES</b>	
Due to Other Governments	\$ 6,734,432
Total Liabilities	\$ 6,734,432

See accompanying notes to the basic financial statements.



**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Evansville, Wisconsin conform to U.S. generally accepted accounting principles as applicable to governmental units.

**A. REPORTING ENTITY**

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

**Discretely Presented Component Unit**

The Evansville Housing Authority

Management of the City has determined that the Housing Authority of the City of Evansville is excluded as a component unit. The Housing Authority is a legally separate organization and appointments to the board of the Housing Authority are approved by the City Council; however, since the City cannot impose its will on the Housing Authority and there is no material financial benefit or burden on the City, the Housing Authority does not meet the criteria for inclusion in the reporting entity. The Authority issues separate financial statements. Financial statements of the Authority can be obtained by contacting the Housing Authority.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

"Government-wide" financial statements are basic financial statements required for all governmental units. The statement of net position and the statement of activities are the two required statements. Both statements are prepared on the full accrual basis. In accordance with accounting standards for governmental units, the city uses the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting is the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note I.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, accounting standards concentrates on major funds versus non-major funds.

**Government-Wide Financial Statements**

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

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 included 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 instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into individual 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 and deferred outflows of resources, liabilities and deferred inflows of resources, net position/fund equity, revenues, and expenditure/expenses.

Funds are organized as 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 and outflows, 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. Total assets and deferred outflows of resources, liabilities and deferred inflows and outflows, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are 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.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

The City reports the following major governmental funds:

Major Governmental

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

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise debt.

Capital Projects Fund – accounts for proceeds from long-term borrowings and other resources to be used for capital improvement projects.

Tax Increment Financing Districts #5 – accounts for proceeds from long-term borrowings and other resources to be used for capital improvement projects in the TIF boundaries.

The City reports the following enterprise funds:

Enterprise Funds

Electric and Water Utility – accounts for the operations of the electric and water system. (Major)

Sewer Utility – accounts for the operations of the sewer system. (Major)

The City reports the following non-major governmental funds:

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 specific purposes.

Emergency Medical Services Fund

Eager Free Public Library Fund

Cemetery Fund

Stormwater Fund

Tourism Commission Fund

Capital Projects Funds – used to account for the proceeds of specific capital improvement projects that are legally restricted to expenditures for specific purposes.

TIF #6

TIF #7

TIF #8

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

In addition, the City reports the following fund types:

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. The Tax Collection Agency Fund is accounted for in the Agency Fund.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**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 deferred outflows of resources, and liabilities and deferred inflows of resources 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 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, electric, stormwater 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.

**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. “Measurable” means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**Fund Financial Statements (Continued)**

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to 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 recognized 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. Delinquent special assessments being held for collection by the county are reported as receivables and reserved fund balance in the debt service fund.

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 inflow of resources is removed from the balance sheet and revenue is recognized.

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

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

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**1. Deposits and 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.

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances.

See footnote III A for additional information.

**2. Receivables**

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

Property tax calendar – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017

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

A provision for uncollectible ambulance accounts receivable of \$15,990 has been made.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**D. ASSETS AND DEFERRED OUTFLOWS, LIABILITIES AND DEFERRED INFLOWS, AND NET POSITION OR EQUITY (Continued)**

**2. Receivables (Continued)**

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".

The City has a loan receivable of \$280,000 secured by a mortgage to finance apartment renovations. The loan is payable in installments of \$11,200 for 25 years with no interest. Payments are deferred for five years following issuance of the first occupancy permits. The funds were secured by a CDBG grant that was recorded as City revenue to offset costs to fund the renovations. The loan repayment will be used to fund a revolving loan fund. A deferred inflow is recorded to offset the receivable in the general fund. The inflow has been accrued in the government-wide statements.

**3. Inventories and Prepaid Items**

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

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

**4. Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. 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. The City had the following restricted cash accounts:

Fund	Amount	Purpose
Electric and water	1,013,607	Bond reserve on revenue bonds
Electric and water	290,518	Special redemption fund
Electric and water	136,211	Water impact fees
Sewer	682,500	Replacement fee
	<u>\$ 2,122,836</u>	

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**D. ASSETS AND DEFERRED OUTFLOWS, LIABILITIES AND DEFERRED INFLOWS, AND NET POSITION OR EQUITY (Continued)**

**5. 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 \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 year for general capital assets and infrastructure assets. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. After 1/1/04, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is not required. The City has not retroactively reported all infrastructure acquired by its governmental fund types. The infrastructure reported only includes additions since January 1, 2004.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. There was no interest required to be capitalized during the current year. The cost of renewals and betterments relating to retirement units are 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
Improvements	10-50 Years
Machinery and Equipment	3-50 Years
Infrastructure	25-50 Years
Water Utility	6.67-150 Years
Electric Utility	6.67-40 Years
Sewer Utility	5-100 Years

**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.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**D. ASSETS AND DEFERRED OUTFLOWS, LIABILITIES AND DEFERRED INFLOWS, AND NET POSITION OR EQUITY (Continued)**

**6. Compensated Absences**

Under terms of employment, City 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, proprietary, and fiduciary 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.

The balance in compensated absences is as follows:

	Governmental	Business-type
Compensated time-off liability	\$ 30,508	\$ 12,860
Accumulated sick leave	241,433	87,580
Vacation and holiday liability	31,307	3,070
	\$ 303,248	\$ 103,510

City employees earn sick leave at various rates depending on the union or nonunion contracts. Employees can accumulate sick leave as follows:

Police	1,080 hours
DPW, Water & Light, Clerical	720 hours
Library	720 hours

One-half the accumulation in excess of 1,080 or 720 hours may be payable in cash at the end of each year or paid for health insurance in retirement at the option of the employee. Sick leave is payable upon termination at their current pay rate times one-half the accumulated sick days up to a maximum number of hours listed above.

**7. Long-Term 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 bond payable, and accrued compensated absences.

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

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**D. ASSETS AND DEFERRED OUTFLOWS, LIABILITIES AND DEFERRED INFLOWS, AND NET POSITION OR EQUITY (Continued)**

**8. 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.

**9. Deferred Outflows and Inflows of Resources**

Deferred outflow of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**10. Equity Classifications**

**Government-Wide Statements**

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation 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.
- 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 do 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.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**D. ASSETS AND DEFERRED OUTFLOWS, LIABILITIES AND DEFERRED INFLOWS,  
AND NET POSITION OR EQUITY (Continued)**

**10. Equity Classifications (Continued)**

**Fund Financial Statements**

Governmental fund equity is classified as fund balance. In the fund financial statements, governmental fund balance is presented in five possible categories:

**Nonspendable** – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

**Restricted** – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – resources which are subject to limitation the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

**Assigned** – resources neither restricted nor committed for which a government has a stated intended use as established by the City Council or a body or official to which the City Council has delegated the authority to assign amounts for specific purposes.

**Unassigned** – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

When restricted and other fund balance resources are available for use, it is the city's policy to use restricted sources first, followed by committed, assigned and unassigned amounts respectively.

**11. Pensions**

For purposes of measuring the net pension liability (asset), 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.

**F. REVENUE RECOGNITION – ENTERPRISE FUNDS**

The City of Evansville Sewer and Stormwater Utility user charges are regulated and established by the City Council. The City of Evansville Electric and Water Utilities operate under service rules, which are established by the Public Service Commission of Wisconsin. Rates charged are regulated by the Public Service Commission. Billings are made to customers on a monthly basis for water, electric, stormwater and sewer service.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**G. INCOME TAXES**

The City of Evansville Utilities are municipal utilities. Municipal utilities are exempt from income taxes and therefore no income tax liability is recorded.

**NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. LIMITATIONS ON THE CITY TAX LEVY**

As part of Wisconsin's Act 25 (2005), legislation was passed that limits the city's future tax levies. In 2008 this legislation was amended and extended. Generally, the city is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the percentage change in the city's equalized value due to new construction. Changes in debt service from one year to the next are generally exempt from this limit.

**B. TAX INCREMENTAL FINANCING DISTRICTS**

The City has four Tax Incremental Districts (TID). The transactions of the Districts are shown in the Capital Projects and Special Revenue Funds. TIDs are authorized by Section 66.1105 of the Wisconsin Statutes. It is a method by which the City can recover its project costs in designated districts of the City. Those costs are recovered through tax increments, which are placed on the tax rolls.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**NOTE III- DETAILED NOTES ON ALL FUNDS**

**A. CASH AND CASH EQUIVALENTS/INVESTMENTS**

As previously discussed, cash for City funds is pooled for investment purposes. At December 31, 2016, the cash and investments consist of the following:

Petty cash/cash on hand	\$ 1,850
Deposits with financial institutions	8,690,614
Wisconsin Local Government Investment Pool	161,577
RESCO stock certificates	54,104
Library investments	44,046
	<u>\$ 8,952,191</u>

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

Statement of Net Position:	
Cash and investments	4,842,520
Restricted cash and investments	2,122,836
Fiduciary Funds:	
Cash and investments	1,986,835
	<u>\$ 8,952,191</u>

Investments Authorized by Wisconsin Statutes

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

- (1) Deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this State if the time deposits mature in not more than three years;
- (2) Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board or other instrumentality of the federal government;
- (3) Bonds or securities of any county, drainage district, VTAE district, village, city, town, district or school district of this State;
- (4) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's investor service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating;
- (5) Bonds or securities issued under the authority of the municipality;
- (6) The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**A. CASH AND CASH EQUIVALENTS/INVESTMENTS (continued)**

- (7) Agreements in which a public depository agrees to repay funds advanced to it by the City plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
- (8) Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- (9) Repurchase agreements with public depositories, with certain conditions.
- (10) Bonds issued by the University of Wisconsin Hospital and Clinics Authority.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity its fair value has to changes in market interest rates. The City has \$161,577 invested in the Local Government Investment Pool (LGIP) which has an average maturity of 61 days.

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 has no investment policy that would further limit its investments choices. As of December 31, 2016, the City's investment in the Wisconsin Local Government Investment Pool was not rated. On a scale of one to five stars, the Mutual Fund was rated four stars by Morningstar Ratings.

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 the possession of another party. The City does not have an investment policy for custodial credit risk.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for demand deposit accounts and \$250,000 for time and savings deposit accounts. Bank accounts and the local government investment pool 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 also has deposits at one of the financial institutions that are secured by collateral of \$9,145,000 held in the name of a third party agent.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**A. CASH AND CASH EQUIVALENTS/INVESTMENTS (Continued)**

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. 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.state.wi.us/Divisions/Budget-and-Finance/LGIP>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the City's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the City.

As of December 31, 2016, the City's deposits with financial institutions in excess of federal depository insurance limits were exposed to custodial credit risk as follows:

Uninsured and collateralized in agents name	\$ 7,360,523
Uninsured and uncollateralized	-
Total	<u>\$ 7,360,523</u>

**B. CAPITAL ASSETS**

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

	Balance 01/01/16	Additions	Retirements	Balance 12/31/16
<b>Governmental Activities</b>				
Non-Depreciable Capital Assets:				
Land	\$ 602,043	\$ -	\$ -	\$ 602,043
Infrastructure CWIP	239,170	312,517	-	82,539
Total Non-Depreciable Capital Assets	841,213	312,517	(469,148)	684,582
Capital Assets being Depreciated				
Land Improvements	2,529,261	62,031	(5,000)	2,586,292
Buildings and Structures	2,736,530	26,407	(117,000)	2,645,937
Equipment	2,896,037	79,179	(82,275)	2,892,941
Infrastructure	5,153,601	583,104	-	5,736,705
Total Capital Assets being Depreciated	13,315,429	750,721	(204,275)	13,861,875
Total Capital Assets	14,156,642	1,063,238	(673,423)	14,546,457
Less Accumulated Depreciation	(6,199,401)	(641,030)	204,275	(6,636,156)
Capital Assets Net of Depreciation	\$ 7,957,241	\$ 422,208	\$ (469,148)	\$ 7,910,301

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General Government	\$ 40,018
Public Safety	74,394
Public Works	334,504
Health and Human Services	5,333
Stormwater	49,684
Culture, Recreation and Education	137,097
Total Governmental Activities Depreciation Expense	\$ 641,030



**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**B. CAPITAL ASSETS (Continued)**

Capital asset activity in the business-type activities for the year ended December 31, 2016 was as follows:

	Balance 01/01/16	Additions	Retirements	Balance 12/31/16
<b>Electric and Water</b>				
Non-Depreciable Capital Assets:				
Land	\$ 76,448	\$ -	\$ -	\$ 76,448
Construction in progress	309,788	240,690	(310,350)	240,128
Total Non-Depreciable Capital Assets	386,236	240,690	(310,350)	316,576
Capital Assets being Depreciated				
Buildings and structures	685,826	104,772	-	790,598
Equipment	1,707,861	18,400	-	1,726,261
Infrastructure	24,665,740	718,750	(7,324)	25,377,166
Total Capital Assets being Depreciated	27,059,427	841,922	(7,324)	27,894,025
Total Capital Assets	27,445,663	1,082,612	(317,674)	28,210,601
Less Accumulated Depreciation	(10,137,960)	(703,534)	5,100	(10,836,394)
Capital Assets Net of Depreciation	\$ 17,307,703	\$ 379,078	\$ (312,574)	\$ 17,374,207

**Wastewater Treatment:**

	Balance 01/01/16	Additions	Retirements	Balance 12/31/16
Non-Depreciable Capital Assets:				
Land	\$ 94,914	\$ -	\$ -	\$ 94,914
Construction in progress	149,341	140,690	(161,020)	129,011
Total Non-Depreciable Capital Assets	244,255	140,690	(161,020)	223,925
Capital Assets being Depreciated				
Buildings and structures	4,837,057	-	-	4,837,057
Equipment	5,234,789	-	-	5,234,789
Infrastructure	6,116,195	335,015	-	6,451,210
Total Capital Assets being Depreciated	16,188,041	335,015	-	16,523,056
Total Capital Assets	16,432,296	475,705	(161,020)	16,746,981
Less Accumulated Depreciation	(4,187,869)	(384,082)	-	(4,571,951)
Capital Assets Net of Depreciation	\$ 12,244,427	\$ 91,623	\$ (161,020)	\$ 12,175,030

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**B. CAPITAL ASSETS (Continued)**

	Balance 01/01/16	Additions	Retirements	Balance 12/31/16
<b>Business-Type Activities</b>				
Non-Depreciable Capital Assets:				
Land	\$ 171,362	\$ -	\$ -	\$ 171,362
Construction in progress	459,129	381,380	(471,370)	369,139
Total Non-Depreciable Capital Assets	630,491	381,380	(471,370)	540,501
Capital Assets being Depreciated				
Buildings and structures	5,522,883	104,772	-	5,627,655
Equipment	6,942,650	18,400	-	6,961,050
Infrastructure	30,781,935	1,053,765	(7,324)	31,828,376
Total Capital Assets being Depreciated	43,247,468	1,176,937	(7,324)	44,417,081
Total Capital Assets	43,877,959	1,558,317	(478,694)	44,957,582
Less Accumulated Depreciation	(14,325,829)	(1,087,616)	5,100	(15,408,345)
Capital Assets Net of Depreciation	\$ 29,552,130	\$ 470,701	\$ (473,594)	\$ 29,549,237

Depreciation expense was charged to functions as follows:

<b>Business-Type Activities</b>	
Water	\$ 177,886
Electric	525,647
Sewer	384,082
Total Business-Type Activities Depreciation Expense	\$ 1,087,615

**C. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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	Purpose
Electric and water			\$ 34,156	Joint meter allocation
Sewer			\$ 34,156	
Subtotal fund financial statements			\$ 34,156	

The principal purpose of these interfunds is due to pooled cash between the governmental funds. In addition, the general fund collects delinquent utility charges that the utilities have placed on the current tax roll. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**C. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (Continued)**

The City has the following interfund advances outstanding:

Receivable Fund	Payable Fund	Amount	Purpose
General	EMS	\$ 49,169	Operations
General	TIF 5	813,841	Capital
General	Capital Projects	50,000	Capital
General	Stormwater	40,867	Capital
Subtotal general fund		<u>953,877</u>	
Electric and water	TIF 5	1,226,142	Capital
Sewer	TIF 5	227,977	Capital
Subtotal fund financial statements		<u>\$ 2,407,996</u>	
Total interfund receivables		\$ 34,156	
Total inter-fund advances		2,407,996	
less inter-fund eliminations		(988,033)	
Internal balances		<u>\$ 1,454,119</u>	

The stormwater fund is set up for repayment with the general fund. Payments of \$16,470 per year include interest at 3.61%. None of the TIF advances are set up for repayment. The interest rate between the TIF 5, Special Revenue Fund and General Fund advances is 5.0% per year. No interest rates exist on the other advances. The advances to the TIF district are anticipated to be repaid from future tax increments.

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

The following is a schedule of interfund transfers:

Transferred to	Transferred from	Amount	Purpose
General	Electric and Water	\$ 419,384	Tax equivalent
Capital	General	80,000	Fund allocation
Capital	EMS	53,455	Fund allocation
Capital	Library	35,000	Fund allocation
Tourism Commission	General	36,082	Prior years activity
Debt service	TIF 5	159,444	Debt payments
Debt service	TIF 6	111,448	Debt payments
Debt service	TIF 7	67,559	Debt payments
Debt service	TIF 8	58,085	Debt payments
Subtotal fund statements		<u>1,020,457</u>	
less inter-fund eliminations		(601,073)	
Total per government-wide statements		<u>\$ 419,384</u>	

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**C. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (Continued)**

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**D. LONG-TERM OBLIGATIONS**

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

	Balance 01/01/16	Issued	Retired	Balance 12/31/16
<b>Governmental Activities</b>				
General obligation notes	\$ 955,000	\$ -	\$ 255,000	\$ 700,000
General obligation bonds	4,520,000	-	285,000	4,235,000
State trust fund loans	50,967	-	25,011	25,956
Total Governmental General Obligation Debt	<u>5,525,967</u>	<u>-</u>	<u>565,011</u>	<u>4,960,956</u>
WPPP loan	19,548	-	3,399	16,149
Compensated absences	280,217	23,031	-	303,248
Total Governmental Long-Term Debt	<u>\$ 5,825,732</u>	<u>\$ 23,031</u>	<u>\$ 568,410</u>	<u>\$ 5,280,353</u>
	Balance	Issued	Retired	Balance
	01/01/16	12/31/16	12/31/16	12/31/16
<b>Business-Type Activities</b>				
General obligation notes	\$ 1,650,000	\$ -	\$ 195,000	\$ 1,455,000
WPPP loan	374,432	-	46,602	327,830
Mortgage revenue bonds	9,513,486	3,425,000	2,492,910	10,445,576
Total bonds and notes	<u>11,537,918</u>	<u>3,425,000</u>	<u>2,734,512</u>	<u>12,228,406</u>
Compensated absences	122,507	-	18,997	103,510
Total Business-Type Activities	<u>\$ 11,660,425</u>	<u>\$ 3,425,000</u>	<u>\$ 2,753,509</u>	<u>\$ 12,331,916</u>

**General Obligation Debt**

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2016 was \$17,566,920. Total general obligation debt outstanding at year-end was \$6,415,956.

**CITY OF EVANSVILLE**  
Notes to Financial Statements  
December 31, 2016

**D. LONG-TERM OBLIGATIONS (Continued)**

The following is a list of long-term obligations at December 31, 2016:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/16	Amounts Due within One Year
<b>Governmental Activities</b>						
General Obligation Debt						
2007 G.O. Community Development Bonds	10/25/2007	4/1/2027	5.6%-6.3%	930,000	\$ 765,000	\$ 45,000
2007 G.O. Community Development Bonds	5/30/2007	4/1/2027	3.7%-4.25%	2,860,000	2,290,000	150,000
2009 G.O. (2008B NAN refunded)	4/30/2009	4/1/2027	2.3%-5.10%	1,205,000	830,000	60,000
2011 STEEL Loan	7/12/2011	3/15/2017	3.75%	144,000	25,956	25,956
2012 Taxable General Obligation Bond	5/24/2012	10/1/2027	1.25%-3.90%	460,000	350,000	30,000
2013 General Obligation Notes	1/24/2013	4/1/2022	0.4%-1.6%	260,000	483,000	75,000
2015 G.O. Notes	5/28/2015	10/1/2025	.5%-2.2%	390,000	215,000	55,000
					4,960,956	440,956
Other Long-Term Debt						
WPPI Note	10/1/2011	10/1/2021	0.00%	33,994	16,149	3,399
Total Governmental Long-Term Bonds and Notes					\$ 4,977,105	\$ 444,355

The purpose of governmental activities long-term debt is to finance various capital improvements and Tax Incremental District planned projects. Debt service requirements to maturity are as follows:

Years	Governmental Activities		
	Principal	Interest	Total
2017	\$ 444,356	\$ 193,787	\$ 638,144
2018	438,399	179,491	617,891
2019	443,399	164,732	608,131
2020	458,400	148,808	607,208
2021	457,550	131,977	589,527
2022-2026	2,250,000	372,263	2,622,263
2027	485,000	11,520	496,520
	\$ 4,977,105	\$ 1,202,579	\$ 6,179,684

**CITY OF EVANSVILLE**  
Notes to Financial Statements  
December 31, 2016

**D. LONG-TERM OBLIGATIONS (Continued)**

**Proprietary Debt**

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/16	Amounts Due within One Year
<b>Business-Type Activities</b>						
Electric and Water						
General Obligation Debt						
2013 General Obligation Notes	1/24/2013	4/1/2022	0.4%-1.6%	\$ 1,390,000	\$ 920,000	\$ 160,000
2015 General Obligation Notes	5/28/2015	10/1/2025	0.5%-2.2%	\$ 330,000	300,000	30,000
Subtotal electric and water general obligation debt					1,220,000	190,000
Mortgage Revenue Bonds						
2007 Mortgage Revenue Bonds	5/30/2007	5/1/2027	4.0-4.125%	\$ 2,615,000	120,000	120,000
2009 Revenue Bonds	9/24/2009	5/1/2022	2.40-4.70%	\$ 935,000	750,000	45,000
2014 Revenue Bonds	7/2/2014	5/1/2025	0.7-3.1%	\$ 3,165,000	2,940,000	300,000
2016 Revenue Bonds	7/21/2016	5/1/2036	0.9-3.15%	\$ 3,240,000	3,240,000	65,000
Subtotal electric and water revenue bonds					7,050,000	530,000
Other Long-Term Debt						
WPPI Loan	11/30/2015	11/28/2025	0%	\$ 304,406	273,965	30,441
Total Electric and Water long-term notes and bonds					8,543,965	750,441
Sewer Utility						
General Obligation Debt						
2015 General Obligation Notes	5/28/2015	10/1/2025	0.5%-2.2%	\$ 240,000	235,000	5,000
Mortgage Revenue Bonds						
2005 Clean Water Fund Debt	7/27/2005	5/1/2025	2.37%	\$ 1,602,737	814,256	82,247
2009 Clean Water Fund Debt	11/25/2009	5/1/2029	2.67%	\$ 3,248,127	2,396,320	156,634
2016 Revenue Bonds	7/29/2016	5/1/2026	1.97%	\$ 185,000	185,000	18,500
Subtotal sewer revenue bonds					3,395,576	257,381
Other Long-Term Debt						
WPPI Loan	3/25/2010	3/25/2020	0%	\$ 161,600	53,865	16,160
Total Sewer long-term notes and bonds					3,684,441	278,541
Total Business-Type Activities long-term notes and bonds					\$ 12,228,406	\$ 1,028,982

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**D. LONG-TERM OBLIGATIONS (Continued)**

The purpose of business type activities long-term debt is to finance capital improvements. Debt service requirements to maturity are as follows:

Years	Business-Type activities Long-term notes and bonds		
	Principal	Interest	Total
2017	\$ 1,028,982	\$ 335,335	\$ 1,364,317
2018	1,045,106	242,722	1,287,828
2019	1,066,388	225,886	1,292,274
2020	1,102,058	207,149	1,309,207
2021	1,118,279	185,290	1,303,569
2022-2026	5,029,690	560,397	5,590,087
2027-2031	1,452,903	115,243	1,568,146
2032-2036	385,000	30,498	415,498
	<u>\$ 12,228,406</u>	<u>\$ 1,902,520</u>	<u>\$14,130,926</u>

**Advanced Refunding**

In 2016, the City issued \$3,240,000 in Water and Electric System Revenue Bonds, Series 2016A maturing May 1, 2017 through May 1, 2036 with an interest rate ranging from 0.9 percent to 3.15 percent to refund \$1,805,000 of 2007 Water and Electric System Revenue Bonds with an interest rate of 4.0 percent to 4.125 percent.

The City completed the 2016A refunding to reduce its total debt service payments over the next 10 years by \$468,899 and to obtain an economic gain (difference between the present value of old and new debt service payments) of \$175,847.

**Other Debt Information**

Estimated payments of accumulated employee benefits, leases and other commitments are not included in the above debt service requirements schedules.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

General long-term obligations do not include water and sewer fund revenue bonds or bond anticipation notes issued in accordance with Wisconsin Statutes. The revenue bonds are secured by water and sewer revenue and are payable solely from water and sewer revenue of the water and sewer funds. The bonds do not constitute general indebtedness of the City.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**D. LONG-TERM OBLIGATIONS (Continued)**

**Bond Covenant Disclosures**

The following information is provided in compliance with the resolution creating the revenue bonds:

**Insurance**

The utilities are 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. Expiration for the following policies is September 1, 2017.

**Insurance**

The utilities are covered under the following insurance policies at December 31, 2016:

Type	Coverage
Valuation Policy	
Buildings and Contents	\$ 15,187,889
Contractors Equipment	1,185,038
Property in the Open	7,514,462
Water Supply	2,860,198
Water Treatment	6,358,281

**CITY OF EVANSVILLE**  
Notes to Financial Statements  
December 31, 2016

**D. LONG-TERM OBLIGATIONS (Continued)**

**Debt Coverage – Water and Sewer**—Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service of the bonds. The coverage requirement was met for both electric and water and sewer as follows:

	<b>Electric and Water</b>	<b>Sewer</b>
Annual debt service 2005 CWFL	\$ -	\$ 100,554
Annual debt service 2009 CWFL	-	218,532
Annual debt service 2005 bonds	183,870	-
Annual debt service 2007 bonds	196,706	-
Annual debt service 2009 bonds	78,473	-
Annual debt service 2014 bonds	180,905	-
Total debt service	639,954	319,086
Ratio	125%	110%
Net Revenues required	<u>\$ 799,943</u>	<u>\$ 350,995</u>

**REVENUES**

Charges for Services	\$ 8,722,217	\$ 812,480
Other Operating Revenues	19,765	18,788
Total Operating Revenues	<u>8,741,982</u>	<u>831,268</u>

**OPERATING EXPENSES**

Operation and Maintenance	6,940,278	412,857
Total expenses for coverage ratio calculation	<u>6,940,278</u>	<u>412,857</u>
Net from operations for coverage ratio calculation	<u>1,801,704</u>	<u>418,411</u>

**NON-OPERATING REVENUES (EXPENSES)**

Interest and Investment Revenue	68,933	14,973
Miscellaneous Non-Operating Revenue	55,914	26,972
Capital Contributions and impact fees received	39,796	-
Net Revenues per bond ordinance	<u>\$ 1,966,347</u>	<u>\$ 460,356</u>
Net Revenues Above (Below) Required Amount	<u>\$ 1,166,404</u>	<u>\$ 109,361</u>

**CITY OF EVANSVILLE**  
Notes to Financial Statements  
December 31, 2016

**D. LONG-TERM OBLIGATIONS (Continued)**

**Number of Customers – Water**

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

	<b>Customers</b>	<b>Sales (000 gals)</b>
Residential	1,917	89,172
Commercial	132	12,575
Industrial	13	5,136
Public Authority	19	6,120
Multifamily	63	7,760
	<u>2,144</u>	<u>120,763</u>

**E. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES**

At the end of the 2016, the various components of deferred inflows of resources reported in the governmental and proprietary funds were as follows:

	<b>Unavailable</b>	<b>Unearned</b>	<b>Total</b>
<b>Governmental Funds</b>			
Property taxes receivable	\$ -	\$ 2,973,882	\$ 2,973,882
Special assessments not yet due	181,637	-	181,637
Loan receivable	235,200	-	235,200
TIF advance interest	292,421	-	292,421
Crime prevention fund	3,258	-	3,258
Other deferred inflows	60,386	-	60,386
Total Deferred Inflows of Resources	<u>\$ 772,902</u>	<u>\$ 2,973,882</u>	<u>\$ 3,746,784</u>
For Governmental Funds			
less special assessments and loan accrued for government-wide statements			(416,837)
less delinquent receivables accrued for government-wide statements			(57,886)
plus WRS pension inflows accrued for government-wide statements			393,289
Deferred inflows of Resources-government wide statements			<u>\$ 3,665,350</u>

**CITY OF EVANSVILLE**  
Notes to Financial Statements  
December 31, 2016

**E. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES (Continued)**

	Unavailable	Unearned	Total
<b>Proprietary Funds</b>			
Wind turbine power	\$ 128,700	-	\$ 128,700
Construction advances	98,352	-	98,352
Regulatory credit	198,593	-	198,593
ATC advance	26,942	-	26,942
WRS pension inflows	184,902	-	184,902
Other deferred inflows	25,805	-	25,805
Total Deferred Inflows of Resources for Proprietary Funds	<u>\$ 663,294</u>	<u>\$ -</u>	<u>\$ 663,294</u>

**F. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES**

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

	Governmental	Water and Light	Sewer	Total Business-type
Capital assets	\$ 7,910,301	\$ 17,374,207	\$ 12,175,030	\$ 29,549,237
less current portion LT debt	(444,355)	(750,441)	(260,041)	(1,010,482)
less LT debt	(4,532,750)	(7,793,524)	(3,424,400)	(11,217,924)
less deferred regulatory credit	-	(198,593)	-	(198,593)
plus bond reserve	-	1,304,125	-	1,304,125
plus debt for non-capital items	653,348	-	-	-
Net investment in capital assets	<u>\$ 3,586,544</u>	<u>\$ 9,935,774</u>	<u>\$ 8,490,589</u>	<u>\$ 18,426,363</u>

**CITY OF EVANSVILLE**  
Notes to Financial Statements  
December 31, 2016

**F. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (Continued)**

The following is a detail schedule of ending fund balances as reported in the fund financial statements:

	Non-spendable	Restricted	Committed	Assigned	Unassigned
<b>General Fund:</b>					
Advances (net of deferred interest)	\$ 661,456	-	-	-	-
Revolving loan	-	76,800	-	-	-
Building improvement grant	-	7,100	-	-	-
Prepaid expenses	28,515	-	-	-	-
Delinquent personal property taxes	20,678	-	-	-	-
Unassigned	-	-	-	-	1,311,543
Total General Fund	<u>710,649</u>	<u>83,900</u>	<u>-</u>	<u>-</u>	<u>1,311,543</u>

**Debt Service Fund:**

Debt service	-	-	-	109,923	-
Total Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,923</u>	<u>-</u>

**Capital Projects Fund:**

Capital outlay	-	-	-	13,243	-
Total Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,243</u>	<u>-</u>

**TIF 5:**

Unassigned (Deficit)	-	-	-	-	(2,325,611)
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**Non-Major Governmental Funds:**

EMS	6,400	-	229,203	-	-
Library	304	-	191,123	-	-
Cemetery	1,969	-	82,903	-	-
Stormwater	688	-	261,563	-	-
Tourism Commission Fund	-	27,658	-	-	-
TIF 6	-	57,608	-	-	-
TIF 7	-	60,415	-	-	-
TIF 8	-	135,728	-	-	-
Total Non-Major Governmental Funds	<u>9,361</u>	<u>281,409</u>	<u>764,792</u>	<u>-</u>	<u>-</u>

Grand Total	<u>\$ 720,010</u>	<u>\$ 3,665,309</u>	<u>\$ 764,792</u>	<u>\$ 1,231,166</u>	<u>\$ (1,014,068)</u>
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The TIF deficit is anticipated to be recovered through future tax increments.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
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**NOTE IV – OTHER INFORMATION**

**A. EMPLOYEE RETIREMENT PLAN**

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 EVANSVILLE**  
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**A. EMPLOYEE RETIREMENT PLAN (Continued)**

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

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. 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 \$159,269 in contributions from the employer. Contribution rates as of December 31, 2016 are:

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

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

At December 31, 2016, the City reported a liability of \$272,460 for its proportionate share of the net pension liability. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.01676696%, which was an increase of 0.00007437% from its proportion measured as of December 31, 2014.

**CITY OF EVANSVILLE**  
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**A. EMPLOYEE RETIREMENT PLAN (Continued)**

For the year ended December 31, 2016, the City recognized pension expense of \$328,324.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 46,092	\$ (573,387)
Changes of assumptions	190,625	-
Net difference between projected and actual earnings on pension plan investments	1,115,529	-
Changes in proportion and difference between Employer contributions and proportionate share of contributions	3,376	(4,804)
Employer contributions subsequent to the measurement date	157,302	-
Total	<u>\$ 1,512,924</u>	<u>\$ (578,191)</u>

\$157,302 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ended December 31:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2017	\$ 352,093	\$ (139,923)
2018	352,093	(139,923)
2019	352,093	(139,923)
2020	293,245	(139,923)
2021	6,099	(18,499)

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

**A. EMPLOYEE RETIREMENT PLAN (Continued)**

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

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

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

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

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



**CITY OF EVANSVILLE**  
Notes to Financial Statements  
December 31, 2016

**A. EMPLOYEE RETIREMENT PLAN (Continued)**

Retirement Funds Asset Allocation Targets and Expected Returns As of December 31, 2015	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	
			7.6 %	4.7 %
U.S. Equities	27	23	7.6	4.7
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
<b>Variable Fund Asset Class</b>				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

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

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

**CITY OF EVANSVILLE**  
Notes to Financial Statements  
December 31, 2016

**A. EMPLOYEE RETIREMENT PLAN (Continued)**

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 1,911,039	\$ 272,460	\$ (1,007,299)

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

**B. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**C. COMMITMENTS AND CONTINGENCIES**

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

In January 2016, a lawsuit was brought against the City for a traffic accident. As on June 2017, the lawsuit was settled. Costs for this lawsuit were covered by the City's insurance.

**CITY OF EVANSVILLE**  
**Notes to Financial Statements**  
**December 31, 2016**

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**C. REGULATORY CREDIT**

In 2004 the Public Service Commission of Wisconsin required regulated utilities to create a deferred regulatory credit account. The amount of the credit was equal to the estimated accumulated depreciation on contributed utility plant as of December 31, 2003. The credit has the effect of reducing the rate base used by the Commission in approving user rates charged by the utilities. The credit is reported in the statement of net position as a liability. The credit is being amortized to non-operating income over a period of 20 years. As of December 31, 2016, the balance was \$198,593.

**D. PURCHASED POWER CONTRACT**

The Evansville Water and Light has a long-term contract and purchases its power from WPPI, Wisconsin Public Power Incorporated. Purchased power expenses were \$5,406,839.

**E. EVANSVILLE FIRE DISTRICT**

The City of Evansville is a participant in the Evansville Fire Protection District ("District"), along with the townships of Brooklyn, Magnolia, Porter and Union. The entire city is within the district. Only portions of the aforementioned townships are included. The District was created on January 1, 1996. The District Board consists of 6 trustees; one from each township and two from the City. The District owns the Fire equipment. A budget is adopted annually by the District and each municipality contributes to the District based on the respective portion of equalized value within the District.

For 2016, the City contributed \$223,938 to the District for dues. The City's portion of the District's 2017 budget is \$230,432. The District issues separate financial statements.

The City has a residual non-equity interest of approximately 55% in the District.

**F. EVANSVILLE MEDICAL EMERGENCY SERVICES**

The City of Evansville provides emergency medical services to the city and portions of the Towns of Union, Brooklyn, Porter and Magnolia. The contract with the participating townships requires a payment of \$20 per capita. For 2016, the City received payments from the Townships in the amount of \$61,820.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EVANSVILLE  
WISCONSIN RETIREMENT SYSTEM  
December 31, 2016**

**Schedules of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (with Variances)  
General Fund  
For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,281,624	\$ 1,281,624	\$ -	-
Other Taxes	3,300	3,300	7,008	3,708
Intergovernmental	726,128	726,128	723,240	(2,888)
License and Permits	83,365	83,365	92,244	8,879
Fines, Forfeits and Penalties	110,500	110,500	74,187	(36,313)
Public Charges for Services	407,320	407,320	409,595	2,275
Interest Income	15,622	21,772	26,569	4,797
Miscellaneous Income	43,600	43,600	62,741	19,141
Total Revenues	<u>2,671,459</u>	<u>2,677,609</u>	<u>2,677,208</u>	<u>(401)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	458,930	452,778	439,809	12,969
Public Safety	1,485,663	1,493,563	1,484,126	9,437
Public Works	775,189	767,189	766,798	391
Health and Human Services	37,260	37,260	36,133	1,127
Culture, Recreation and Education	283,188	287,588	273,639	13,949
Conservation and Development	105,987	113,987	106,703	7,284
Total Expenditures	<u>3,146,217</u>	<u>3,152,365</u>	<u>3,107,208</u>	<u>45,157</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(474,758)</u>	<u>(474,756)</u>	<u>(430,000)</u>	<u>44,756</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (including tax equivalent)	455,000	455,000	419,384	(35,616)
Transfers Out	-	-	(116,082)	(116,082)
Total Other Financing Sources and Uses	<u>455,000</u>	<u>455,000</u>	<u>303,302</u>	<u>(151,698)</u>
Net Change in Fund Balances	(19,758)	(19,756)	(126,698)	(106,942)
Fund Balances - Beginning	2,232,790	2,232,790	2,232,790	-
Fund Balances - Ending	<u>\$ 2,213,032</u>	<u>\$ 2,213,034</u>	<u>\$ 2,106,092</u>	<u>\$ (106,942)</u>

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
AS OF THE MEASUREMENT DATE**

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2015	0.01676696%	\$ 272,460	\$ 2,099,883	12.98%	98.20%
2014	-0.01669259%	(409,903)	2,109,101	(19.43%)	102.74%

**SCHEDULE OF CITY'S CONTRIBUTIONS  
FOR THE YEAR ENDED**

Year ended December 31,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 163,344	\$ (163,344)	\$ -	\$ 2,146,271	7.61%
2015	169,557	(169,557)	-	2,099,883	8.07%

**CITY OF EVANSVILLE**  
**Notes to Required Supplementary Information**  
**December 31, 2016**

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**A. BUDGETARY INFORMATION**

A budget has been adopted for all governmental funds of the City.

The budgeted amounts include any amendments made. Transfers between departments and changes to the overall budget must be approved by City Council. Appropriations lapse at year-end unless specifically carried over. There were carryovers in the capital projects fund shown as designated fund balance.

**B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

Some individual expenditure line items experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report. Overall, there were no expenditure functions that exceeded appropriations.

**C. WISCONSIN RETIREMENT SYSTEM SCHEDULES**

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

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

*Changes of assumptions.* Rates used in mortality tables were updated on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvement scales (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.

**OTHER SUPPLEMENTARY INFORMATION**

City of Evansville, Wisconsin

Non-Major Funds  
Combining Balance Sheet  
December 31, 2016

	Special Revenue Funds					Capital Projects Funds					Non-Major Funds	
	EMS	Library	Cemetery	Tourism Commission Fund	Stormwater	TIF 6	TIF 7	TIF 8				
<b>ASSETS</b>												
Cash and Cash Equivalents	\$ 254,817	\$ 197,664	\$ 85,296	\$ 27,658	\$ 315,830	\$ 57,608	\$ 32,429	\$ 135,728	\$	\$ 1,107,030		
Receivables:												
Taxes	102,480	241,716	77,344	-	-	66,670	55,293	75,632		619,135		
Special Assessments	-	-	-	-	-	-	55,025	-		55,025		
Accounts	32,560	-	-	-	-	-	-	-		-		32,560
Prepaid Expenses	6,400	304	1,969	-	688	-	-	-		-		9,361
Total Assets	\$ 396,257	\$ 439,684	\$ 164,609	\$ 27,658	\$ 316,518	\$ 124,278	\$ 142,747	\$ 211,360	\$	\$ 1,823,111		
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>												
Liabilities:												
Accounts Payable	\$ 5,380	\$ 1,625	\$ 978	\$ -	\$ 12,370	\$ -	\$ 837	\$ -	\$	\$ 21,190		
Accrued Liabilities	3,625	4,916	1,415	-	1,030	-	-	-		10,986		
Due to Other Funds	-	-	-	-	-	-	-	-		-		-
Advances Payable	49,169	-	-	-	40,867	-	-	-		90,036		
Total Liabilities	\$ 58,174	\$ 6,541	\$ 2,393	\$ -	\$ 54,267	\$ -	\$ 837	\$ -	\$	\$ 122,212		
Deferred Inflows of Resources	102,480	241,716	77,344	-	-	66,670	81,495	75,632		645,337		
Fund Balance:												
Nonspendable	6,400	304	1,969	-	688	-	-	-		9,361		
Restricted	-	-	-	27,658	-	57,608	60,415	135,728		281,409		
Committed	229,203	191,123	82,903	-	261,563	-	-	-		764,792		
Total Fund Balance	\$ 235,603	\$ 191,427	\$ 84,872	\$ 27,658	\$ 262,251	\$ 57,608	\$ 60,415	\$ 135,728	\$	\$ 1,055,562		
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 396,257	\$ 439,684	\$ 164,609	\$ 27,658	\$ 316,518	\$ 124,278	\$ 142,747	\$ 211,360	\$	\$ 1,823,111		

City of Evansville, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Funds  
For the Year Ended December 31, 2016

	Special Revenue Funds					Capital Projects Fund				
	EMS	Library	Cemetery	Tourism Commission Fund	Stormwater	TIF 6	TIF 7	TIF 8	Non-Major Funds	
<b>REVENUES</b>										
Property Taxes	\$ 102,480	\$ 225,488	\$ 74,239	\$ -	\$ -	\$ 104,594	\$ 61,024	\$ 75,065	\$ 642,890	
Other Taxes	-	-	-	13,576	-	7,013	-	-	20,589	
Special Assessment Revenue	-	-	-	-	-	-	26,203	-	26,203	
Intergovernmental	65,677	56,496	-	-	-	663	5,875	1,591	130,302	
Public Charges for Services	305,532	20,675	40,525	-	194,815	-	-	-	561,547	
Interest Income	-	-	311	-	-	-	2,620	-	2,931	
Miscellaneous Income	5,154	108,309	1,980	-	1,365	9,188	-	-	125,996	
Total Revenues	478,843	410,968	117,055	13,576	196,180	121,458	95,722	76,656	1,510,458	
<b>EXPENDITURES</b>										
Current:										
General Government	-	-	-	-	-	975	-	-	975	
Public Safety	401,679	-	-	-	-	-	-	-	401,679	
Public Works	-	-	-	-	227,849	-	-	-	227,849	
Health and Human Services	-	-	104,949	-	-	-	-	-	104,949	
Culture, Recreation and Education	-	300,249	-	-	-	-	-	-	300,249	
Conservation and Development	-	-	-	17,000	-	-	-	-	17,000	
Capital Outlay	-	-	-	-	-	-	2,065	975	3,040	
Debt Service	-	-	-	-	-	-	-	-	-	
Interest Expense	2,519	-	-	-	46,468	-	-	-	48,987	
Total Expenditures	404,198	300,249	104,949	17,000	274,317	975	2,065	975	1,104,728	
Excess (Deficiency) of Revenues Over Expenditures	74,645	110,719	12,106	(3,424)	(78,137)	120,483	93,657	75,681	405,730	
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers In	-	-	-	36,082	-	-	-	-	36,082	
Transfers Out	(53,455)	(35,000)	-	-	-	(111,448)	(67,559)	(58,085)	(325,547)	
Total Other Financing Sources and Uses	(53,455)	(35,000)	-	36,082	-	(111,448)	(67,559)	(58,085)	(289,465)	
Net Change in Fund Balances	21,190	75,719	12,106	32,658	(78,137)	9,035	26,098	17,596	116,265	
Fund Balances (Deficit)- Beginning	214,413	115,708	72,766	(5,000)	340,388	48,573	34,317	118,132	939,297	
Fund Balances (Deficit) - Ending	\$ 235,603	\$ 191,427	\$ 84,872	\$ 27,658	\$ 262,251	\$ 57,608	\$ 60,415	\$ 135,728	\$ 1,055,562	

**FORM OF LEGAL OPINION**

*(See following pages.)*

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

May 30, 2018

Re: City of Evansville, Wisconsin ("Issuer")  
\$4,220,000 General Obligation Promissory Notes, Series 2018A,  
dated May 30, 2018 ("Notes")

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

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

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$345,000	___%
2020	390,000	___
2021	395,000	___
2022	405,000	___
2023	420,000	___
2024	430,000	___
2025	440,000	___
2026	455,000	___
2027	460,000	___
2028	480,000	___

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

The Notes maturing on April 1, 2026 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on April 1, 2025 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

【The Notes maturing in the years \_\_\_\_\_ are subject to mandatory redemption by lot as provided in the resolution authorizing the Notes, at the redemption price of par plus accrued interest to the date of redemption and without premium.】



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

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

1. The Notes have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

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

3. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Notes is included in adjusted current earnings. We note, however, that the 2017 tax act (Public Law 115-97) enacted on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Accordingly, any discussion herein regarding corporate alternative minimum tax is applicable only to a corporation's tax years beginning before January 1, 2018. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

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

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

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

QUARLES & BRADY LLP

### BOOK-ENTRY-ONLY SYSTEM

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

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

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

*(See following pages.)*

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Evansville, Rock County, Wisconsin (the "Issuer") in connection with the issuance of \$4,220,000 General Obligation Promissory Notes, Series 2018A, dated May 30, 2018 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on May 8, 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](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

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

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

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

"Final Official Statement" means the Final Official Statement dated May 9, 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 Evansville, Rock County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Administrator/Finance Director of the Issuer who can be contacted at 31 South Madison Street, Evansville, Wisconsin, phone (608) 882-2263, fax (608) 882-2282.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

"SEC" means the Securities and Exchange Commission.

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

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

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

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

1. DEBT - Direct Debt

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

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

Section 5. Reporting of Listed Events.

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

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



such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 30th day of May, 2018.

(SEAL)

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William C. Hurtley  
Mayor

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Judy Walton  
City Clerk

**NOTICE OF SALE**

**\$4,220,000\* GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2018A  
CITY OF EVANSVILLE, WISCONSIN**

Bids for the purchase of \$4,220,000\* General Obligation Promissory Notes, Series 2018A (the "Notes") of the City of Evansville, 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 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 9:30 A.M. Central Time, on May 8, 2018, at which time they will be opened, read and tabulated. The bids will be presented to the Common Council for consideration for award by resolution at a meeting to be held at 6:30 P.M., Central Time, on the same date. The bid offering to purchase the Notes upon the terms specified herein and most favorable to the City will be accepted unless all bids are rejected.

**PURPOSE**

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, for public purposes including financing street improvement projects, library improvement projects and public works facilities projects and to effect a current refunding of certain outstanding obligations of the City as more fully described herein. The Notes are general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Notes as they become due which tax may, under current law, be levied without limitation as to rate or amount.

**DATES AND MATURITIES**

The Notes will be dated May 30, 2018, will be issued as fully registered Notes in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$345,000	2023	\$420,000	2027	\$460,000
2020	390,000	2024	430,000	2028	480,000
2021	395,000	2025	440,000		
2022	405,000	2026	455,000		

**ADJUSTMENT OPTION**

\* The City reserves the right to increase or decrease the principal amount of the Notes 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 Notes may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2019, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

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

## OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on or after April 1, 2026 shall be subject to optional redemption prior to maturity on April 1, 2025 or on any date thereafter, at a price of par plus accrued interest.

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

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

## DELIVERY

On or about May 30, 2018, the Notes will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Notes is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Notes must be received by the City at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

An opinion as to the validity of the Notes and the exemption from federal taxation of the interest thereon will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding general obligations of the City; provided that the rights of the owners of the Notes and the enforceability of the Notes

may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

### STATEMENT REGARDING COUNSEL PARTICIPATION

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

### SUBMISSION OF BIDS

Bids must not be for less than \$4,177,800 nor more than \$4,473,200 plus accrued interest on the principal sum of \$4,220,000 from date of original issue of the Notes to date of delivery. Prior to the time established above for the opening of bids, interested parties may submit a bid as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Notice of Sale until 9:30 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, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of \$84,400 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the bid opening time. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the bid is accepted and the Purchaser fails to comply therewith.

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

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

## **AWARD**

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

## **BOND INSURANCE**

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

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

## **CUSIP NUMBERS**

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

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **CONTINUING DISCLOSURE**

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

## **NEW ISSUE PRICING**

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

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

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

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

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

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

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

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

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

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



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

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

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

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

## **PRELIMINARY OFFICIAL STATEMENT**

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

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

By Order of the Common Council

Ian Rigg, City Administrator/Finance Director  
City of Evansville, Wisconsin

# BID FORM

The Common Council  
City of Evansville, Wisconsin

May 8, 2018

RE: \$4,220,000\* General Obligation Promissory Notes, Series 2018A  
DATED: May 30, 2018

For all or none of the above Notes, in accordance with the Notice of Sale and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$4,177,800 nor more than \$4,473,200) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

_____ % due	2019	_____ % due	2023	_____ % due	2027
_____ % due	2020	_____ % due	2024	_____ % due	2028
_____ % due	2021	_____ % due	2025		
_____ % due	2022	_____ % due	2026		

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

**The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Notes of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$84,400, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the bid opening time. The City reserves the right to award the Notes to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Notes to the bidder submitting the next best bid provided such bidder agrees to such award. If our bid is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Notice of Sale. This bid is for prompt acceptance and is conditional upon delivery of said Notes to The Depository Trust Company, New York, New York, in accordance with the Notice of Sale. Delivery is anticipated to be on or about May 30, 2018.

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

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

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

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

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

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_

Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 30, 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 Evansville, Wisconsin, on May 8, 2018.

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