

FINAL OFFICIAL STATEMENT DATED APRIL 11, 2018

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

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue

Rating Application Made: "AA", S&P Global Ratings

CITY OF MEQUON, WISCONSIN (Ozaukee County)

\$19,400,000 GENERAL OBLIGATION SEWERAGE SYSTEM IMPROVEMENT BONDS, SERIES 2018A

PURPOSE/AUTHORITY/SECURITY: The \$19,400,000 General Obligation Sewerage System Improvement Bonds, Series 2018A (the "Bonds") of the City of Mequon, Wisconsin (the "City") are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purpose of financing sewer system improvements. The Bonds are valid and binding general obligations of the City, and all the taxable property in the City is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Griggs Law Office LLC, Milwaukee, Wisconsin.

DATE OF BONDS: April 26, 2018

DATE OF DELIVERY: April 26, 2018

SERIAL MATURITIES: October 1 as follows:

| CUSIP Base 587316 | | | | | CUSIP Base 587316 | | | | |
|-------------------------|-------------|------------------|--------|-----|-------------------------|-------------|------------------|---------|-----|
| Year | Amount | Interest Rate | Yield | | Year | Amount | Interest Rate | Yield | |
| 2018 | \$1,695,000 | 4.000% | 1.550% | PZ7 | 2025 | \$1,380,000 | 3.000% | 2.450% | QG8 |
| 2019 | 1,465,000 | 4.000% | 1.800% | QA1 | 2026 | 1,425,000 | 4.000% | 2.510% | QH6 |
| 2020 | 1,160,000 | 3.000% | 1.880% | QB9 | 2027 | 1,480,000 | 3.000% | 2.650%* | QJ2 |
| 2021 | 1,190,000 | 4.000% | 2.000% | QC7 | 2028 | 1,525,000 | 3.000% | 2.750%* | QK9 |
| 2022 | 1,240,000 | 4.000% | 2.120% | QD5 | 2029 | 1,570,000 | 3.000% | 2.900%* | QL7 |
| 2023 | 1,290,000 | 3.000% | 2.230% | QE3 | 2030 | 1,615,000 | 3.000% | 2.950%* | QM5 |
| 2024 | 1,330,000 | 4.000% | 2.360% | QF0 | 2031 | 1,035,000 | 3.000% | 3.000% | QN3 |

*Priced to call

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

INTEREST: October 1, 2018 and semiannually thereafter.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Griggs Law Office LLC

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein.

The Bonds are offered, subject to prior sale, when, as and if accepted by the Underwriter named below and subject to an opinion as to the validity and tax exemption by Griggs Law Office LLC, Milwaukee, WI, Bond Counsel, and certain other conditions. It is expected that delivery of the Bonds will be made on or about April 26, 2018 against payment therefor. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends, but is not obligated, to effect secondary market trading in the Bonds. For information with respect to the Underwriter, see "Underwriting" herein.

BAIRD
Milwaukee, WI

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 the Final 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 Final Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Final Official Statement is not to be construed as a contract with the underwriter. 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. ("Ehlers") prepared this Final Official Statement 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 Final 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.

The Underwriter has reviewed the information in this Final Official Statement in accordance with, and as a part of, the Underwriter's responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure (the "Rule").

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 Securities Exchange Act of 1934 which require that issuers of municipal securities enter into agreements for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Final Official Statement describes the conditions under which these Bonds are exempt or required to comply with the Rule.

CLOSING CERTIFICATES

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

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COMMON COUNCIL

| | | <u>Term Expires</u> |
|--------------------|--------------|---------------------|
| Dan Abdenroth | Mayor | April 2019 |
| Robert Strzelczyk | Aldersperson | April 2019 |
| Glenn Bushee | Aldersperson | April 2020 |
| Dale Mayr | Aldersperson | April 2020 |
| John Wirth | Aldersperson | April 2019 |
| Mark Gierl | Aldersperson | April 2020 |
| Brian Schneider | Aldersperson | April 2021 |
| Andrew Nerbun | Aldersperson | April 2021 |
| Kathleen Schneider | Aldersperson | April 2021 |

ADMINISTRATION

William Jones, City Administrator

Tom Watson, Director of Finance

Caroline Fochs, City Clerk

PROFESSIONAL SERVICES

Wesolowski, Reidenbach & Sajdak, S.D., City Attorney, Franklin, Wisconsin

Griggs Law Office LLC, 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 Final Official Statement contains certain information regarding the City of Mequon, Wisconsin (the "City") and the issuance of its \$19,400,000 General Obligation Sewerage System Improvement Bonds, Series 2018A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds included in the resolution awarding the sale of the Bonds (the "Award Resolution") adopted by the Common Council on April 10, 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 Final Official Statement is available at emma.msrb.org.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of April 26, 2018. The Bonds will mature on October 1 in the years and amounts set forth on the cover of this Final Official Statement. Interest will be payable on October 1 and April 1 of each year, commencing October 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB").

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

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

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

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

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purpose of financing sewer system improvements.

SOURCES AND USES

| | | |
|--------------------------------------|---------------|---------------------|
| Sources | | |
| Par Amount of Bonds | \$19,400,000 | |
| Estimated Reoffering Premium | 746,857 | |
| Est. Int Earnings | <u>48,375</u> | |
| Total Sources | | \$20,195,232 |
| Uses | | |
| Underwriter's Discount | \$96,390 | |
| Costs of Issuance | 97,952 | |
| Deposit to Project Construction Fund | 19,350,000 | |
| Bid Premium Deposit to Debt Service | 650,467 | |
| Rounding Amount | <u>423</u> | |
| Total Uses | | \$20,195,232 |

SECURITY

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

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "Aa3" by Moody's Investors Service ("Moody's").

The City requested a rating on this issue from S&P Global Ratings ("S&P"), and was assigned a rating of "AA" by S&P. Bidders were notified of 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 Bonds.

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

CONTINUING DISCLOSURE

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

The City did not meet its disclosure obligation by not filing the following in the last five years as required by the Rule. The City's net Water Revenues for Fiscal Years ending December 31, 2013 and December 31, 2015 fell short of the required 125% percent of the amount of principal and interest coming due on all outstanding bonds. The revenues were 121% and 123%, respectively. The City failed to timely post the interest payment for \$12,631.25 due June 1, 2016 on the \$2,400,000 General Obligation Promissory Notes, Series 2008. The payment was posted March 14, 2017. The corresponding required event notice was not posted until March 28, 2017. The December 31, 2014 Comprehensive Annual Financial Report was filed timely however there were some missing pages in the original filing. The complete report has since been filed. Except to the extent that the preceding are deemed to be material, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

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

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

LEGAL OPINION

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

STATEMENT REGARDING COUNSEL PARTICIPATION

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

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City's compliance with the above referenced covenants, under present law, in the opinion of Griggs Law Office LLC, Milwaukee, Wisconsin, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, is not included as an item of tax preference in computing the federal alternative minimum tax and is includable in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations for tax years beginning before January 1, 2018.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

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

The interest on the Bonds is not excluded from income and therefore, is not exempt from present Wisconsin income taxes.

ORIGINAL ISSUE 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 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 state and local tax consequences of owning the Premium Bonds.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Final 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.

UNDERWRITING

The Underwriter named on the cover page hereof (the "Underwriter") has agreed to purchase the Bonds from the City for a purchase price of \$20,050,466.74 plus accrued interest to the date of closing. The Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the offering prices derived from the coupons and yields for each maturity set forth on the cover page.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2016, have been audited by Baker Tilly Virchow Krause, LLP, 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 Final Official Statement.

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

Equalized Value

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

Assessed Value

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

CURRENT PROPERTY VALUATIONS

| | |
|---|-----------------|
| 2017 Equalized Value | \$4,610,493,300 |
| 2017 Equalized Value Reduced by Tax Increment Valuation | \$4,542,637,000 |
| 2017 Assessed Value | \$4,546,665,300 |

2017 EQUALIZED VALUE BY CLASSIFICATION

| | 2017 Equalized Value | Percent of Total Equalized Value |
|-------------------|---------------------------------|---|
| Residential | \$ 3,783,078,300 | 82.054% |
| Commercial | 637,723,200 | 13.832% |
| Manufacturing | 81,844,900 | 1.775% |
| Agricultural | 1,512,900 | 0.033% |
| Undeveloped | 4,493,000 | 0.097% |
| Ag Forest | 2,685,600 | 0.058% |
| Forest | 960,500 | 0.021% |
| Other | 16,529,000 | 0.359% |
| Personal Property | 81,665,900 | 1.771% |
| Total | <u>\$ 4,610,493,300</u> | <u>100.000%</u> |

TREND OF VALUATIONS

| Year | Assessed Value | Equalized Value¹ | Percent Increase/Decrease in Equalized Value |
|-------------|---------------------------|--|---|
| 2013 | \$4,333,102,850 | \$3,949,468,500 | -0.57% |
| 2014 | 4,381,678,460 | 4,126,761,500 | 4.49% |
| 2015 | 4,434,357,420 | 4,361,728,700 | 5.69% |
| 2016 | 4,496,425,740 | 4,478,909,700 | 2.69% |
| 2017 | 4,546,665,300 | 4,610,493,300 | 2.94% |

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

¹ Includes tax increment valuation.

LARGER TAXPAYERS

| Taxpayer | Type of Business/Property | 2017 Equalized Value ¹ | Percent of City's Total Equalized Value |
|--|---------------------------|---|---|
| LCS-Westminster Newcastle LLC | Commercial | \$38,356,100 | 0.83% |
| Centro Bradley SPE 1 LLP | Commercial | 32,724,160 | 0.71% |
| Mequon Trail Townhomes | Residential | 23,821,974 | 0.52% |
| FFII Wisconsin Mequon LLC | Industrial | 21,509,681 | 0.47% |
| HTA - Wisconsin MOB 2 LLC | Commercial | 19,700,584 | 0.43% |
| Mequon Town Center LLC | Mixed Use | 19,039,553 | 0.41% |
| WMI Milwaukee LLC | Commercial/Industrial | 15,852,042 | 0.34% |
| St. Mary's Hospital of Milwaukee | Commercial | 14,743,227 | 0.32% |
| PJL Group | Commercial | 13,451,544 | 0.29% |
| Highlands at Riverwalk, LLC | Residential | <u>9,654,167</u> | <u>0.21%</u> |
| Total | | \$208,853,032 | 4.53% |
| City's Total 2017 Equalized Value ² | | \$4,610,493,300 | |

Source: The City.

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

² Includes tax increment valuation.

DEBT

DIRECT DEBT¹ (includes the Bonds)

General Obligation Debt (see schedules following)

| | |
|-------------------------------|----------------------------|
| Total General Obligation Debt | <u><u>\$46,540,000</u></u> |
|-------------------------------|----------------------------|

Revenue Debt (see schedules following)

| | |
|--|----------------------------|
| Total revenue debt secured by water revenues | <u><u>\$11,840,000</u></u> |
|--|----------------------------|

OTHER DEBT

| | |
|-----------------------------|-------------------------|
| Total lease obligation debt | <u><u>\$331,298</u></u> |
|-----------------------------|-------------------------|

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

CITY OF MEQUON
Schedule of Bonded Indebtedness
General Obligation Debt
(As of April 26, 2018)

| Dated Amount | GO Prom. Notes | | GO Prom. Notes | | Taxable GO Bonds (BABs) | | GO Ref. Bonds | | GO Prom. Notes | |
|-----------------------|--------------------------|----------|--------------------------|----------|----------------------------|-------------|-------------------------|-----------|-------------------------|-----------|
| | 12/9/2008 \$2,400,000 | 12/1 | 4/30/2009 \$5,105,000 | 4/1 | 8/5/2009 \$6,950,000* | 8/1 | 2/3/2011 \$3,160,000 | 4/1 | 4/5/2011 \$4,230,000 | 4/1 |
| Maturity | | | | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | 215,000 | 8,815 | | | | | | | | |
| 2019 | | | | 21,000 | 300,000 | 347,750 | | | | |
| 2020 | | | 600,000 | 10,500 | 350,000 | 332,750 | 250,000 | 42,075 | 530,000 | 48,900 |
| 2021 | | | | | 400,000 | 315,250 | 250,000 | 38,700 | 550,000 | 40,950 |
| 2022 | | | | | 450,000 | 295,250 | 300,000 | 31,763 | 550,000 | 24,750 |
| 2023 | | | | | 550,000 | 272,750 | 300,000 | 23,700 | 550,000 | 8,250 |
| 2024 | | | | | 600,000 | 244,700 | 300,000 | 14,475 | | |
| 2025 | | | | | 650,000 | 212,900 | 300,000 | 4,875 | | |
| 2026 | | | | | 675,000 | 176,500 | | | | |
| 2027 | | | | | 725,000 | 137,688 | | | | |
| 2028 | | | | | 775,000 | 96,000 | | | | |
| 2029 | | | | | 825,000 | 49,500 | | | | |
| 2030 | | | | | | | | | | |
| 2031 | | | | | | | | | | |
| | \$215,000 | \$8,815 | \$600,000 | \$31,500 | \$6,300,000 | \$2,481,038 | \$1,400,000 | \$155,588 | \$1,630,000 | \$122,850 |

(Continued on next page) *Gross amount prior to BAB payment.

CITY OF MEQUON
Schedule of Bonded Indebtedness
General Obligation Debt
(As of April 26, 2018)

| Dated Amount | GO Prom. Notes | | Tax. GO Bonds | | GO Corp. Purp. Bonds, Ser 2015A | | GO Corp. Purp. Bonds, Ser 2016A | | GO Sewer Sys Impr. Bonds, Ser. 2018A | | Total Principal | Total Interest | Principal & Interest | Principal Outstanding | Principal %Paid | Year |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------------------|---------------------------|------------------------------------|-------------|---|-------------|--------------------|-------------------|-------------------------|--------------------------|--------------------|------|
| | 5/2/2013 \$3,710,000 | 5/2/2013 \$1,280,000 | 5/2/2013 \$1,280,000 | 6/3/2015 \$7,050,000 | 3/24/2016 \$8,905,000 | 4/26/2018 \$19,400,000 | | | | | | | | | | |
| Maturity | 4/1 | 4/1 | 4/1 | 5/1 | 3/1 | 10/1 | | | | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | | | | | | |
| 2018 | | 36,000 | | 7,595 | | 163,713 | | 159,003 | | 286,513 | 2,590,000 | 1,121,363 | 3,711,363 | 43,950,000 | 5.57% | 2018 |
| 2019 | 400,000 | 32,000 | 165,000 | 6,523 | 435,000 | 151,488 | 530,000 | 153,703 | 1,465,000 | 597,650 | 4,725,000 | 1,364,263 | 6,089,263 | 39,225,000 | 15.72% | 2019 |
| 2020 | 400,000 | 24,000 | 165,000 | 4,213 | 510,000 | 137,313 | 540,000 | 143,003 | 1,160,000 | 539,050 | 3,975,000 | 1,219,340 | 5,194,340 | 35,250,000 | 24.26% | 2020 |
| 2021 | 400,000 | 16,000 | 170,000 | 1,488 | 535,000 | 124,313 | 550,000 | 132,103 | 1,190,000 | 504,250 | 4,145,000 | 1,105,353 | 5,250,353 | 31,105,000 | 33.17% | 2021 |
| 2022 | 400,000 | 9,000 | | | 820,000 | 106,663 | 565,000 | 120,953 | 1,240,000 | 456,650 | 3,875,000 | 980,490 | 4,855,490 | 27,230,000 | 41.49% | 2022 |
| 2023 | 400,000 | 3,000 | | | 825,000 | 81,988 | 575,000 | 109,553 | 1,290,000 | 407,050 | 3,990,000 | 851,165 | 4,841,165 | 23,240,000 | 50.06% | 2023 |
| 2024 | | | | | 1,155,000 | 58,063 | 585,000 | 97,953 | 1,330,000 | 368,350 | 3,720,000 | 737,265 | 4,457,265 | 19,520,000 | 58.06% | 2024 |
| 2025 | | | | | 1,155,000 | 33,519 | 600,000 | 86,103 | 1,380,000 | 315,150 | 3,810,000 | 611,271 | 4,421,271 | 15,710,000 | 66.24% | 2025 |
| 2026 | | | | | 590,000 | 13,888 | 610,000 | 74,003 | 1,425,000 | 273,750 | 3,350,000 | 499,328 | 3,849,328 | 12,360,000 | 73.44% | 2026 |
| 2027 | | | | | 290,000 | 3,625 | 625,000 | 61,653 | 1,480,000 | 216,750 | 3,170,000 | 378,028 | 3,548,028 | 9,190,000 | 80.25% | 2027 |
| 2028 | | | | | | | 635,000 | 49,053 | 1,525,000 | 172,350 | 2,985,000 | 270,903 | 3,255,903 | 6,205,000 | 86.67% | 2028 |
| 2029 | | | | | | | 650,000 | 36,040 | 1,570,000 | 126,600 | 2,220,000 | 162,640 | 2,382,640 | 3,985,000 | 91.44% | 2029 |
| 2030 | | | | | | | 660,000 | 22,283 | 1,615,000 | 79,500 | 2,275,000 | 101,783 | 2,376,783 | 1,710,000 | 96.33% | 2030 |
| 2031 | | | | | | | 675,000 | 7,594 | 1,035,000 | 31,050 | 1,710,000 | 38,644 | 1,748,644 | 0 | 100.00% | 2031 |
| | \$2,000,000 | \$120,000 | \$500,000 | \$19,818 | \$6,695,000 | \$874,569 | \$7,800,000 | \$1,252,994 | \$19,400,000 | \$4,374,663 | \$46,540,000 | \$9,441,833 | \$55,981,833 | | | |

CITY OF MEQUON
Schedule of Bonded Indebtedness
Revenue Debt Secured by Water Revenues
(As of April 26, 2018)

| Water Rev Bonds 2009 | | | | Water Rev Bonds Series 2017A | | | | | | |
|-------------------------|--------------|-------------|-----------|---------------------------------|--------------------|-------------------|-------------------------|--------------------------|--------------------|------|
| Dated | 4/29/2009 | 7/10/2017 | | | | | | | | |
| Amount | \$17,125,000 | \$8,465,000 | | | | | | | | |
| Maturity | 5/1 | 5/1 | | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | Total Principal | Total Interest | Principal & Interest | Principal Outstanding | Principal %Paid | Year |
| 2017 | | \$187,176 | | \$104,402 | \$0 | \$291,578 | \$291,578 | \$11,840,000 | 0.00% | 2017 |
| 2018 | 800,000 | 127,750 | | 338,600 | 800,000 | 466,350 | 1,266,350 | 11,040,000 | 6.76% | 2018 |
| 2019 | 825,000 | 95,250 | | 338,600 | 825,000 | 433,850 | 1,258,850 | 10,215,000 | 13.72% | 2019 |
| 2020 | 850,000 | 59,625 | | 338,600 | 850,000 | 398,225 | 1,248,225 | 9,365,000 | 20.90% | 2020 |
| 2021 | 900,000 | 20,250 | | 338,600 | 900,000 | 358,850 | 1,258,850 | 8,485,000 | 28.51% | 2021 |
| 2022 | | | | | 935,000 | 319,900 | 1,254,900 | 7,530,000 | 36.40% | 2022 |
| 2023 | | | | | 970,000 | 281,800 | 1,251,800 | 6,560,000 | 44.59% | 2023 |
| 2024 | | | | | 1,010,000 | 242,200 | 1,252,200 | 5,550,000 | 53.13% | 2024 |
| 2025 | | | | | 1,025,000 | 201,500 | 1,226,500 | 4,525,000 | 61.78% | 2025 |
| 2026 | | | | | 1,065,000 | 159,700 | 1,224,700 | 3,460,000 | 70.78% | 2026 |
| 2027 | | | | | 1,105,000 | 116,300 | 1,221,300 | 2,355,000 | 80.11% | 2027 |
| 2028 | | | | | 1,160,000 | 71,000 | 1,231,000 | 1,195,000 | 89.91% | 2028 |
| 2029 | | | | | 1,195,000 | 23,900 | 1,218,900 | 0 | 100.00% | 2029 |
| | \$3,375,000 | \$490,051 | | \$8,465,000 | \$2,875,102 | \$11,840,000 | \$3,365,153 | | | |
| | | | | | | | \$15,205,153 | | | |

| Principal | Interest | Principal & Interest | Principal Outstanding | Principal %Paid | Year |
|--------------|-----------|----------------------|-----------------------|-----------------|------|
| \$11,840,000 | \$291,578 | \$12,131,578 | \$11,840,000 | 0.00% | 2017 |
| 11,040,000 | 1,266,350 | 12,306,350 | 11,040,000 | 6.76% | 2018 |
| 10,215,000 | 1,258,850 | 11,473,850 | 10,215,000 | 13.72% | 2019 |
| 9,365,000 | 1,248,225 | 10,613,225 | 9,365,000 | 20.90% | 2020 |
| 8,465,000 | 1,258,850 | 9,723,850 | 8,465,000 | 28.51% | 2021 |
| 7,530,000 | 1,254,900 | 8,784,900 | 7,530,000 | 36.40% | 2022 |
| 6,560,000 | 1,251,800 | 7,811,800 | 6,560,000 | 44.59% | 2023 |
| 5,550,000 | 1,252,200 | 6,802,200 | 5,550,000 | 53.13% | 2024 |
| 4,525,000 | 1,226,500 | 5,751,500 | 4,525,000 | 61.78% | 2025 |
| 3,460,000 | 1,224,700 | 4,684,700 | 3,460,000 | 70.78% | 2026 |
| 2,355,000 | 1,221,300 | 3,576,300 | 2,355,000 | 80.11% | 2027 |
| 1,195,000 | 1,231,000 | 2,426,000 | 1,195,000 | 89.91% | 2028 |
| 0 | 1,218,900 | 1,218,900 | 0 | 100.00% | 2029 |

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 | \$4,610,493,300 |
| Multiply by 5% | <u>0.05</u> |
| Statutory Debt Limit | \$ 230,524,665 |
| Less: General Obligation Debt (includes the Bonds) | <u>(46,540,000)</u> |
| Unused Debt Limit | <u><u>\$ 183,984,665</u></u> |

OVERLAPPING DEBT¹

| Taxing District | 2017 Equalized Value | % In City | Total G.O. Debt ² | City's Proportionate Share |
|---|----------------------------|--------------|---------------------------------|----------------------------------|
| Ozaukee County | \$ 11,735,981,400 | 39.2851% | \$ 24,535,000 | \$9,638,599 |
| Cedarburg School District | 2,378,660,978 | 0.8484% | 11,405,000 | 96,760 |
| Mequon-Thiensville School District | 4,930,483,277 | 93.1007% | 19,810,000 | 18,443,249 |
| Milwaukee Area Technical College District | 76,548,230,996 | 6.0230% | 109,955,000 | <u>6,622,590</u> |
| City's Share of Total Overlapping Debt | | | | <u><u>\$34,801,198</u></u> |

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

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

DEBT RATIOS

| | G.O. Debt | Debt/Equalized Value \$4,610,493,300 | Debt/ Per Capita 23,856¹ |
|--|-------------------|---|--|
| Total General Obligation Debt | \$ 46,540,000 | 1.01% | \$ 1,950.87 |
| City's Share of Total Overlapping Debt | <u>34,801,198</u> | <u>0.75%</u> | <u>1,458.80</u> |
| Total | \$ 81,341,198 | 1.76% | \$ 3,409.67 |

DEBT PAYMENT HISTORY

Due to an oversight, the City failed to timely post the interest payment for \$12,631.25 due June 1, 2016 on the \$2,400,000 General Obligation Promissory Notes, Series 2008. The payment has since been posted.

FUTURE FINANCING

The City anticipates issuing approximately \$3.7 million in General Obligation Promissory Notes for street projects in spring of 2019. Aside from the preceding, the City has no current plans for additional financing in the next 12 months.

¹ Estimated 2017 population.

TAX LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

| Tax Year | Levy for City Purposes Only | % Collected | Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000 |
|-----------------|--|--------------------|---|
| 2013/14 | \$12,965,941 | 100% | \$3.29 |
| 2014/15 | 13,357,908 | 100% | 3.25 |
| 2015/16 | 13,522,527 | 100% | 3.13 |
| 2016/17 | 13,988,232 | 100% | 3.16 |
| 2017/18 | 14,161,287 | In Process | 3.12 |

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

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

PROPERTY TAX RATES

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

| Year Levied/ Year Collected | Schools¹ | County | Local | Other² | Total |
|--|----------------------------|---------------|--------------|--------------------------|--------------|
| 2013/14 | \$11.10 | \$1.94 | \$3.29 | \$1.86 | \$18.19 |
| 2014/15 | 9.81 | 1.88 | 3.25 | 1.88 | 16.82 |
| 2015/16 | 9.48 | 1.84 | 3.13 | 1.84 | 16.29 |
| 2016/17 | 9.42 | 1.80 | 3.16 | 1.81 | 16.19 |
| 2017/18 | 9.33 | 1.80 | 3.12 | 1.87 | 16.12 |

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

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

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

favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

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

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

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

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

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

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

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

THE ISSUER

CITY GOVERNMENT

The City was incorporated in 1957 and is governed by a Mayor and a eight-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to staggered three-year terms. The appointed Administrator/Clerk and Director of Finance are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS

The City employs a staff of 106 full-time, 13 part-time, and 54 seasonal employees. All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are required to contribute half of the actuarially determined contributions, and the City may not pay the employees' required contribution. During the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$637,705.

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 \$1,024,541 for its proportionate share of the net pension asset 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 0.6349420% 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:

| Bargaining Unit | Expiration Date of Current Contract |
|--|--|
| Mequon Police Association | December 31, 2018 |
| Mequon Firefighter Department Organization | December 31, 2017 |

Status of Contracts

Firefighters' contract is pending approval by the City Council.

OTHER POST EMPLOYMENT BENEFITS

The City does not provide any other post employment benefits.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

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

FUNDS ON HAND (as of December 31, 2017)

| Fund | Total Cash and Investments |
|------------------------------------|---------------------------------------|
| General | \$3,326,406 |
| Special Revenue | 199,411 |
| Debt Service | 722,121 |
| Capital Projects | 1,532,880 |
| Enterprise Funds | 5,231,294 |
| Water Utility Debt Service Reserve | 1,367,156 |
| Revolving Loan | <u>422,867</u> |
| Total Funds on Hand | <u><u>\$12,802,135</u></u> |

ENTERPRISE FUNDS

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

| | 2014 | 2015 | 2016 |
|-------------------------------------|----------------------------|----------------------------|----------------------------|
| Water | | | |
| Total Operating Revenues | \$ 3,040,362 | \$ 2,945,798 | \$ 3,394,168 |
| Less: Operating Expenses | <u>(1,594,102)</u> | <u>(1,811,341)</u> | <u>(1,950,411)</u> |
| Operating Income | \$ 1,446,260 | \$ 1,134,457 | \$ 1,443,757 |
| Plus: Depreciation | 407,641 | 484,472 | 554,727 |
| Interest Income | <u>1,626</u> | <u>4,241</u> | <u>10,365</u> |
| Revenues Available for Debt Service | <u><u>\$ 1,855,527</u></u> | <u><u>\$ 1,623,170</u></u> | <u><u>\$ 2,008,849</u></u> |
| Sewer | | | |
| Total Operating Revenues | \$ 3,285,006 | \$ 3,195,415 | \$ 3,015,733 |
| Less: Operating Expenses | <u>(6,420,455)</u> | <u>(8,869,846)</u> | <u>(8,936,399)</u> |
| Operating Income | \$ (3,135,449) | \$ (5,674,431) | \$ (5,920,666) |
| Plus: Depreciation | 708,488 | 743,278 | 759,771 |
| Interest Income | 6,437 | 10,735 | 31,702 |
| Taxes | <u>6,573,910</u> | <u>7,066,677</u> | <u>7,190,003</u> |
| Revenues Available for Debt Service | <u><u>\$ 4,153,386</u></u> | <u><u>\$ 2,146,259</u></u> | <u><u>\$ 2,060,810</u></u> |

SUMMARY GENERAL FUND INFORMATION

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

| COMBINED STATEMENT | FISCAL YEAR ENDING DECEMBER 31 | | | | |
|--|--------------------------------|----------------------|----------------------|--------------------------------|-------------------------------------|
| | 2014 Audited | 2015 Audited | 2016 Audited | 2017 Unaudited ¹ | 2018 Adopted Budget ² |
| Revenues | | | | | |
| Taxes and special assessments | \$ 10,261,315 | \$ 10,228,497 | \$ 10,337,444 | \$ 10,178,465 | \$ 9,969,115 |
| Intergovernmental | 1,805,029 | 1,891,873 | 1,883,666 | 1,853,512 | 2,040,377 |
| Licenses and permits | 1,378,270 | 1,322,093 | 1,455,967 | 993,870 | 957,950 |
| Fines, forfeitures and penalties | 190,347 | 167,015 | 240,345 | 213,945 | 226,300 |
| Public charges for services | 1,241,843 | 1,349,129 | 1,470,068 | 1,917,575 | 2,019,700 |
| Interest | 19,331 | 18,145 | 18,010 | 52,758 | 60,000 |
| Miscellaneous general revenues | 56,724 | 91,403 | 58,700 | 6,926 | 1,500 |
| Total Revenues | \$ 14,952,859 | \$ 15,068,155 | \$ 15,464,200 | \$ 15,217,051 | \$ 15,274,942 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | \$ 2,679,608 | \$ 2,636,148 | \$ 2,740,072 | \$ 2,056,714 | \$ 2,008,325 |
| Public safety | 6,767,586 | 7,100,914 | 7,527,921 | 7,605,427 | 8,039,228 |
| Public works | 3,290,198 | 3,261,237 | 3,282,736 | 3,903,051 | 3,699,456 |
| Health and social services | 3,606 | 2,692 | 1,667 | 0 | 0 |
| Community enrichment services | 1,771,753 | 1,723,518 | 1,714,534 | 2,180,134 | 2,177,933 |
| Conservation and development | 410,622 | 411,459 | 419,529 | 0 | 0 |
| Capital outlay | 0 | 0 | 0 | 0 | 0 |
| Debt service | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | \$ 14,923,373 | \$ 15,135,968 | \$ 15,686,459 | \$ 15,745,326 | \$ 15,924,942 |
| Excess of revenues over (under) expenditures | \$ 29,486 | \$ (67,813) | \$ (222,259) | \$ (528,275) | \$ (650,000) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from capital lease | 0 | 0 | 0 | 0 | 0 |
| Operating transfers in (out) | (639,000) | (404) | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | \$ (639,000) | \$ (404) | \$ 0 | \$ 0 | \$ 0 |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | \$ (609,514) | \$ (68,217) | \$ (222,259) | \$ (528,275) | \$ (650,000) |
| General Fund Balance January 1 ³ | 4,047,136 | 3,437,622 | 3,369,405 | 3,147,146 | 2,618,871 |
| Residual Equity Transfer in (out) | 0 | 0 | 0 | 0 | |
| General Fund Balance December 31³ | \$ 3,437,622 | \$ 3,369,405 | \$ 3,147,146 | \$ 2,618,871 | \$ 1,968,871 |
| DETAILS OF DECEMBER 31 FUND BALANCE | | | | | |
| Nonspendable | \$595,505 | \$559,000 | 190,177 | | |
| Restricted | 6,804 | 9,043 | 7,377 | | |
| Committed | 0 | 0 | 0 | | |
| Assigned | 301,000 | 301,500 | 701,500 | | |
| Unassigned | 2,534,313 | 2,499,862 | 2,248,092 | | |
| Total | \$ 3,437,622 | \$ 3,369,405 | \$ 3,147,146 | | |

¹ Unaudited data is as of December 31, 2017.

² The 2018 budget was adopted on November 14, 2017.

³ The City has an adopted fund balance policy that states the reserves shall be a minimum of 10%. The budgeted use of those reserves continues to keep them within their adopted policy.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 23,132, and a current estimated population of 23,856, comprises an area of 47 square miles or acres and is located approximately 20 miles north of the City of Milwaukee on Lake Michigan just off Interstate Hwy. 43.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|---------------------------------------|---|-----------------------------------|
| Rockwell Automation | General purpose machinery manufacturer | 1,000 |
| Concordia University Wisconsin | Post-secondary education | 1,000 |
| Columbia St. Mary's | Health care | 750 |
| School District of Mequon-Thiensville | Elementary and secondary education | 425 |
| Kleen Test Products | Contract manufacturer and packager | 250 |
| HB Performance Systems | Manufacturer of braking systems | 250 |
| City of Mequon | Municipal government and services | 238 |
| Aurora Advanced Health Care | Health care | 222 |
| Telesmith Inc. | Manufacturer of large rock crushing equipment | 275 |
| Metro-Mart ² | Grocery store | 160 |

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

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

² Formerly listed as Pick 'N' Save.

BUILDING PERMITS

| | 2013 | 2014 | 2015 | 2016 | 2017 ¹ |
|--|--------------|--------------|--------------|--------------|-------------------|
| <u>New Single Family Homes</u> | | | | | |
| No. of building permits | 60 | 61 | 44 | 47 | 69 |
| Valuation | \$33,928,632 | \$29,623,103 | \$22,913,208 | \$25,214,903 | \$32,586,561 |
| <u>New Multiple Family Buildings</u> | | | | | |
| No. of building permits | 3 | 4 | 2 | 8 | 1 |
| Valuation | \$994,000 | \$1,015,000 | \$600,000 | \$2,390,000 | \$750,000 |
| <u>New Commercial/Industrial</u> | | | | | |
| No. of building permits | 4 | 14 | 7 | 5 | 7 |
| Valuation | \$2,716,000 | \$20,753,815 | \$10,968,493 | \$18,900,000 | \$10,697,726 |
| <u>All Building Permits</u> | | | | | |
| <i>(including additions and remodelings)</i> | | | | | |
| No. of building permits | 707 | 677 | 480 | 425 | 499 |
| Valuation | \$69,295,248 | \$72,472,994 | \$58,033,968 | \$76,104,148 | \$79,520,704 |

Source: The City.

¹ As of December 31, 2017.

U.S. CENSUS DATA

Population Trend: The City

| | |
|-------------------------------|---------|
| 2000 U.S. Census | 21,823 |
| 2010 U.S. Census | 23,132 |
| 2017 Estimated Population | 23,856 |
| Percent of Change 2000 - 2010 | + 6.00% |

Income and Age Statistics

| | The City | Ozaukee County | State of Wisconsin | United States |
|--|-----------------|-----------------------|---------------------------|----------------------|
| 2016 per capita income | \$63,515 | \$44,369 | \$29,253 | \$29,829 |
| 2016 median household income | \$104,691 | \$78,415 | \$54,610 | \$55,322 |
| 2016 median family income | \$122,364 | \$94,276 | \$69,925 | \$67,871 |
| 2016 median gross rent | \$1,320 | \$869 | \$789 | \$928 |
| 2016 median value owner occupied units | \$354,300 | \$248,800 | \$167,000 | \$184,700 |
| 2016 median age | 49.8 yrs. | 43.9 yrs. | 39.1 yrs. | 37.7 yrs. |

| | State of Wisconsin | United States |
|-------------------------------------|---------------------------|----------------------|
| City % of 2016 per capita income | 217.12% | 212.93% |
| City % of 2016 median family income | 174.99% | 180.29% |

Housing Statistics

| | <u>The City</u> | | |
|-------------------|------------------------|-------------|--------------------------|
| | 2000 | 2016 | Percent of Change |
| All Housing Units | 8,162 | 9,721 | 19.10% |

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

EMPLOYMENT/UNEMPLOYMENT DATA

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

| Year | <u>Average Employment</u> | <u>Average Unemployment</u> | |
|----------------|----------------------------------|------------------------------------|---------------------------|
| | Ozaukee County | Ozaukee County | State of Wisconsin |
| 2013 | 45,090 | 5.2% | 6.7% |
| 2014 | 45,954 | 4.2% | 5.4% |
| 2015 | 46,491 | 3.7% | 4.6% |
| 2016 | 47,015 | 3.5% | 4.1% |
| 2017, December | 47,891 | 2.1% | 2.7% |

Source: Wisconsin Department of Workforce Development.

FINANCIAL STATEMENTS

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

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

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2016**



**CITY OF MEQUON
WISCONSIN**

Prepared by:

William Jones
City Administrator

Thomas Watson
Finance Director

Published June 28, 2017



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FINANCE DEPARTMENT
Thomas W. Watson, CMA, CFM, CFO Finance Director/Treasurer
Shawn E. Hart, CPA, Assistant to the Finance Director

June 28, 2017

To the Citizens, Honorable Mayor and Common Council of the City of Mequon, Wisconsin:

The Comprehensive Annual Financial Report for the City of Mequon, Wisconsin, for the fiscal year ended December 31, 2016, is hereby submitted. This report consists of management's representations concerning the finances of the City of Mequon. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Mequon has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Mequon's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Mequon's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Baker Tilly Virchow Krause, LLP, a firm of certified public accountants and consultants has audited the City of Mequon's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mequon for the fiscal year ended December 31, 2016, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that the City's financial statements for the year ended December 31, 2016 are fairly presented in accordance with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Mequon's MD&A can be found immediately following the report of the independent auditors.

This report includes all funds of the City. It includes all governmental organizations and activities for which the City's Common Council is financially accountable. The City provides a full range of municipal services normally associated with a municipality including general administration, police and fire protection, the construction and maintenance of highways, streets, and related infrastructure, recreational activities, cultural events, and economic development. In addition to general activities, the Common Council exercises authority over the Mequon Sewer Utility and Mequon Water Utility; therefore these activities are included in the financial statements. However, the Mequon-Thiensville (M-T) and Cedarburg School Districts and the Milwaukee Area Technical College are autonomous entities and have not met the established criteria for inclusion in the reporting entity, and accordingly, are excluded from this report.

COMMUNITY PROFILE

The City is located in Ozaukee County, bordering Milwaukee County to its south and Lake Michigan to its east, and covers 47 square miles. The City was incorporated in 1957 and has a 2015 population of 23,793 (per state Department of Administration).

The eight-member Council is elected by ward for overlapping three-year terms. The mayor is elected at large for a three-year term. The Council is responsible for enacting ordinances, resolutions, and regulations governing the City as well as the appointment of members of various statutory and advisory boards and the City Administrator. As Chief Administrative Officer, the City Administrator has the responsibility of administering programs in accordance with policies established by the City Council and within the guidelines of the annual budget adopted by the City Council.

All departments of the City of Mequon are required to submit requests for appropriation for all governmental activities to the City Administrator on or before the last Monday in July of each year. The City Administrator uses these requests as the starting point for developing a proposed budget for governmental activities. The City Administrator presents the proposed budget for all governmental activities to the Common Council, meeting as the Appropriations Committee, in early October for review. The Appropriations Committee meets with the City Administrator and all department heads over a series of meetings shortly after receiving the proposed budget. The City is required to hold a public hearing on the proposed budget, which is held the second Tuesday in November. The governmental activities budget is generally adopted at the first Common Council meeting in November at which time the required property tax levy is established.

Development Approvals

Major commercial initiatives for 2017 include development in both of the City's commercial areas (Port Washington Road and Town Center). The estimated new tax base value based solely on the major projects listed below total approximately \$13,000,000. These projects are evidence that appropriately planned commercial development is assisting in the City's goal of rebalancing the commercial tax base. These private investments in the community include the following:

- The establishment of several new senior housing developments, including a transition of care programs.
- Reinvestment by the local school district for maintenance and upgrades of various school facilities.
- Major investment by Concordia University of Wisconsin for a four story, 85,000 square foot academic building.
- The construction of a number of new commercial development projects, including renovation of new office complexes, daycare facilities, fitness studios and convenience gas stations.
- Adaptive reuse of an underutilized industrial structure as an indoor sport shooting range.
- Expansion of a long standing Mequon manufacturing business, Charter Manufacturing.

FOR THE FUTURE (2017):

Business Outreach and Programs

The Economic Development Board has set a work program for 2017 which includes implementation of a Business Retention and Outreach plan as well as focus groups with existing commercial entities within the of retail and service and industrial sectors. In addition, the Board facilitates and makes recommendations related to economic incentives for businesses and economic development. These programs include a Revolving Loan Program, TID development incentives and a Town Center Business Loan Program. The Board is looking to establish another community reinvestment program with a local financial institution with the goal of attracting new businesses to the City, and will facilitate an amendment to an existing TID in order to continue to offer incentives as an eligible expenditure.

The Board successfully negotiated a contract and development agreement for a 13-acre site sold by the City, as well as managed a Request for Proposals process for a redevelopment site.

Tax Increment Finance Districts (TIDS)

The City has four TID's to manage and promote redevelopment opportunities. These efforts include long-term financial strategies, data monitoring, private/public partnerships to accomplish infrastructure and streetscape enhancements, coordination with consultants and the Wisconsin Department of Transportation and pursuing and evaluating the type of redevelopment desired for these neighborhoods.

ECONOMIC CONDITION AND OUTLOOK

Unemployment has historically been very low in the Milwaukee metropolitan area. In Ozaukee County the unemployment rates were 3.7 percent in 2015 and 3.5 percent in 2016. This still compares favorably with the Wisconsin unemployment rates of 4.6 and 4.1 percent respectively.

Mequon's 2016 equalized property value stands at over \$4.4 billion. Housing values on a full market basis continue a recent upward trend, increasing 2.7% over the previous year. In 2016, the City had over \$80 million valuation in construction permits; a 22% increase from 2015 valuation for construction permits. The City maintains an Aa3 bond rating from Moody's Investors Service, based in part on the relatively strong economic climate of the City.

MAJOR INITIATIVES FOR THE YEAR (2016)

Economic Development

The Common Council continues its implementation efforts for the Town Center and expanded appropriate areas for additional single-family residential development served by public water and sewer. As a result of rezoning efforts for conservation subdivisions at one acre densities, the City has approved approximately 250 new lots through platting efforts by residential developers. Given the opportunity for mixed-use residential development, another 136 new dwelling units were approved for construction within the Town Center. At this time, the neighborhood maintains high occupancy rates for the currently leased apartments. In addition, projects completing construction are on-target with expected leasing rates. Market studies suggest there is still a greater demand in the City's competitive market for additional market-rate and senior housing apartments. With the approval of mixed-use development on a City-owned, 13 acre parcel, the Spur 16 development is expected to secure an additional \$26 million dollars in new development value for Town Center. New one acre single-family development and mixed residential development will significantly influence the success of the redevelopment success of the City's traditional neighborhood. As projects are constructed, the City continues to invest further in streetscape improvements by establishing a public/private partnership with the developers of these Town Center sites.

City Real Estate Needs

The Economic Development Board will continue to serve the Common Council and provide advice on matters relating to real estate opportunities, as well as the evaluation of any development proposal in which economic incentives are requested. The City continues to provide education and outreach for County-sponsored programs for housing rehabilitation for the City's older housing stock.

FINANCIAL MANAGEMENT

Budgetary Controls

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Common Council. Activities of the general fund, debt service fund, and sewer utility fund are included in the annual appropriated budget. The budget is adopted at the object level of expenditure; however, it is monitored by department heads at the departmental level within an individual fund.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

RISK MANAGEMENT

Third-party insurance coverage is currently maintained for health, dental and life insurance, worker's compensation, property, liability and other potential losses.

CASH MANAGEMENT

During the year, temporarily idle cash was invested in demand deposits, an investment pool and a privately managed trust. The investment pool utilized by the City was the State of Wisconsin Local Government Investment Pool, a part of the State Investment Fund, which invests primarily in U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U.S. Government. In addition, the City utilized the services of Ziegler Investment Services. The City's portfolio at Ziegler consists primarily of U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U.S. Government. The City had investment income of approximately \$93,000 on all investments for the year ended December 31, 2016. The average return on investment was approximately one quarter of one percent.

The City's investment policy directs staff to maximize security, liquidity, and return, in that order, when considering investment alternatives.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mequon for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2015. This was the third year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that this current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine the City's eligibility for another certificate.

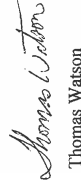
ACKNOWLEDGEMENTS

We wish to thank the Mayor and the Common Council. Their leadership and continued support is invaluable toward advancing the goals of the City. Preparation of this report was made possible with the assistance of Baker Tilly Virchow Krause, LLP.

Respectfully submitted,



William Jones
City Administrator



Thomas Watson
Director of Finance

CITY OF MEQUON, WISCONSIN

DIRECTORY OF OFFICIALS

As of December 31, 2016

ELECTED OFFICIALS

Mayor Dan Abendroth

Common Council

| | | | |
|------------|----------------------------|------------|-------------------------|
| District 1 | Alderman Robert Strzelecki | District 2 | Alderman Connie Pukaite |
| District 3 | Alderman Dale Mayr | District 4 | Alderman John Wirth |
| District 5 | Alderman Mark Gierl | District 6 | Alderman John Hawkins |
| District 7 | Alderman Andrew Neubun | District 8 | Alderman Pamela Adams |

APPOINTED OFFICIALS

William Jones, City Administrator
 Justin Schoenemann, Assistant City Administrator
 Caroline Fochs, City Clerk
 Steve Graff, Police Chief
 David Bialk, Fire Chief
 Thomas Watson, Finance Director
 Kristen Lundeen, Public Works Director/City Engineer
 Kim Tollefson, Planning and Community Development Director
 Don Curran, Director of Parks and Operations
 Mike Grota, City Assessor



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

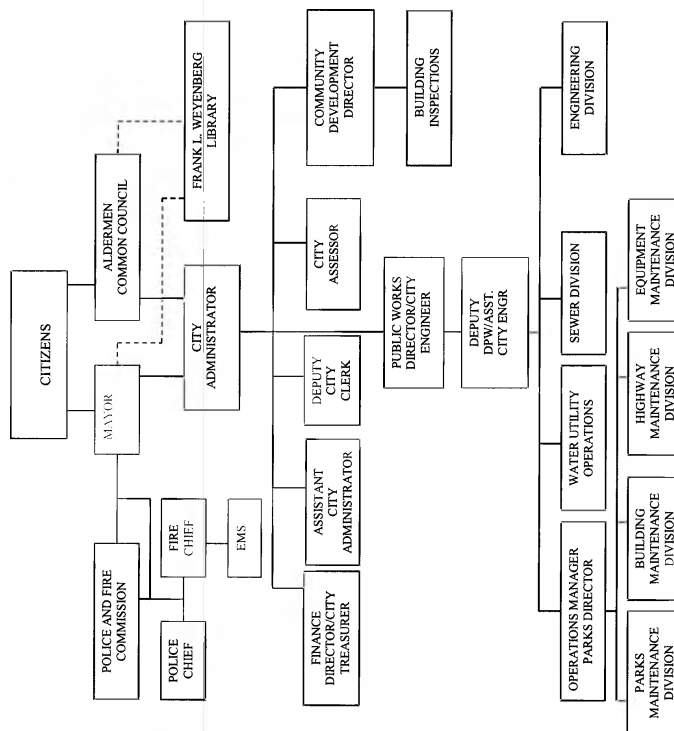
**City of Mequon
Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Jeffrey R. Egan
Executive Director/CEO

City of Mequon Organizational Chart



INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Mequon
Mequon, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Common Council
City of Mequon

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 Mequon, Wisconsin, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, 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 Mequon's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mequon's basic financial statements. The "Introductory Section" and "Statistical Section" are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly Voichau Krause, LLP

Milwaukee, Wisconsin
June 28, 2017

CITY OF MEQUON, WISCONSIN MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis of the City of Mequon's financial performance is intended to provide an overview of the City's financial activities for the fiscal year ended December 31, 2016. Please consider it in conjunction with the City's financial statements, which begin on page 25, following this narrative.

FINANCIAL HIGHLIGHTS

- ✓ With total assets and deferred outflows of resources of \$147 million and total liabilities and deferred inflows of resources of \$79.2 million, the total net position of the City of Mequon stood at approximately \$67.8 million at the close of the 2016 fiscal year, an increase of 7% from the previous year.
- ✓ As of December 31, 2016 the City of Mequon's governmental funds reported combined ending fund balances of approximately \$9.5 million, an increase of \$200 thousand (2.2%) compared to the prior year. Approximately \$1.7 million or 18.2% of the total fund balances are available for spending at the government's discretion (unassigned fund balance).
- ✓ At the close of the fiscal year the City of Mequon's unassigned general fund balance totaled approximately \$2.2 million, a decrease of 10% from the previous fiscal year. This represents 14% of the \$16 million adopted 2017 General Fund budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Mequon's basic financial statements are comprised of three components: 1) government-wide 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 designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business entities.

The *Statement of Net Position* presents information on all of the City of Mequon's assets, deferred outflows, liabilities and deferred inflows, 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 is improving or deteriorating.

The *Statement of Activities* presents information showing how the City'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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation).

The government-wide financial statements distinguish those functions of the municipality that are principally supported by taxes and intergovernmental revenues, known as *governmental activities*, from other functions that are intended to recover all or a significant portion of their costs through user fees and service charges, called *business-type activities*.

The governmental activities of the City of Mequon include general government, public safety, public works, public health, community enrichment services, conservation and development, capital outlay, and interest and fiscal charges.

The business-type activities of the City consist of a Sewer Utility and Water Utility.

The government-wide financial statements can be found on pages 25 through 27 of this report.

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 or objectives. The City of Mequon, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance-related legal requirements. All of the funds of the City of Mequon can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds. *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 statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 municipality'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 Mequon maintains six governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major governmental funds or funds for which separate reporting has been determined to be helpful in fulfilling other legal reporting requirements. Data from the other governmental funds are combined into a single, aggregated presentation. Disaggregated fund data for these other governmental funds is provided in the form of combining statements in the supplementary information section.

Compliance with the City's annual operating budget for the year ended December 31, 2016 is reported in the *Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - General Fund* which is found on page 87.

The governmental fund financial statements can be found beginning on page 28 of this report.

Proprietary Funds. 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 City's proprietary fund financial statements present information for the Sewer Utility and Water Utility. The Sewer and Water Utilities are considered to be major proprietary funds of the City of Mequon.

The proprietary fund financial statements can be found beginning on page 34 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Mequon's own programs. The accounting for fiduciary funds is similar to that used for governmental funds. The City of Mequon uses fiduciary funds to account for taxes collected for the benefit of overlapping tax jurisdictions for which the City is the fiscal agent.

The fiduciary fund financial statements can be found on page 39 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional detail 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 beginning on page 40 of this report.

Supplementary Information. Following the basic government-wide and fund financial statements and accompanying notes additional supplementary information has been provided as part of this report. The supplementary information includes combining statements for the non-major governmental funds.

The supplementary information section of the report begins on page 91.

Government-wide Financial Analysis

The City of Mequon's statement of net position is summarized in the table on the following page. The City's assets exceeded liabilities by approximately \$67.8 million at the close of 2016. The majority of total assets (67.4%) reflect the City's investment in capital assets including land, land improvements, buildings, machinery and equipment, infrastructure, and construction in progress. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Mequon, Wisconsin Summary Statement of Net Position December 31, 2016 and 2015

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|---------------|--------------------------|---------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current & Other Assets | \$ 30,535,015 | \$ 30,124,045 | \$ 15,559,310 | \$ 14,526,337 | \$ 46,094,325 | \$ 44,650,382 |
| Capital Assets (net) | 43,431,397 | 35,857,117 | 51,721,940 | 51,232,727 | 95,153,337 | 87,089,844 |
| Total Assets | \$ 73,966,412 | \$ 65,981,162 | \$ 67,281,250 | \$ 65,759,064 | \$ 141,247,662 | \$ 131,740,226 |
| Deferred Outflows of Resources | \$ 5,508,971 | \$ 1,569,572 | \$ 240,066 | \$ 68,061 | \$ 5,749,037 | \$ 1,637,633 |
| Current Liabilities | \$ 3,440,258 | \$ 2,271,623 | \$ 735,973 | \$ 966,775 | \$ 4,176,231 | \$ 3,238,388 |
| Non-Current Liabilities | 34,465,266 | 26,801,679 | 16,305,533 | 18,673,801 | 50,770,799 | 45,475,480 |
| Total Liabilities | \$ 37,905,524 | \$ 29,073,302 | \$ 17,041,506 | \$ 19,640,576 | \$ 54,947,030 | \$ 48,713,878 |
| Deferred Inflows of Resources | \$ 16,930,832 | \$ 14,161,887 | \$ 7,359,614 | \$ 7,190,245 | \$ 24,290,446 | \$ 21,352,132 |
| Net Position | \$ 17,083,161 | \$ 16,159,417 | \$ 38,624,081 | \$ 37,426,354 | \$ 54,728,515 | \$ 52,447,275 |
| Net investment in capital assets | 995,817 | 2,277,291 | 375,150 | 410,727 | 1,370,967 | 2,688,018 |
| Restricted | 6,560,049 | 5,676,837 | 4,120,966 | 1,159,223 | 11,659,742 | 8,076,566 |
| Unrestricted | \$ 24,639,027 | \$ 24,315,545 | \$ 43,120,167 | \$ 38,996,304 | \$ 67,759,224 | \$ 63,311,649 |
| Total Net Position | | | | | | |
| Total Net Position as a % of Total Liabilities and Deferred Inflows | 44.9% | 56.2% | 176.7% | 145.3% | 85.5% | 90.4% |
| Unrestricted Net Position as a % of Total Liabilities and Deferred Inflows | 12.0% | 13.6% | 16.9% | 4.3% | 14.7% | 11.5% |

The net position section includes an adjustment for capital assets owned by the business type activities by financed by the debt of the governmental activities. Amounts will not cross-foot as a result. See note 1D.10

A portion of the City's net position (2%) represents resources that are subject to other restrictions as to how they may be used. The remainder of total net position may be used to meet the City's on-going obligations to its citizens and creditors.

At the end of 2016, the City is able to report positive balances in all of the categories of net position for the governmental activities and the government as a whole as well as all categories for business-type activities.

The former deficit in the Business-Type Activities group was related to a settlement with the Metropolitan Milwaukee Sewerage District (MMSD) made in 1997. There had been a long-running dispute with MMSD and suburban users of the treatment system. MMSD wanted suburban users to pay sewerage capital charges based upon valuation, while the communities continued to make capital payments based on usage. It was determined via the courts that valuation was the proper method of contribution, which resulted in Mequon having an additional balance due to MMSD in excess of \$20 million. Since there is no related asset associated with the debt the City incurred to cover the additional amount owed to MMSD, the result is a deficit. It is anticipated this debt will be retired by 2017.

As comparable data is accumulated and reported by governmental units over time, a sense of what level of net position is typical or appropriate will begin to develop. Total net position at the end of 2016 was approximately \$24.6 million or approximately 45% of the total liabilities and deferred inflows for governmental activities.

Statement of Activities

Total net position of the City of Mequon increased by \$4,447,375 (7%) in 2016, due primarily to expansion of the Mequon Water Utility.

Net position of the City's governmental activities totaled \$24,639,027 as of December 31, 2016. Governmental activities for the year increased net position by \$323,482. Operating grants and contributions decreased \$52,499 and Capital grants and contributions increased \$531,295. Governmental expenses decreased \$1,054,414. The City's unrestricted net position for governmental activities, that part of net position that can be used to finance day-to-day activities, was \$6,560,049. Restricted net position for governmental activities included \$699,935 for revolving loan programs, \$288,505 for Tax Increment District development purposes and \$7,377 for cemetery maintenance.

Net position of the City's business-type activities totaled \$43,120,197, an increase of \$4,123,893, due primarily to expansion of the Mequon Water Utility.

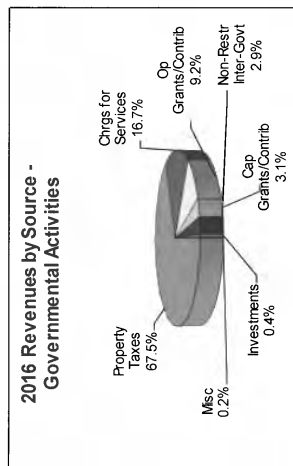
The following table illustrates the change in net position for the City of Mequon for fiscal years ended December 31, 2016 and 2015:

STATEMENT OF ACTIVITIES For The Years Ended December 31, 2016 and 2015

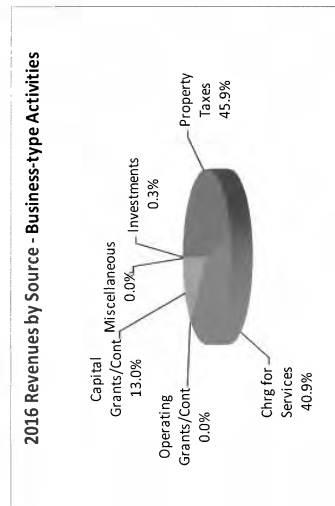
| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 3,497,183 | \$ 3,172,991 | \$ 6,409,901 | \$ 6,141,213 | \$ 9,907,084 | \$ 9,314,204 |
| Operating grants and contributions | 1,931,549 | 1,984,048 | - | 82,334 | 1,931,549 | 2,066,382 |
| Capital grants and contributions | 653,730 | 122,435 | 2,034,162 | 7,650,793 | 2,687,892 | 7,773,228 |
| General Revenues | | | | | | |
| Property Taxes | 14,160,513 | 13,712,286 | 7,190,003 | 7,066,677 | 21,350,516 | 20,778,963 |
| Intergovernmental revenues not restricted to specific programs | 606,519 | 483,431 | - | - | 606,519 | 483,431 |
| Investment income | 93,214 | 71,707 | 42,067 | 14,976 | 135,281 | 86,683 |
| Other | 38,205 | 144,054 | 1,605 | 18,243 | 39,810 | 162,297 |
| Total Revenues | \$ 20,980,913 | \$ 19,630,952 | \$ 15,677,738 | \$ 20,974,236 | \$ 36,658,651 | \$ 40,665,188 |
| Expenses | | | | | | |
| General government | \$ 2,926,703 | \$ 2,827,161 | \$ - | \$ - | \$ 2,926,703 | \$ 2,827,161 |
| Public safety | 8,568,616 | 7,658,522 | - | - | 8,568,616 | 7,658,522 |
| Public works | 5,590,695 | 6,510,601 | - | - | 5,590,695 | 6,510,601 |
| Public health | 1,667 | 2,692 | - | - | 1,667 | 2,692 |
| Community enrichment services | 1,760,253 | 1,832,803 | - | - | 1,760,253 | 1,832,803 |
| Conservation and development | 635,097 | 1,963,424 | - | - | 635,097 | 1,963,424 |
| Interest and fiscal charges | 1,174,400 | 916,642 | - | - | 1,174,400 | 916,642 |
| Sewer utility | - | - | 8,990,263 | 9,052,567 | 8,990,263 | 9,052,567 |
| Water utility | - | - | 2,563,582 | 2,448,115 | 2,563,582 | 2,448,115 |
| Total Expenses | \$ 20,657,431 | \$ 21,711,845 | \$ 11,553,845 | \$ 11,500,692 | \$ 32,211,276 | \$ 33,212,527 |
| Change in net position | \$ 323,482 | \$ (2,020,893) | \$ 4,123,893 | \$ 9,473,554 | \$ 4,447,375 | \$ 7,452,661 |
| Net Position - beginning of year | 24,315,545 | 26,336,438 | 38,996,304 | 29,522,750 | 63,311,849 | 55,859,188 |
| Net Position - end of year | \$ 24,639,027 | \$ 24,315,545 | \$ 43,120,197 | \$ 38,996,304 | \$ 67,759,224 | \$ 63,311,849 |

Governmental Activities

An examination of the statement of activities can provide a concise picture of how the various activities of the City are funded. The following pie charts draw data from the statement of activities. For governmental services, the City is highly dependent upon the property tax for funding, deriving 67.5% of its revenue from this single source. State aids not restricted to specific programs comprise only 2.5% of the City's revenues while other operating and capital grants and contributions comprise 9.2%. Charges for services continue to be of significant importance, accounting for 16.7% of revenues.

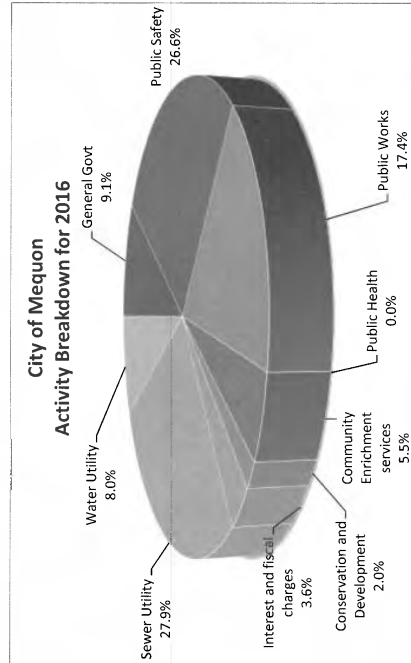


In the case of business-type activities, historically, property tax is the largest single component of revenues. Property taxes are levied in order to fund the Milwaukee Metropolitan Sewerage District (MMSD) annual capital charge, and repayment of the debt associated with the 1997 MMSD settlement and comprise 45.9% of total revenues. Funding of the utility's annual operation and maintenance costs is covered primarily by user fees, accounting for 40.9% of total revenues. The balance of revenue is made up of capital grants and contributions, operating grants and contributions, investments and other earnings.



Governmental activities. Total Governmental activity expenses decreased \$1,054,414 from a year ago. Increases were realized in General Government: \$99,542, Public Safety: \$910,094 and Interest and Fiscal Charges: \$257,758. Decreases were realized in Public Works: \$919,906, Community Enrichment: \$72,550, Conservation and Development: \$1,328,327 and Public Health, \$1,026.

Presented below is a chart depicting the relative percentage of expenses for the City's major functions for 2016:



FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information regarding near-term inflows, outflows and spendable resources. Such information can be useful in assessing the City's financing requirements. In particular, the level of unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2016, the City of Mequon's governmental funds reported combined ending fund balances of approximately \$9.5 million, an increase of approximately \$200 thousand from the previous year. Of this total, \$190,177 is nonspendable and approximately \$4.1 million is restricted for specific legal requirements and other commitments, leaving total unrestricted governmental fund balances of approximately \$5.2 million available for use at the discretion of the City's elected officials. As the result of past actions and policy decisions, approximately \$700 thousand (13%) of this balance have been assigned for specific uses (assignment of fund balance for the following year's budget), leaving a combined unassigned fund balance of \$1.7 million in the general, debt service and other non-major governmental funds.

The *General fund* is the primary operating fund used to account for the governmental operations of the City, with approximately \$15.7 million of direct expenditures from this fund accounting for approximately 53.3% of the City's approximately \$29.4 million total governmental fund expenditures as reported on the *Statement of Revenues Expenditures and Changes in Fund Balances*. The total year-end 2016 unassigned General fund balance of approximately \$2.2 million is down \$250 thousand from the previous year and represents 14.3% of the \$15.7 million 2016 General Fund expenditures reported on the *Statement of Revenues Expenditures and Changes in Fund Balances*.

Traditionally in Mequon, this year-end unassigned balance has been considered in proportion to the subsequent year's budgeted general fund expenditures, including debt service. This is used to measure the adequacy of the City's operating reserve, with a stated target ratio of 10%. The adopted 2017 General fund budget authorizes expenditures of \$15.9 million. Therefore, the 2016 year-end unassigned General fund balance of \$2.2 million represents 14% of the 2017 operating budget and therefore exceeds the target ratio.

The *Debt Service* fund has a total deficit fund balance of (\$483,521) which is all for debt related to the City's TID#3.

The *Capital Projects* fund is a governmental fund used to account for long-term capital acquisitions, such as squad cars and contractor equipment, land acquisition, and large-scale infrastructure projects, such as roadways. The fund balance in this fund is primarily derived from funds set aside for projects to be completed in a subsequent period. The \$6.26 million fund balance is restricted or assigned entirely for such projects or non-spendable for non-current receivables. The reason for the approximately \$424 thousand increase in fund balance is due to an increase in project funds for infrastructure improvements financed from debt proceeds.

The aggregated *Non-major Governmental Funds* column includes various park, revolving loan, and endowment funds used to account for the proceeds of specific revenue sources or that are legally restricted to expenditures for specific purposes. The combined fund balances increased from \$372,000 to approximately \$558,000 during 2016.

Proprietary Funds

The City's *Proprietary funds* provide the same type of information found in the government-wide financial statements. The net position of the *Enterprise-type* proprietary funds at the end of 2016 totaled approximately \$43 million, an increase of approximately \$4.1 million from the previous year. Contributed capital of approximately \$2 million accounted for most of this increase, followed by income before contributions of \$2.1 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

As shown in the Required Supplementary Information section, *Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual* for the General Fund, the original 2016 general fund budget authorized expenditures of approximately \$15.8 million. During the year, relatively small changes totaling a net \$5,867 were made to the total original expenditure budget by the Common Council.

The City ended the year with an unfavorable general fund budget revenue variance of \$(6,760) and a favorable expenditure variance of \$86,001. However, a budgeted transfer from fund balance of \$300,000 was not made; leaving the general fund with a total net deficit for the year at (\$222,259). The total unfavorable variance of \$(222,259) represents 1.4% of the original general fund expenditure budget.

This 2016 budgetary result occurred due to a variety of factors during the course of the year. While overall revenues were lower than expected in 2016, there were several notable offsetting favorable and unfavorable outcomes that are included in that variance. The most significant favorable outcomes were approximately \$127,000 higher-than-anticipated revenues in public safety fees. Other Revenues such as cell tower leases, Workers' Compensation insurance dividends and cable TV franchise revenues combined for a favorable variance of \$76,000. The most significant unfavorable outcomes were a \$173,000 shortfall in building permit fees and \$42,000 shortfall in development fees due to lower than expected zoning fee revenues.

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets

In accordance with the implementation requirements of GASB #34, the City has recorded historical costs and depreciation expense associated with all of its capital assets, including infrastructure. As summarized in the table below, the City's reported investment in capital assets for governmental and business type activities as of December 31, 2016 totaled over \$175 million. Of this total cost, approximately \$59.3 million (33.8%) was related to governmental infrastructure, with the City's street network comprising the most significant component.

Total accumulated depreciation was calculated to be just over \$80.4 million, or approximately 45.8% of the historical cost of depreciable capital assets. Net of accumulated depreciation, the City's investment in capital assets exceeded \$95.1 million.

City of Mequon, Wisconsin Capital Assets, Net of Accumulated Depreciation December 31, 2016 and 2015

| | Governmental Activities | | Business-Type Activities | | Total |
|----------------------------|-------------------------|---------------|--------------------------|---------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | |
| Land | \$ 9,836,352 | \$ 9,836,352 | \$ 19,125 | \$ 19,125 | \$ 9,855,477 |
| Construction in progress | 6,092,356 | - | 62,274 | - | 6,154,630 |
| Buildings | 11,500,189 | 11,757,566 | - | - | 23,257,755 |
| Machinery and Equipment | 10,472,023 | 10,144,064 | 5,517,619 | 5,485,356 | 26,533,962 |
| Infrastructure | 59,277,356 | 56,135,118 | 64,128,676 | 62,484,491 | 123,406,032 |
| Structure and Improvements | - | - | 7,442,136 | 7,349,985 | 14,792,121 |
| Subtotal | \$ 95,386,276 | \$ 86,873,099 | \$ 77,169,832 | \$ 75,411,731 | \$ 172,546,108 |
| Less: | | | | | |
| Accumulated Depreciation | (54,956,879) | (54,015,982) | (25,447,892) | (24,175,004) | (79,403,891) |
| | \$ 40,429,397 | \$ 32,857,117 | \$ 51,721,940 | \$ 51,236,727 | \$ 93,142,217 |

Some of the more significant additions to the City's capital assets during 2016 included:

| | |
|-------------------------|-------------|
| Roads | \$1,830,224 |
| Equipment & Vehicles | 853,959 |
| Sewer Utility additions | 1,085,920 |
| Water Utility additions | 717,791 |

Additional information related to the City of Mequon's capital assets is reported in Note III-D following the financial statements.

Long-Term Debt

On December 31, 2016, the City of Mequon had \$50,770,799 of long-term notes, bonds and other long-term obligations outstanding, as summarized in the following table:

City of Mequon, Wisconsin Long-Term Obligations Outstanding December 31, 2016 and 2015

| | Governmental Activities | | Business-Type Activities | | Total |
|-----------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | |
| General Obligation Bonds & Notes | \$31,285,000 | \$24,920,000 | \$3,035,000 | \$4,570,000 | \$34,220,000 |
| Revenue Bonds | - | - | 13,050,000 | 13,750,000 | 26,800,000 |
| Bond Premiums | 425,009 | 237,972 | 230,379 | 316,978 | 656,358 |
| Capital Leases | 527,341 | 599,808 | - | - | 1,127,149 |
| Net OPEB liability | 191,590 | - | 8,237 | - | 199,827 |
| Net pension liability | - | - | 1,534 | - | 1,534 |
| Compensated absences | 1,053,654 | 1,043,899 | 37,514 | 36,824 | 2,128,887 |
| Net pension liability/(asset)-WRS | 981,672 | (1,456,646) | 42,869 | (64,660) | 1,024,541 |
| | \$34,465,266 | \$25,345,033 | \$16,305,533 | \$18,609,142 | \$50,770,799 |
| | | | | | \$43,954,176 |

Under Wisconsin State Statutes, the outstanding long-term debt of a municipality may not exceed 5% of the equalized property value of all taxable property within the jurisdiction. Outstanding general obligation debt, less amounts to be paid from funds restricted for debt retirement, totaled \$34,220,000, or 15.3% of the maximum legal limit of \$223,945,485.

Additional information related to the City of Mequon's long-term debt is reported in Note III-F following the financial statements.

CURRENTLY KNOWN FACTS

The 2017 general government budget adopted by the Mequon Common Council in November, 2016 increased total General, Capital, and Debt Service Fund expenditures by \$918,000 or 4.6%. However, the net result is that the 2016 tax levy increases by \$465,000 (3.4%) in these areas. This increase is aided by a projected \$1,194,000 increase in all other revenue sources, including the use of \$700,000 of fund balance. It is anticipated the City will continue to work to maintain the general fund balance to a level of at least 10% of next year's general and debt service fund budgets.

Five Year Expenditure History

| Fiscal Year | Amount | Percent Increase/ (Decrease) |
|-------------|--------------|---------------------------------|
| 2017 | \$20,847,297 | 4.61 |
| 2016 | \$19,928,995 | 3.82 |
| 2015 | \$19,195,664 | 3.23 |
| 2014 | \$18,594,199 | 1.20 |
| 2013 | \$18,377,191 | 0.84 |
| 2012 | \$18,224,239 | 0.41 |

As presented in the table below, compared to the previous year, salaries and benefits increased by 4.1%. This is due to new hires in public safety and increases in benefit costs such as health insurance and pension fund contributions. Materials and supplies decreased 11.8% and purchased services decreased by 6.8%. Debt service costs increased 18.6% due to a 2016 General Obligation issue to fund the Combined Public Works facility expansion. Budgeted Capital expenditures increased 14.1%, due, in part, to the City increasing funding for improving existing City facilities. The City continues to explore alternative financing methods for its capital program. Support for the Mequon-Thiensville joint library is virtually unchanged, yet still meets various state and local funding requirements.

Change in Expenditure Budget by Function

| Expenditures | 2017 Adopted | 2016 Adopted | Net Increase (Decrease) | Percent Change |
|---------------------------|---------------------|---------------------|----------------------------|-------------------|
| Salaries/Fringes | \$11,838,170 | \$11,374,786 | \$463,385 | 4.1 |
| Materials/Supplies | 1,010,906 | 1,146,371 | (135,465) | (11.8) |
| Purchased Services/ Other | 2,052,821 | 2,202,989 | (150,168) | (6.8) |
| Debt Service | 4,048,469 | 3,413,535 | 634,934 | 18.6 |
| Capital * | 848,002 | 743,000 | 105,002 | 14.1 |
| Library * | 1,048,929 | 1,048,315 | 614 | 0.1 |
| Total | \$20,847,297 | \$19,928,995 | \$918,302 | 4.6% |

* Capital projects and Library expenditures are shown only to the extent of the offsetting amounts of the current year City of Mequon tax levy.

In developing the 2017 budget, several guiding principles applied:

- The State of Wisconsin's 2011 Act 32, imposes a property tax limit on all city levies. Act 32 allows municipal levies to increase by either zero percent, or the percentage change in the city's equalized value due to net new construction, whichever is greater. The City's increase in net new construction was 1.72 percent.
- The following goals were emphasized while developing the FY2017 budget. They include:
 - Maintaining low property taxes
 - Maintaining city infrastructure, roads and public works
 - Maintaining high quality public safety services
 - Maintaining the city's fiscal vitality with a strong and diverse tax base by encouraging community-sensitive economic development

REQUESTS FOR INFORMATION

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to provide accountability for the financial resources it receives. If you have questions about the information contained in this report or need additional financial information concerning the City of Mequon, please contact the Finance Department, 11333 N Cedarburg Road, Mequon, Wisconsin, 53092. Our staff can be reached by telephone at (262)-242-3100. You are also invited to visit the City's web site at <http://www.ci.mequon.wi.us>.

CITY OF MEQUON

STATEMENT OF NET POSITION As of December 31, 2016

| | Governmental Activities | Business-type Activities | Totals |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 19,779,721 | \$ 8,172,040 | \$ 27,951,761 |
| Receivables (net) | | | |
| Taxes | 6,859,934 | 3,394,096 | 10,254,030 |
| Accounts | - | 1,635,343 | 1,635,343 |
| Special assessments | 207,733 | 51,233 | 258,966 |
| Other | 450,382 | 402,565 | 852,947 |
| Loans | 287,245 | - | 287,245 |
| Inventories | - | 59,534 | 59,534 |
| Restricted assets | | | |
| Cash and investments | - | 1,844,499 | 1,844,499 |
| Investment in joint venture | 2,950,000 | - | 2,950,000 |
| Capital Assets | | | |
| Land | 9,836,352 | 19,125 | 9,855,477 |
| Construction in progress | 6,902,356 | 62,274 | 6,964,630 |
| Other capital assets, net of accumulated depreciation | <u>26,692,689</u> | <u>51,640,541</u> | <u>78,333,230</u> |
| Total Assets | <u>73,966,412</u> | <u>67,281,250</u> | <u>141,247,662</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related amounts | <u>5,508,971</u> | <u>240,066</u> | <u>5,749,037</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 2,103,634 | 596,268 | 2,699,902 |
| Accrued interest payable | 494,586 | 139,705 | 634,291 |
| Deposits | 842,038 | - | 842,038 |
| Noncurrent Liabilities | | | |
| Due within one year | 3,751,626 | 2,412,514 | 6,164,140 |
| Due in more than one year | <u>30,713,640</u> | <u>13,893,019</u> | <u>44,606,659</u> |
| Total Liabilities | <u>37,905,524</u> | <u>17,041,506</u> | <u>54,947,030</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Subsequent year's tax revenue | 14,851,791 | 7,268,823 | 22,120,614 |
| Pension related amounts | <u>2,079,041</u> | <u>90,791</u> | <u>2,169,832</u> |
| Total Deferred Inflows of Resources | <u>16,930,832</u> | <u>7,359,614</u> | <u>24,290,446</u> |
| NET POSITION | | | |
| Net investment in capital assets | 17,083,161 | 38,624,081 | 54,728,515 |
| Restricted for | | | |
| Debt service | - | 272,807 | 272,807 |
| Loan programs | 699,935 | - | 699,935 |
| Cemetery | 7,377 | - | 7,377 |
| Equipment replacement | - | 102,343 | 102,343 |
| TID development purposes | 288,505 | - | 288,505 |
| Unrestricted | <u>6,560,049</u> | <u>4,120,966</u> | <u>11,659,742</u> |
| TOTAL NET POSITION | <u>\$ 24,639,027</u> | <u>\$ 43,120,197</u> | <u>\$ 67,759,224</u> |

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General government | \$ 2,926,703 | \$ 917,835 | \$ 33,736 | \$ - |
| Public safety | 8,568,616 | 1,510,333 | 169,658 | 79,889 |
| Public works | 5,590,695 | 650,089 | 1,669,155 | 573,841 |
| Public health | 1,667 | - | - | - |
| Community enrichment services | 1,760,253 | 345,849 | 59,000 | - |
| Conservation and development | 635,097 | 73,077 | - | - |
| Interest and fiscal charges | 1,174,400 | - | - | - |
| Total Governmental Activities | <u>20,657,431</u> | <u>3,497,183</u> | <u>1,931,549</u> | <u>653,730</u> |
| Business-type Activities | | | | |
| Sewer Utility | 8,990,263 | 3,015,733 | - | 1,333,291 |
| Water Utility | <u>2,563,582</u> | <u>3,394,168</u> | <u>-</u> | <u>700,871</u> |
| Total Business-type Activities | <u>11,553,845</u> | <u>6,409,901</u> | <u>-</u> | <u>2,034,162</u> |
| Total | <u>\$ 32,211,276</u> | <u>\$ 9,907,084</u> | <u>\$ 1,931,549</u> | <u>\$ 2,687,892</u> |

General Revenues

Taxes

Property taxes, levied for general purposes
Property taxes, levied for debt service
Property taxes, levied for TIF districts
Property taxes, levied for capital projects
Intergovernmental revenues not restricted to specific programs
Investment income
Miscellaneous

Total General Revenues

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Totals</u> |
|------------------------------------|-------------------------------------|----------------------|
| \$ (1,975,132) | \$ - | \$ (1,975,132) |
| (6,808,736) | - | (6,808,736) |
| (2,697,610) | - | (2,697,610) |
| (1,667) | - | (1,667) |
| (1,355,404) | - | (1,355,404) |
| (562,020) | - | (562,020) |
| <u>(1,174,400)</u> | <u>-</u> | <u>(1,174,400)</u> |
| <u>(14,574,969)</u> | <u>-</u> | <u>(14,574,969)</u> |
| - | (4,641,239) | (4,641,239) |
| - | <u>1,531,457</u> | <u>1,531,457</u> |
| - | <u>(3,109,782)</u> | <u>(3,109,782)</u> |
| <u>(14,574,969)</u> | <u>(3,109,782)</u> | <u>(17,684,751)</u> |
| 10,267,108 | 7,190,003 | 17,457,111 |
| 2,511,010 | - | 2,511,010 |
| 570,500 | - | 570,500 |
| 811,895 | - | 811,895 |
| 606,519 | - | 606,519 |
| 93,214 | 42,067 | 135,281 |
| <u>38,205</u> | <u>1,605</u> | <u>39,810</u> |
| <u>14,898,451</u> | <u>7,233,675</u> | <u>22,132,126</u> |
| 323,482 | 4,123,893 | 4,447,375 |
| <u>24,315,545</u> | <u>38,996,304</u> | <u>63,311,849</u> |
| <u>\$ 24,639,027</u> | <u>\$ 43,120,197</u> | <u>\$ 67,759,224</u> |

See accompanying notes to financial statements.

CITY OF MEQUON

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2016

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> |
|--|-----------------------------|------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 8,020,350 | \$ 4,349,642 | \$ 6,807,540 |
| Receivables (net) | | | |
| Taxes | 6,499,690 | 312,086 | 48,158 |
| Special assessments | 2,157 | - | 205,576 |
| Other | 366,189 | 12 | 83,852 |
| Loans | - | - | - |
| Due from other funds | 39,505 | - | - |
| Advances to other funds | - | - | 1,494,750 |
| Equity in joint venture | <u>185,000</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 15,112,891</u></u> | <u><u>\$ 4,661,740</u></u> | <u><u>\$ 8,639,876</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 143,521 | \$ 12,632 | \$ 1,211,624 |
| Accrued liabilities | 735,841 | - | - |
| Deposits | 837,688 | - | - |
| Due to other funds | - | - | - |
| Advances from other funds | <u>-</u> | <u>1,494,750</u> | <u>-</u> |
| Total Liabilities | <u><u>1,717,050</u></u> | <u><u>1,507,382</u></u> | <u><u>1,211,624</u></u> |
| Deferred Inflows of Resources | | | |
| Subsequent year's tax revenue | 10,246,538 | 3,637,879 | 967,374 |
| Unavailable revenues | <u>2,157</u> | <u>-</u> | <u>205,576</u> |
| Total Deferred Inflows of Resources | <u><u>10,248,695</u></u> | <u><u>3,637,879</u></u> | <u><u>1,172,950</u></u> |
| Fund Balances (Deficit) | | | |
| Nonspendable | 190,177 | - | - |
| Restricted | 7,377 | - | 3,689,849 |
| Committed | - | - | - |
| Assigned | 701,500 | - | 2,565,453 |
| Unassigned (Deficit) | <u>2,248,092</u> | <u>(483,521)</u> | <u>-</u> |
| Total Fund Balances (Deficit) | <u><u>3,147,146</u></u> | <u><u>(483,521)</u></u> | <u><u>6,255,302</u></u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u><u>\$ 15,112,891</u></u> | <u><u>\$ 4,661,740</u></u> | <u><u>\$ 8,639,876</u></u> |

See accompanying notes to financial statements.

| Nonmajor Governmental Funds | Totals |
|-----------------------------------|----------------------|
| \$ 602,189 | \$ 19,779,721 |
| - | 6,859,934 |
| - | 207,733 |
| 329 | 450,382 |
| 287,245 | 287,245 |
| - | 39,505 |
| - | 1,494,750 |
| - | 185,000 |
| <u>\$ 889,763</u> | <u>\$ 29,304,270</u> |

| | |
|---------------|------------------|
| \$ 17 | \$ 1,367,794 |
| - | 735,841 |
| 4,350 | 842,038 |
| 39,505 | 39,505 |
| - | 1,494,750 |
| <u>43,872</u> | <u>4,479,928</u> |

| | |
|----------------|-------------------|
| - | 14,851,791 |
| <u>287,245</u> | <u>494,978</u> |
| <u>287,245</u> | <u>15,346,769</u> |

| | |
|-----------------|------------------|
| - | 190,177 |
| 412,690 | 4,109,916 |
| 189,672 | 189,672 |
| - | 3,266,953 |
| <u>(43,716)</u> | <u>1,720,855</u> |
| <u>558,646</u> | <u>9,477,573</u> |

| | |
|-------------------|----------------------|
| <u>\$ 889,763</u> | <u>\$ 29,304,270</u> |
|-------------------|----------------------|

See accompanying notes to financial statements.

CITY OF MEQUON

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

| | |
|--|--------------|
| Total Fund Balances - Governmental Funds | \$ 9,477,573 |
|--|--------------|

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.

| | |
|--------------------------------|--------------|
| Land | 9,836,352 |
| Construction in progress | 6,902,356 |
| Other capital assets | 81,649,568 |
| Less: Accumulated depreciation | (54,956,879) |

| | |
|--|---------|
| Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. | 494,978 |
|--|---------|

| | |
|---|-----------|
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | 5,508,971 |
|---|-----------|

| | |
|--|-------------|
| Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | (2,079,041) |
|--|-------------|

| | |
|--|-----------|
| Joint ventures containing capital assets used in the governmental funds are not financial resources and therefore are not reported in the funds. | 2,765,000 |
|--|-----------|

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

| | |
|---|------------------|
| Bonds, notes payable, and unamortized premium | (31,711,009) |
| Compensated absences | (1,053,654) |
| Accrued interest | (494,585) |
| Capital leases | (527,341) |
| Net OPEB liability | (191,590) |
| Net pension liability - WRS | <u>(981,672)</u> |

| | |
|--|-----------------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 24,639,027</u> |
|--|-----------------------------|

See accompanying notes to financial statements.

CITY OF MEQUON

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

| | General Fund | Debt Service Fund | Capital Projects Fund |
|---|---------------------|----------------------|--------------------------|
| REVENUES | | | |
| Taxes | \$ 10,336,003 | \$ 2,903,771 | \$ 920,739 |
| Intergovernmental | 1,883,666 | 120,979 | 431,723 |
| Licenses and permits | 1,455,967 | - | - |
| Fines, forfeitures and penalties | 240,345 | - | - |
| Public charges for services | 1,470,068 | - | 119,593 |
| Special assessments | 1,441 | - | 31,715 |
| Investment income | 18,010 | 5,484 | 36,452 |
| Miscellaneous | 58,700 | - | 2,500 |
| Total Revenues | <u>15,464,200</u> | <u>3,030,234</u> | <u>1,542,722</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 2,740,072 | - | - |
| Public safety | 7,527,921 | - | - |
| Public works | 3,282,736 | - | - |
| Public health | 1,667 | - | - |
| Community enrichment services | 1,714,534 | - | - |
| Conservation and development | 419,529 | - | - |
| Capital Outlay | - | - | 10,090,319 |
| Debt Service | | | |
| Principal | - | 2,540,000 | - |
| Interest and fiscal charges | - | 876,060 | 120,516 |
| Total Expenditures | <u>15,686,459</u> | <u>3,416,060</u> | <u>10,210,835</u> |
| Excess (deficiency) of revenues over expenditures | <u>(222,259)</u> | <u>(385,826)</u> | <u>(8,668,113)</u> |
| OTHER FINANCING SOURCES | | | |
| Capital lease issued | - | - | 130,454 |
| General obligation debt issued | - | - | 8,905,000 |
| Proceeds from the sale of capital assets | - | - | 56,625 |
| Premium on debt issued | - | 197,652 | - |
| Total Other Financing Sources | <u>-</u> | <u>197,652</u> | <u>9,092,079</u> |
| Net Change in Fund Balances | (222,259) | (188,174) | 423,966 |
| FUND BALANCES (DEFICIT) - Beginning of Year | <u>3,369,405</u> | <u>(295,347)</u> | <u>5,831,336</u> |
| FUND BALANCES (DEFICIT) - END OF YEAR | <u>\$ 3,147,146</u> | <u>\$ (483,521)</u> | <u>\$ 6,255,302</u> |

See accompanying notes to financial statements.

| Nonmajor Governmental Funds | Totals |
|-----------------------------------|---------------------|
| \$ - | \$ 14,160,513 |
| - | 2,436,368 |
| - | 1,455,967 |
| - | 240,345 |
| 235,551 | 1,825,212 |
| - | 33,156 |
| 59,930 | 119,876 |
| <u>25,932</u> | <u>87,132</u> |
| <u>321,413</u> | <u>20,358,569</u> |
| - | 2,740,072 |
| 22,622 | 7,550,543 |
| - | 3,282,736 |
| - | 1,667 |
| 41,271 | 1,755,805 |
| 52,405 | 471,934 |
| 18,720 | 10,109,039 |
| - | 2,540,000 |
| - | <u>996,576</u> |
| <u>135,018</u> | <u>29,448,372</u> |
| <u>186,395</u> | <u>(9,089,803)</u> |
| - | 130,454 |
| - | 8,905,000 |
| - | 56,625 |
| - | <u>197,652</u> |
| - | <u>9,289,731</u> |
| 186,395 | 199,928 |
| <u>372,251</u> | <u>9,277,645</u> |
| <u>\$ 558,646</u> | <u>\$ 9,477,573</u> |

See accompanying notes to financial statements.

CITY OF MEQUON

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 | \$ | 199,928 |
|--|----|---------|

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

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

| | | |
|--|--|-------------|
| Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements | | 10,109,039 |
| Some items reported as capital outlay were not capitalized | | (895,495) |
| Depreciation is reported in the government-wide financial statements | | (2,211,664) |

| | | |
|--|--|---------|
| Contributed capital assets are reported as revenues in the government-wide financial statements. | | 572,400 |
|--|--|---------|

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

| | | |
|---------------------|--|----------|
| Special assessments | | (62,388) |
| Collection of loans | | (50,888) |
| Loans issued | | 47,604 |

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|----------------------|--|-------------|
| Debt issued | | (8,905,000) |
| Capital lease issued | | (130,454) |
| Principal repaid | | 2,742,921 |

Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

| | | |
|------------------------------|--|-----------|
| Premium of new debt | | (197,652) |
| Amortization of debt premium | | 9,615 |

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|--|--|-------------|
| Compensated absences | | (9,755) |
| Net OPEB liability | | (191,590) |
| Accrued interest on debt | | (184,180) |
| Net pension liability - WRS | | (2,438,318) |
| Deferred outflows of resources related to pensions | | 3,939,400 |
| Deferred inflows of resources related to pensions | | (2,079,041) |

The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.

| | | |
|--|-----------|-----------------------|
| | | 59,000 |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>323,482</u> |

See accompanying notes to financial statements.

CITY OF MEQUON

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

| | Business-type Activities - Enterprise Funds | | |
|---------------------------------------|---|--------------------|---------------------|
| | Sewer Utility | Water Utility | Totals |
| ASSETS | | | |
| Current Assets | | | |
| Cash and investments | \$ 7,072,277 | \$ 1,099,763 | \$ 8,172,040 |
| Receivables | | | |
| Taxes | 3,380,400 | 13,696 | 3,394,096 |
| Accounts | 848,596 | 786,747 | 1,635,343 |
| Other | 44,064 | 358,501 | 402,565 |
| Special assessments | 51,233 | - | 51,233 |
| Inventories | - | 59,534 | 59,534 |
| Restricted Assets | | | |
| Cash and investments | - | 375,000 | 375,000 |
| Total Current Assets | <u>11,396,570</u> | <u>2,693,241</u> | <u>14,089,811</u> |
| Noncurrent Assets | | | |
| Restricted Assets | | | |
| Cash and investments | 102,343 | 1,367,156 | 1,469,499 |
| Capital Assets | | | |
| Land | 18,775 | 350 | 19,125 |
| Construction in progress | 62,274 | - | 62,274 |
| Other capital assets | 46,901,816 | 30,186,617 | 77,088,433 |
| Less: Accumulated depreciation | <u>(20,315,464)</u> | <u>(5,132,428)</u> | <u>(25,447,892)</u> |
| Total Noncurrent Assets | <u>26,769,744</u> | <u>26,421,695</u> | <u>53,191,439</u> |
| Total Assets | <u>38,166,314</u> | <u>29,114,936</u> | <u>67,281,250</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related amounts | <u>240,066</u> | <u>-</u> | <u>240,066</u> |

See accompanying notes to financial statements.

| Business-type Activities - Enterprise Funds | | | |
|---|----------------------|----------------------|----------------------|
| | Sewer Utility | Water Utility | Totals |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 419,862 | 121,923 | 541,785 |
| Accrued wages | 28,488 | - | 28,488 |
| Accrued interest payable | 37,512 | - | 37,512 |
| Accrued compensated absences | 37,514 | - | 37,514 |
| Other current liabilities | 25,698 | 297 | 25,995 |
| Current portion of general obligation debt | 1,625,000 | - | 1,625,000 |
| Liabilities Payable from Restricted Assets | | | |
| Current portion of revenue bonds | - | 750,000 | 750,000 |
| Accrued interest payable | - | 102,193 | 102,193 |
| Total Current Liabilities | <u>2,174,074</u> | <u>974,413</u> | <u>3,148,487</u> |
| Noncurrent Liabilities | | | |
| Long-Term Debt | | | |
| General obligation debt | 1,435,364 | - | 1,435,364 |
| Revenue bonds | - | 12,405,015 | 12,405,015 |
| Net pension liability - WRS | 42,869 | - | 42,869 |
| Net OPEB liability | 8,237 | - | 8,237 |
| Net pension liability | 1,534 | - | 1,534 |
| Total Noncurrent Liabilities | <u>1,488,004</u> | <u>12,405,015</u> | <u>13,893,019</u> |
| Total Liabilities | <u>3,662,078</u> | <u>13,379,428</u> | <u>17,041,506</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Subsequent year's tax revenue | 7,268,823 | - | 7,268,823 |
| Pension related amounts | 90,791 | - | 90,791 |
| Total Deferred Inflows of Resources | <u>7,359,614</u> | <u>-</u> | <u>7,359,614</u> |
| NET POSITION | | | |
| Net investment in capital assets | 25,357,401 | 13,266,680 | 38,624,081 |
| Restricted for | | | |
| Debt service | - | 272,807 | 272,807 |
| Equipment replacement | 102,343 | - | 102,343 |
| Unrestricted | <u>1,924,944</u> | <u>2,196,022</u> | <u>4,120,966</u> |
| TOTAL NET POSITION | <u>\$ 27,384,688</u> | <u>\$ 15,735,509</u> | <u>\$ 43,120,197</u> |

See accompanying notes to financial statements.

CITY OF MEQUON

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

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|---|--|----------------------|----------------------|
| | <u>Sewer Utility</u> | <u>Water Utility</u> | <u>Totals</u> |
| OPERATING REVENUES | <u>\$ 3,015,733</u> | <u>\$ 3,394,168</u> | <u>\$ 6,409,901</u> |
| OPERATING EXPENSES | | | |
| Operation and maintenance | 8,176,628 | 1,395,684 | 9,572,312 |
| Depreciation | <u>759,771</u> | <u>554,727</u> | <u>1,314,498</u> |
| Total Operating Expenses | <u>8,936,399</u> | <u>1,950,411</u> | <u>10,886,810</u> |
| Operating Income (Loss) | <u>(5,920,666)</u> | <u>1,443,757</u> | <u>(4,476,909)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 31,702 | 10,365 | 42,067 |
| Taxes | 7,190,003 | - | 7,190,003 |
| Miscellaneous | 1,082 | 523 | 1,605 |
| Interest and amortization expense | <u>(53,864)</u> | <u>(613,171)</u> | <u>(667,035)</u> |
| Total Nonoperating Revenues (Expenses) | <u>7,168,923</u> | <u>(602,283)</u> | <u>6,566,640</u> |
| Income Before Contributions | <u>1,248,257</u> | <u>841,474</u> | <u>2,089,731</u> |
| CONTRIBUTIONS | | | |
| Capital Contributions | <u>1,333,291</u> | <u>700,871</u> | <u>2,034,162</u> |
| Change in Net Position | 2,581,548 | 1,542,345 | 4,123,893 |
| NET POSITION - Beginning of Year | <u>24,803,140</u> | <u>14,193,164</u> | <u>38,996,304</u> |
| NET POSITION - END OF YEAR | <u>\$ 27,384,688</u> | <u>\$ 15,735,509</u> | <u>\$ 43,120,197</u> |

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2016

| | Business-type Activities - Enterprise Funds | | |
|---|---|---------------|---------------|
| | Sewer Utility | Water Utility | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Received from customers | \$ 3,363,572 | \$ 3,291,561 | \$ 6,655,133 |
| Paid to suppliers for goods and services | (7,614,719) | (1,475,729) | (9,090,448) |
| Paid to employees for services | (613,721) | - | (613,721) |
| Net Cash Flows From Operating Activities | (4,864,868) | 1,815,832 | (3,049,036) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment income | 34,475 | 10,365 | 44,840 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Taxes received | 7,190,003 | - | 7,190,003 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Debt retired | (1,635,000) | (700,000) | (2,335,000) |
| Interest paid | (167,773) | (625,769) | (793,542) |
| Special assessments received | 561,499 | - | 561,499 |
| Acquisition and construction of capital assets | (58,251) | (165,032) | (223,283) |
| Connection fees received | - | 25,459 | 25,459 |
| Net Cash Flows From Capital and Related Financing Activities | (1,299,525) | (1,465,342) | (2,764,867) |
| Net Change in Cash and Cash Equivalents | 1,060,085 | 360,855 | 1,420,940 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 6,114,535 | 2,481,064 | 8,595,599 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 7,174,620 | \$ 2,841,919 | \$ 10,016,539 |

See accompanying notes to financial statements.

| | Business-type Activities - Enterprise Funds | | |
|---|---|---------------------|-----------------------|
| | Sewer Utility | Water Utility | Totals |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (5,920,666) | \$ 1,443,757 | \$ (4,476,909) |
| Nonoperating revenue | (44,566) | 523 | (44,043) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities | | | |
| Depreciation | 759,771 | 554,727 | 1,314,498 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources | | | |
| Taxes receivable | - | 4,022 | 4,022 |
| Accounts receivables | 266,961 | - | 266,961 |
| Other receivables | 125,444 | (107,152) | 18,292 |
| Accounts payable and other current liabilities | (87,898) | (80,614) | (168,512) |
| Pension related deferrals and liabilities | 27,849 | - | 27,849 |
| Inventories | - | 569 | 569 |
| Net OPEB liability | 8,237 | - | 8,237 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ (4,864,868) | \$ 1,815,832 | \$ (3,049,036) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS | | | |
| Cash and investments | \$ 7,072,277 | \$ 1,099,763 | \$ 8,172,040 |
| Restricted cash and investments | 102,343 | 1,742,156 | 1,844,499 |
| CASH AND CASH EQUIVALENTS | \$ 7,174,620 | \$ 2,841,919 | \$ 10,016,539 |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Cost of utility plant additions financed by others | \$ 848,130 | \$ 675,412 | |
| Amortization of debt premium | \$ 78,084 | \$ 8,515 | |
| Special assessments levied | \$ 485,161 | \$ - | |

See accompanying notes to financial statements.

CITY OF MEQUON

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

| | <u>Agency Fund</u> |
|--------------------------|-----------------------------|
| ASSETS | |
| Cash and investments | \$ 27,096,710 |
| Receivables | |
| Taxes | <u>23,433,802</u> |
| TOTAL ASSETS | <u><u>\$ 50,530,512</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 122,940 |
| Due to other governments | <u>50,407,572</u> |
| TOTAL LIABILITIES | <u><u>\$ 50,530,512</u></u> |

See accompanying notes to financial statements.

CITY OF MEQUON

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CITY OF MEQUON

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

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the City. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The City has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

CITY OF MEQUON

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

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

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

Fund Financial Statements

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

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

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

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

The City reports the following major governmental funds:

General Fund - accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than enterprise debt.
Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major enterprise funds:

Water Utility - accounts for operations of the water system.
Sewer Utility - accounts for operations of the sanitary sewer system.

CITY OF MEQUON

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

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

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

Fund Financial Statements (cont.)

The City reports the following nonmajor governmental funds:

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

Park Fund
Revolving Loan Fund
Other Committed Funds

In addition, the City reports the following fund type:

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

Tax Collection

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

Government-Wide Financial Statements

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

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements

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

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

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2016, there were \$472,978 of unrecorded anticipated future assessments which are not recorded as receivables because collection is subject to certain events occurring in the future. No formal repayment schedule has been established.

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

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

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

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

All Financial Statements

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

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

1. Deposits and Investments

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

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

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

The City has adopted an investment policy. That policy contains the following guidelines for allowable investments.

- a. Investments in all funds shall be made in maturities of twelve months or less.
- b. Investments for any reserve funds may be made for up to five years.

CITY OF MEQUON

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

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

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

1. Deposits and Investments (cont.)

- c. Investment securities shall be held in third-party safekeeping by an institution designated as primary agent.
- d. Deposit type securities (i.e., certificates of deposit, etc.) shall be collateralized at 110% of the face value.
- e. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

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

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. 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 as reported in these statements.

See Note III. A. for further information.

2. Receivables

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

CITY OF MEQUON

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

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

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

2. Receivables (cont.)

Property tax calendar - 2016 tax roll:

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

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the sewer or water utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

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

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

3. Inventories

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. 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.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

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

| | | |
|-------------------------|-------|-------|
| Buildings | 50 | Years |
| Machinery and Equipment | 7 | Years |
| Utility System | 7-80 | Years |
| Infrastructure | 20-50 | Years |

Fund Financial Statements

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

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

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

6. Deferred Outflows of Resources

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

7. Compensated Absences

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

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

The City provides postemployment health insurance benefits for all eligible employees. Eligibility is based on full-time employment with the City. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert various amounts of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the City. Funding for those costs is provided out of the current operating budget of the City. The contributions are financed on a pay-as-you-go basis. Total expenditures for such premiums during the year were not material. The number of participants currently eligible to receive benefits is 21. The total amount outstanding at year end to be paid in the future is \$540,347 and is included in the government-wide statement of net position.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used.

Accumulated vacation and sick leave liabilities at December 31, 2016, are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

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

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

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CITY OF MEQUON

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

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

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

8. Long-Term Obligations/Conduit Debt (cont.)

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

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year end, the aggregate principal amount for the 1999 and 2003 series outstanding could not be determined; however, their original issue amounts totaled \$17,200,000.

9. Deferred Inflows of Resources

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

CITY OF MEQUON

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

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

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

10. Equity Classifications

Government-Wide Statements

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

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

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

| | Governmental Activities | Business-type Activities | Adjustment | Total |
|----------------------------------|-------------------------|--------------------------|--------------|---------------|
| Net investment in capital assets | \$ 17,083,161 | \$ 38,624,081 | \$ (978,727) | \$ 54,728,515 |
| Unrestricted | 6,560,049 | 4,120,966 | 978,727 | 11,659,742 |

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

Fund Statements

Governmental fund balances are displayed as follows:

- Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

CITY OF MEQUON

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

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

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

10. Equity Classifications (cont.)

Fund Statements (cont.)

- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Common Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Common Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned through the following: 1) The City has adopted a financial policy authorizing the Common Council to assign amounts for a specific purpose; 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

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

The City has a minimum fund balance policy. That policy is to maintain an unassigned General Fund fund balance between 10% - 15% of the current General Fund operating budget. Unassigned General Fund fund balance at year end was \$2,248,092, or 14.2% of the 2016 General Fund expenditure budget.

See Note III. H. for further information.

CITY OF MEQUON

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

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

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

11. Pension

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

12. Basis for Existing Rates

Water Utility

Water Utility rates were approved by the Public Service Commission of Wisconsin effective December 31, 2014.

Sewer Utility

Current sewer rates were approved by the City's common council on January 1, 2016.

CITY OF MEQUON

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

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

| Fund | Budgeted Expenditures | Actual Expenditures | Excess Expenditures Over Budget |
|-------------------|--------------------------|------------------------|---------------------------------------|
| Debt Service Fund | \$ 2,512,760 | \$ 2,515,285 | \$ 2,525 |

B. DEFICIT BALANCES

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

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

| Fund | Amount | Reason |
|-------------------|------------|---|
| Debt Service Fund | \$ 483,521 | TIF debt service shortfall |
| Park Fund | 43,716 | Expenditures exceeded available resources |

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

C. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF MEQUON

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

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

| | Carrying Value | Statement Balances | Associated Risks |
|-------------------------------------|-------------------|-----------------------|---|
| Deposits | \$ 49,970,856 | \$ 50,209,846 | Custodial credit risk |
| US Treasuries | 2,045,382 | 2,045,382 | Custodial credit, interest rate risk and investments highly sensitive to interest rate changes |
| US Agencies - implicitly guaranteed | 3,143,696 | 3,143,696 | Credit, custodial credit, concentration of credit, interest rate risk and investments highly sensitive to interest rate changes |
| Asset backed securities | 1,430,842 | 1,430,842 | Custodial credit, interest rate risk and investments highly sensitive to interest rate changes |
| LGIP | 298,765 | 298,765 | Credit risk |
| Petty cash | 2,429 | - | N/A |
| Total Deposits and Investments | \$ 56,892,970 | \$ 57,129,531 | |

Reconciliation to financial statements

| | |
|---|---------------|
| Per statement of net position | |
| Unrestricted cash and investments | \$ 27,951,761 |
| Restricted cash and investments | 1,844,499 |
| Per statement of assets and liabilities - agency fund | |
| Agency Fund | 27,096,710 |

Total Deposits and Investments

\$ 56,892,970

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

CITY OF MEQUON

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

- Market value

| Investment Type | December 31, 2016 | | | |
|-------------------------------------|-------------------|--------------|---------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| US Treasuries | \$ 2,045,382 | \$ - | \$ - | \$ 2,045,382 |
| US Agencies - implicitly guaranteed | 2,022,159 | 1,121,537 | - | 3,143,696 |
| Asset backed securities | - | 1,430,842 | - | 1,430,842 |
| Total | \$ 4,067,541 | \$ 2,552,379 | \$ - | \$ 6,619,920 |

Custodial Credit Risk

Deposits

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

As of December 31, 2016, \$1,669,406 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$ 1,669,406

CITY OF MEQUON

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments

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

As of December 31, 2016, the City's investments were exposed to custodial credit risk as follows:

| | |
|---|--------------|
| US Agencies - implicitly guaranteed | |
| Neither insured nor registered and held by counterparty | \$ 3,143,696 |
| US Treasuries | |
| Neither insured nor registered and held by counterparty | \$ 2,045,382 |
| Asset backed securities | |
| Neither insured nor registered and held by counterparty | \$ 1,430,842 |

Credit Risk

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

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

| Investment Type | Moody's Investors Services |
|-------------------------------------|----------------------------|
| US Agencies - implicitly guaranteed | Aaa |

The City also held investments in the following external pool which is not rated:

LGIP

CITY OF MEQUON

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk

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

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

| Issuer | Investment Type | Percentage of Portfolio |
|--------|-----------------|-------------------------|
| FHLMC | US Agency | 14.97% |
| FFCBS | US Agency | 17.26% |
| FHLB | US Agency | 18.42% |
| FNMA | US Agency | 49.35% |

Interest Rate Risk

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

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

| Investment Type | Fair Value | Maturity (In Years) | | | |
|-------------------------|--------------|---------------------|--------------|--------------|----------------------|
| | | Less than 1 year | 1 - 3 years | 3 - 5 years | Greater than 5 years |
| US Agencies | \$ 2,045,382 | \$ 981,117 | \$ 1,064,265 | \$ - | \$ - |
| US Treasuries | 3,143,696 | 2,452,399 | 691,297 | - | - |
| Asset Backed Securities | 1,430,842 | - | 134,796 | 1,090,823 | 205,223 |
| Totals | \$ 6,619,920 | \$ 3,433,516 | \$ 1,890,358 | \$ 1,090,823 | \$ 205,223 |

Investments Highly Sensitive to Interest Rate Changes

At December 31, 2016, the City held \$2,045,382, \$3,143,696 and \$1,430,842 in US Treasuries, US Agencies, and Asset backed securities, respectively. With all fixed income securities, as interest rates rise, the values will fall. The longer time to maturity, the more sensitive the value will be to a change in interest rates. The longest time to maturity on any holding is six years maturing in March 1, 2022.

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

CITY OF MEQUON

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

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for \$166,566 of special assessments in the capital projects fund, and \$145,693 of loans in the revolving loan program fund.

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

| | Unearned | Unavailable |
|---|---------------|-------------|
| Property taxes receivable for subsequent year | \$ 14,781,231 | \$ - |
| Special assessments not yet due | - | 207,733 |
| Loan receivable | - | 287,245 |
| Payment in lieu of taxes | 70,560 | - |
| Total Unearned/Unavailable Revenue for Governmental Funds | \$ 14,851,791 | \$ 494,978 |

At the end of the current fiscal year, the various components of unearned revenue in the proprietary funds were as follows:

| | Unearned |
|---|--------------|
| Property taxes receivable for subsequent year | \$ 7,268,823 |

For economic development loans, the City is limited by the Wisconsin Department of Administration to the amount of program income from economic development loans that it may retain to be loaned to other businesses and/or the amount of time for which funds may be held without use. Program income includes the principal and interest received from economic development loans repayments.

At December 31, 2016, the City has not exceeded the maximum amount of program income that it may retain or the amount of time for which funds may be held without use. When it does, a liability to the state will be recorded.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

C. RESTRICTED ASSETS (cont.)

Long Term Debt Accounts (cont.)

Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.

Equipment Replacement Account

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

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

| | Restricted Assets | Liabilities Payable from Restricted Assets | Restricted Net Position |
|-------------------------------|-------------------|--|-------------------------|
| Bond redemption account | \$ 375,000 | \$ 102,193 | \$ 272,807 |
| Bond reserve account | 1,367,156 | N/A | - |
| Equipment replacement account | 102,343 | - | 102,343 |
| Total | \$ 1,844,499 | \$ 102,193 | \$ 375,150 |

D. CAPITAL ASSETS

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

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|-------------------|-----------|-----------|----------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 9,836,352 | \$ - | \$ - | \$ 9,836,352 |
| Construction in progress | - | 6,902,356 | - | 6,902,356 |
| Total Capital Assets Not Being Depreciated | 9,836,352 | 6,902,356 | - | 16,738,708 |

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Governmental Activities (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|-------------------|-----------|-----------|----------------|
| Capital assets being depreciated | | | | |
| Buildings | 11,757,565 | 142,624 | - | 11,900,189 |
| Roads | 54,433,361 | 1,830,224 | 744,767 | 55,518,818 |
| Bridges | 3,701,757 | 56,781 | - | 3,758,538 |
| Equipment, vehicles, and miscellaneous | 10,144,064 | 853,959 | 526,000 | 10,472,023 |
| Total Capital Assets Being Depreciated | 80,036,747 | 2,883,588 | 1,270,767 | 81,649,568 |
| Total Capital Assets | 89,873,099 | 9,785,944 | 1,270,767 | 98,388,276 |

Less: Accumulated depreciation for

| | | | | |
|--|--------------|-------------|-----------|--------------|
| Buildings | (7,366,608) | (320,227) | - | (7,686,835) |
| Roads | (38,142,046) | (1,155,889) | 744,767 | (38,553,168) |
| Bridges | (1,319,430) | (90,250) | - | (1,409,680) |
| Equipment, vehicles, and miscellaneous | (7,187,898) | (645,298) | 526,000 | (7,307,196) |
| Total Accumulated Depreciation | (54,015,982) | (2,211,664) | 1,270,767 | (54,956,879) |
| Net Capital Assets Being Depreciated | 26,020,765 | 671,924 | - | 26,692,689 |

Total Governmental Activities Capital Assets, Net of Accumulated Depreciation

| | | | | |
|--|---------------|--------------|------|---------------|
| | \$ 35,857,117 | \$ 7,574,280 | \$ - | \$ 43,431,397 |
|--|---------------|--------------|------|---------------|

Depreciation expense was charged to functions as follows:

| | | | | |
|--|--|--|--|--------------|
| Governmental Activities | | | | |
| General government | | | | \$ 188,502 |
| Public safety | | | | 409,098 |
| Public works | | | | 1,614,064 |
| Total Governmental Activities Depreciation Expense | | | | \$ 2,211,664 |

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CITY OF MEQUON

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|------------|-----------|-------------------|
| Sewer | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 18,775 | \$ - | \$ - | \$ 18,775 |
| Construction in progress | 62,274 | - | - | 62,274 |
| Total Capital Assets Not Being Depreciated | 81,049 | - | - | 81,049 |
| Capital assets being depreciated | | | | |
| Structure improvements | 7,349,985 | 92,153 | - | 7,442,138 |
| Sewer collection system | 34,450,493 | 951,278 | 18,396 | 35,383,375 |
| Machinery and equipment | 4,054,540 | 42,469 | 20,726 | 4,076,303 |
| Total Capital Assets Being Depreciated | 45,855,018 | 1,085,920 | 39,122 | 46,901,816 |
| Total Capital Assets | 45,936,067 | 1,085,920 | 39,122 | 46,982,865 |
| Less: Accumulated depreciation for | | | | |
| Structure improvements | (1,263,740) | (148,863) | - | (1,412,603) |
| Sewer collection system | (15,002,628) | (476,752) | 18,396 | (15,460,984) |
| Machinery and equipment | (3,328,447) | (134,156) | 20,726 | (3,441,877) |
| Total Accumulated Depreciation | (19,594,815) | (759,771) | 39,122 | (20,315,464) |
| Net Capital Assets Being Depreciated | 26,260,203 | 326,149 | - | 26,586,352 |
| Net Sewer Capital Assets | \$ 26,341,252 | \$ 326,149 | \$ - | \$ 26,667,401 |

CITY OF MEQUON

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|------------|-----------|-------------------|
| Water | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 350 | \$ - | \$ - | \$ 350 |
| Capital assets being depreciated | | | | |
| Intangible plant | 786 | - | - | 786 |
| Source of supply | 215,707 | - | - | 215,707 |
| Pumping | 814,480 | - | - | 814,480 |
| Transmission and distribution | 28,033,998 | 717,791 | 6,488 | 28,745,301 |
| Administrative and general | 410,343 | - | - | 410,343 |
| Total Capital Assets Being Depreciated | 29,475,314 | 717,791 | 6,488 | 30,186,617 |
| Total Capital Assets | 29,475,664 | 717,791 | 6,488 | 30,186,967 |
| Less: Accumulated depreciation for | | | | |
| Intangible plant | (786) | - | - | (786) |
| Source of supply | (44,882) | (6,903) | - | (51,785) |
| Pumping | (414,009) | (30,859) | - | (444,868) |
| Transmission and distribution | (3,778,561) | (505,334) | 6,488 | (4,277,407) |
| Administrative and general | (345,951) | (11,631) | - | (357,582) |
| Total Accumulated Depreciation | (4,584,189) | (554,727) | 6,488 | (5,132,428) |
| Net Capital Assets Being Depreciated | 24,891,125 | 163,064 | - | 25,054,189 |
| Net Water Capital Assets | \$ 24,891,475 | \$ 163,064 | \$ - | \$ 25,054,539 |
| Business-type Capital Assets, Net of Accumulated Depreciation | \$ 51,232,727 | \$ 489,213 | \$ - | \$ 51,721,940 |

Depreciation expense was charged to functions as follows:

Business-type Activities

| | |
|---|--------------|
| Sewer | \$ 759,771 |
| Water | 554,727 |
| Total Business-type Activities Depreciation Expense | \$ 1,314,498 |

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

E. INTERFUND RECEIVABLES/PAYABLES AND ADVANCES

Interfund Receivables/Payables

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

| Receivable Fund | Payable Fund | Amount |
|---|--------------|-----------|
| General Fund | Park Fund | \$ 39,505 |
| Less: Fund eliminations | | (39,505) |
| Total Internal Balances - Government-Wide Statement of Net Position | | \$ - |

All amounts are due within one year.

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Through the action of Common Council, the payment in lieu of taxes from the water utility has been waived.

Advances

The Capital Projects Fund is advancing funds to the Debt Service Fund. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources needed to make debt payments. A repayment schedule has not been established.

The following is a schedule of interfund advances:

| Receivable Fund | Payable Fund | Amount Not Due Within One Year |
|--|-------------------|--------------------------------|
| Capital Projects Fund | Debt Service Fund | \$ 1,494,750 |
| Less: Fund eliminations | | (1,494,750) |
| Total - Interfund Advances - Government-Wide Statement of Net Position | | \$ - |

The principal purpose of this advance is to assist with debt repayments related to the City's Tax Increment District No. 3.

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|--|-------------------|---------------|--------------|----------------|-----------------------------|
| Governmental Activities | | | | | |
| Bonds and Notes Payable | | | | | |
| General obligation debt | \$ 24,920,000 | \$ 8,905,000 | \$ 2,540,000 | \$ 31,285,000 | \$ 3,050,000 |
| Premiums | 23,078,978 | 40,682 | 0,000 | 23,119,660 | - |
| Sub-totals | 25,157,972 | 9,102,652 | 2,540,000 | 31,711,009 | 3,050,000 |
| Other Liabilities | | | | | |
| Capital leases | 599,808 | 130,454 | 202,921 | 527,341 | 188,319 |
| Net OPEB liability | - | 191,590 | - | 191,590 | - |
| Net pension liability | - | 51,040 | 51,040 | - | - |
| Compensated absences | 1,043,899 | 336,649 | 326,884 | 1,053,664 | 513,307 |
| Net pension liability (asset) - WRS | (1,456,646) | 2,438,318 | - | 981,672 | - |
| Total Other Liabilities | 187,061 | 3,148,051 | 580,855 | 2,754,257 | 701,626 |
| Total Governmental Activities Long-Term Liabilities | \$ 25,345,033 | \$ 12,250,703 | \$ 3,130,470 | \$ 34,465,266 | \$ 3,751,626 |
| Business-type Activities | | | | | |
| Bonds and Notes Payable | | | | | |
| General obligation debt | \$ 4,570,000 | \$ - | \$ 1,635,000 | \$ 2,935,000 | \$ 1,625,000 |
| Revenue bonds | 13,750,000 | - | 700,000 | 13,050,000 | 750,000 |
| Premiums | 316,978 | - | 86,599 | 230,379 | - |
| Sub-totals | 18,636,978 | - | 2,421,599 | 16,215,379 | 2,375,000 |
| Other Liabilities | | | | | |
| Compensated absences | 36,824 | 16,203 | 15,513 | 37,514 | 37,514 |
| Net OPEB liability | - | 8,237 | - | 8,237 | - |
| Net pension liability | - | 1,534 | - | 1,534 | - |
| Net pension liability (asset) - WRS | (64,660) | 107,529 | - | 42,869 | - |
| Total Other Liabilities | (27,836) | 133,503 | 15,513 | 90,154 | 37,514 |
| Total Business-type Activities Long-Term Liabilities | \$ 18,609,142 | \$ 133,503 | \$ 2,437,112 | \$ 16,305,533 | \$ 2,412,514 |

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2016, was \$223,945,485. Total general obligation debt outstanding at year end was \$34,220,000.

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service 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.

| Governmental Activities | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2016 |
|---|---------------|----------------|----------------|-----------------------|---------------------------|
| General Obligation Debt | | | | | |
| G.O. Promissory Notes | 12/9/08 | 12/1/18 | 3.0-4.1% | \$ 2,400,000 | \$ 430,000 |
| Tax Incremental Build America Bonds | 8/5/09 | 8/1/28 | 4.0-6.0 | 6,950,000 | 6,550,000 |
| G.O. Promissory Notes | 4/30/09 | 4/1/19 | 2.0-3.5 | 5,105,000 | 1,800,000 |
| G.O. Refunding Bonds | 2/3/11 | 4/1/23 | 0.8-3.25 | 3,160,000 | 1,850,000 |
| G.O. Promissory Notes | 4/5/11 | 4/1/21 | 3.0 | 4,230,000 | 2,630,000 |
| G.O. Promissory Notes | 5/2/13 | 4/1/23 | 1.5-2.0 | 3,710,000 | 2,800,000 |
| G.O. Refunding Bonds | 5/2/13 | 4/1/21 | 0.4-1.75 | 1,280,000 | 820,000 |
| G.O. Corporate Purpose Bonds | 6/3/15 | 5/1/27 | 2.0-3.0 | 5,740,000 | 5,500,000 |
| G.O. Promissory Notes | 3/24/16 | 3/1/31 | 2.0-2.25 | 8,905,000 | 8,905,000 |
| Total Governmental Activities - General Obligation Debt | | | | | <u>\$ 31,285,000</u> |

Business-type Activities

| General Obligation Debt | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2016 |
|--|---------------|----------------|----------------|-----------------------|---------------------------|
| 2005 General Obligation Refunding Bonds | 6/1/05 | 9/1/17 | 3.5-5.0% | \$ 16,965,000 | \$ 1,625,000 |
| G.O. Corporate Purpose Bonds | 6/3/15 | 5/1/25 | 2.0-3.0 | 1,310,000 | 1,310,000 |
| Total Business-type Activities - General Obligation Debt | | | | | <u>\$ 2,935,000</u> |

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

| Years | Principal | Interest | Governmental Activities General Obligation Debt | Business-type Activities General Obligation Debt |
|-----------|---------------|--------------|---|--|
| 2017 | \$ 3,050,000 | \$ 997,173 | \$ 1,625,000 | \$ 89,833 |
| 2018 | 3,140,000 | 832,590 | 160,000 | 32,363 |
| 2019 | 3,100,000 | 739,050 | 160,000 | 27,563 |
| 2020 | 2,650,000 | 657,603 | 165,000 | 22,688 |
| 2021 | 2,790,000 | 582,540 | 165,000 | 18,563 |
| 2022-2026 | 11,420,000 | 1,827,425 | 660,000 | 31,141 |
| 2027-2031 | 5,135,000 | 325,746 | - | - |
| Totals | \$ 31,285,000 | \$ 5,962,127 | \$ 2,935,000 | \$ 222,151 |

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the Water Utility.

The City has pledged future water revenues, net of specified operating expenses, to repay revenue bonds issued in 2009. Proceeds from the bonds provided financing for the purchase of the Water Utility from WE Energies. The bonds are payable solely from water revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require 71.00% of net revenues. The total principal and interest remaining to be paid on the bonds is \$17,570,014. Principal and interest paid for the current year and total customer net revenues were \$1,325,406 and \$2,009,372, respectively.

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

Business-type Activities Revenue Debt

| Water Utility | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2016 |
|--------------------|---------------|----------------|----------------|-----------------------|---------------------------|
| 2009 Revenue Bonds | 4/29/09 | 5/1/29 | 1.4-5.0% | \$ 17,125,000 | <u>\$ 13,050,000</u> |

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CITY OF MEQUON

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

| Years | Business-Type Activities | |
|-----------|--------------------------|--------------|
| | Principal | Interest |
| 2017 | \$ 750,000 | \$ 598,156 |
| 2018 | 800,000 | 567,156 |
| 2019 | 825,000 | 534,656 |
| 2020 | 850,000 | 499,031 |
| 2021 | 900,000 | 459,656 |
| 2022-2026 | 5,200,000 | 1,575,734 |
| 2027-2029 | 3,725,000 | 285,625 |
| Totals | \$ 13,050,000 | \$ 4,520,014 |

Capital Leases

Refer to Note III. G.

Other Debt Information

Estimated payments of compensated absences, OPEB, and Pensions are not included in the debt service requirement schedules. The compensated absences, OPEB, and Pensions liabilities attributable to governmental activities will be liquidated primarily by the general fund.

Bond Covenant Disclosures

Insurance

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

CITY OF MEQUON

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

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

F. LONG-TERM OBLIGATIONS (cont.)

The utility is covered under the following insurance policies at Saturday, December 31, 2016:

| Type | Coverage | Expiration |
|--------------------------------------|---------------------------|------------|
| Personal and Advertising Injury | \$ 3,000,000 M3 Insurance | 12/31/17 |
| Premises Medical Payments | 10,000 M3 Insurance | 12/31/17 |
| Errors and Omissions | 3,000,000 M3 Insurance | 12/31/17 |
| Employee Benefits Liability | 3,000,000 M3 Insurance | 12/31/17 |
| Auto Coverage | 3,000,000 M3 Insurance | 12/31/17 |
| Automobile Medical Payments Coverage | 10,000 M3 Insurance | 12/31/17 |
| Public Employee Dishonesty | 250,000 M3 Insurance | 12/31/17 |
| Workers' Compensation | \$ 500,000 M3 Insurance | 12/31/17 |
| Umbrella Liability Coverage | 8,000,000 M3 Insurance | 12/31/17 |

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2016 and 2015:

| | Customers | | Sales (000 gals) | |
|------------------|-----------|-------|------------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Residential | 3,703 | 3,686 | 261,689 | 185,477 |
| Commercial | 320 | 247 | 91,047 | 102,959 |
| Irrigation | 82 | 80 | 18,263 | 16,816 |
| Public authority | 13 | 11 | 2,223 | 952 |
| Multi-family | 30 | 28 | 7,244 | 16,061 |
| Totals | 4,148 | 4,052 | 380,466 | 322,265 |

CITY OF MEQUON

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

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

G. LEASE DISCLOSURES

Lessee - Capital Leases

In 2014 through 2016, the City acquired capital assets through several lease/purchase agreements. The gross amount of these assets under capital leases is \$967,557, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2016, are as follows:

| Years | Governmental Activities | | |
|--------|-------------------------|-----------|------------|
| | Principal | Interest | Totals |
| 2017 | \$ 188,319 | \$ 13,652 | \$ 201,971 |
| 2018 | 159,704 | 8,532 | 168,236 |
| 2019 | 152,443 | 4,547 | 156,990 |
| 2020 | 26,875 | 565 | 27,440 |
| Totals | \$ 527,341 | \$ 27,296 | \$ 554,637 |

H. NET POSITION/FUND BALANCES

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

| | |
|---|---------------|
| Governmental Activities | |
| Net Investment in Capital Assets | |
| Land | \$ 9,836,352 |
| Construction in progress | 6,902,356 |
| Other capital assets, net of accumulated depreciation | 26,692,689 |
| Less: Long-term debt outstanding | (32,238,350) |
| Plus: Unspent capital related debt proceeds | 3,401,344 |
| Plus: Noncapital debt proceeds | 2,488,770 |
| Total Net Investment in Capital Assets | 17,083,161 |
| Restricted | |
| Loan programs | 699,935 |
| Cemetery | 7,377 |
| TID development purposes | 288,505 |
| Total Restricted | 995,817 |
| Unrestricted | 6,560,049 |
| Total Governmental Activities Net Position | \$ 24,639,027 |

CITY OF MEQUON

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

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

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

| Fund Balances | Governmental Funds | | | |
|--|--------------------|-------------------|-----------------------|----------------|
| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Funds |
| Nonspendable: | | | | |
| Delinquent person property taxes | \$ 5,177 | \$ - | \$ - | \$ - |
| Equity in joint venture - library | 185,000 | - | - | - |
| | | | | 185,000 |
| Restricted for: | | | | |
| Cemetery | 7,377 | - | - | - |
| Capital projects | - | - | 3,401,344 | - |
| TID development purposes | - | - | 288,505 | - |
| Revolving Loan Fund - economic development loan programs | - | - | - | 412,690 |
| | | | | 412,690 |
| Committed to: | | | | |
| Police reserve | - | - | - | 10,410 |
| Special events | - | - | - | 2,611 |
| Other activities | - | - | - | 150,564 |
| Police seized asset forfeitures | - | - | - | 26,087 |
| | | | | 26,087 |
| Assigned to: | | | | |
| Fund balance applied to subsequent year's budget | 701,500 | - | - | - |
| Capital projects | - | - | 2,565,453 | - |
| | | | | 2,565,453 |
| Unassigned (deficit): | | | | |
| | 2,248,092 | (483,521) | - | (43,716) |
| | | | | 1,720,855 |
| Total Fund Balances | \$ 3,147,146 | \$ (483,521) | \$ 6,255,302 | \$ 558,646 |
| | | | | \$ 9,477,573 |

CITY OF MEQUON

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

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

| | |
|---|---------------|
| Net Investment in Capital Assets | |
| Land | \$ 19,125 |
| Construction in progress | 62,274 |
| Other capital assets, net of accumulated depreciation | 51,640,541 |
| Less: Long-term debt outstanding | (16,215,379) |
| Plus: Noncapital debt proceeds | 3,117,520 |
| Total Net Investment in Capital Assets | 38,624,081 |
| Restricted | |
| Debt service | 272,807 |
| Equipment replacement | 102,343 |
| Total Restricted | 375,150 |
| Unrestricted | 4,120,966 |
| Total Business-type Activities Net Position | \$ 43,120,197 |

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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CITY OF MEQUON

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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:

| 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 |

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CITY OF MEQUON

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

During the reporting period, the WRS recognized \$637,705 in contributions from the City.

Contribution rates as of December 31, 2016 are:

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

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

At December 31, 2016, the City reported a liability of \$1,024,541 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.63049420%, which was an increase of 0.00111388% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$1,261,630.

CITY OF MEQUON

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual experience | \$ 173,323 | \$ 2,156,129 |
| Changes in assumptions | 716,813 | - |
| Net differences between projected and actual earnings on pension plan investments | 4,194,764 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 23,920 | 13,703 |
| Employer contributions subsequent to the measurement date | 640,217 | - |
| Totals | \$ 5,749,037 | \$ 2,169,832 |

\$640,217 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended December 31: | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------|--------------------------------|-------------------------------|
| 2017 | \$ 1,327,303 | \$ 525,103 |
| 2018 | 1,327,303 | 525,103 |
| 2019 | 1,327,303 | 525,103 |
| 2020 | 1,103,978 | 525,103 |
| 2021 | 22,933 | 69,420 |

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

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

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

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

The City has active construction projects as of December 31, 2016 for a DPW Garage ("garage"). Work that has been completed on the garage is reflected in construction in progress. In addition, there is work that has been completed but not yet paid for (including contract retainages) and is reflected in accounts payable and expenditures. The targeted completion date for the garage is 2017. The remaining costs as of December 31, 2016 is estimated to be \$2,307,275.

The City has issued four municipal revenue obligations as part of development agreements. The total amount of the obligations are \$1,555,902, and are payable to the developers solely from tax increments collected from specific portions of the developments in TIF No. 3 and TIF No. 5.

Payments are scheduled through the year 2031, and carry an interest rate of 0%. The obligations do not constitute a charge upon any funds of the City. In the event that future tax increments are not sufficient to pay off the obligation, the obligations terminate with no further liability to the City. Since the amount of future payments is contingent on the collection of future TIF increments, the obligations are not reported as a liability in the accompanying financial statements. The balance of the commitments outstanding at year end was \$1,443,348.

D. JOINT VENTURES

Mequon-Thiensville Joint Library

The City of Mequon and the Village of Thiensville jointly operate the Frank L. Weyenberg Library of Mequon-Thiensville, which is called the Weyenberg Library (Library) and provides library services.

The governing body is made up of citizens from each community. Local representatives are appointed by the mayor. The governing body has authority to adopt its own budget and control the financial affairs of the Library. The City is obligated by the joint venture agreement to remit an amount annually to the Library. The City made a payment to the Library of \$1,022,315 in 2016.

Financial information of the Library as of December 31, 2016 is available directly from the Library's office.

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES RETIREMENT SYSTEM (cont.)

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

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

| | 1% Decrease to Discount Rate (6.20%) | Current Discount Rate (7.20%) | 1% Increase to Discount Rate (8.20%) |
|---|--|----------------------------------|--|
| City's proportionate share of the net pension liability (asset) | \$7,186,149 | \$1,024,541 | \$(3,787,785) |

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

At December 31, 2016, the City reported a payable to the pension plan of \$166,642, which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. 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.

CITY OF MEQUON

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

NOTE IV - OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

Mequon-Thiensville Joint Library (cont.)

The City accounts for its share of the operation in the general fund. The City has an equity interest in the organization equal to its percentage share of participation. The equity interest relative to financial assets is reported in the general fund.

The equity interest is also reported in the governmental activities column of the government-wide statement of net position. Changes in the equity interest are reported on the statement of activities.

CITY OF MEQUON

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

NOTE IV - OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

Mid-Moraine Municipal Court

Various area communities jointly operate the Mid-Moraine Municipal Court (Court) which provides municipal court services. The communities share in the annual operation of the Court proportionate to the individual municipalities' annual case load as follows:

| Municipality | % Exp Paid |
|-------------------------|------------|
| Village of Grafton | 7.72 % |
| Village of Thiensville | 2.62 |
| City of West Bend | 26.84 |
| Village of Germantown | 11.21 |
| City of Hartford | 8.23 |
| Village of Kewaskum | 2.88 |
| Village of Slinger | 6.96 |
| Village of Jackson | 4.73 |
| City of Port Washington | 6.06 |
| Village of Saukville | 5.30 |
| City of Cedarburg | 3.17 |
| Town of Hartford | 0.16 |
| City of Mequon | 11.30 |
| Town of Trenton | 2.23 |
| Village of Newburg | 0.13 |
| Village of Fredonia | 0.46 |
| Total | 100.00 % |

The City received \$141,285 in fine revenues from the Mid-Moraine Municipal Court during 2016.

The governing body of the Court is made up of representatives from each community. Local representatives are appointed by the president, or chairman of the member municipality. The governing body has authority to adopt its own budget and control the financial affairs of the district. Costs incurred for each municipality are offset by amounts collected for each municipality. Any excess or deficiency is paid to or received from the municipality.

The Court is structured to charge the communities for all of the court's expenditures and pay the communities for the court revenues collected. Therefore, the court does not accumulate fund balance. The City does not report an equity interest in this joint venture. Financial information of the Court as of December 31, 2016 is available directly from the Court.

CITY OF MEQUON

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

NOTE IV - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan. The City's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This results in an other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

Contribution requirements are established through personnel policy guidelines and may be amended by the action of the governing body. For fiscal year 2016, the City made no contributions to the plan. The City contributes \$763 and \$1,882 of the current year premiums for a family and a single plan, respectively, for active plan members. These active plan members receiving benefits contribute the remaining \$107 and \$285 of their premium costs for a family and a single plan, respectively. Retired plan members receiving benefits contribute 100% of their premium costs for a family plan or single plan. For fiscal year 2016, total retired plan member contributions were paid directly to the health insurance provider, therefore no contributions against the OPEB liability.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

| | | | |
|---|-------------|-------------|------------|
| Annual required contribution | \$ | 199,827 | |
| Interest on net OPEB obligation | | - | |
| Adjustment to annual required contribution | | - | |
| Annual OPEB cost | | 199,827 | |
| Contributions made | | - | |
| Increase in net OPEB obligation (asset) | | 199,827 | |
| Net OPEB Obligation (Asset) - Beginning of Year | | - | |
| Net OPEB Obligation (Asset) - End of Year | \$ | 199,827 | |
| Percentage of | | | |
| | Annual OPEB | Cost | Net OPEB |
| | Cost | Contributed | Obligation |
| Fiscal Year Ended | 199,827 | - | 199,827 |
| December 31, 2016 | \$ | - | \$ |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

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CITY OF MEQUON

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

NOTE IV - OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of January 1, 2016, the most recent actuarial valuation date, was as follows:

| | | |
|---|----|-------------|
| Actuarial accrued liability (AAL) | \$ | 1,849,257 |
| Actuarial value of plan assets | | - |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ | 1,849,257 |
| Funded ratio (actuarial value of plan assets/AAL) | | -% |
| Covered payroll (active plan members) | | \$6,750,611 |
| UAAL as a percentage of covered payroll | | 27.39% |

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 3% investment rate of return and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements of 50% per year down to 6.5%, then by 10% per year down to 5.0%, and level thereafter. Both rates include a 2.5% inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on an open basis. The amortization period at December 31, 2016, was 30 years.

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CITY OF MEQUON

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

NOTE IV - OTHER INFORMATION (cont.)

F. SUBSEQUENT EVENT

A rate increase will go into effect February 23, 2017 for the Water Utility. These rates were approved on February 22, 2017.

A rate increase will go into effect March 1, 2017 for the Sewer Utility as well. These rates were approved on November 9, 2016.

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

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

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split-Interest Agreements*
- Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*

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

CITY OF MEQUON

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

NOTE IV - OTHER INFORMATION (cont.)

H. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan Description

In accordance with its collective bargaining agreement and certain employment agreements, the City provides pension benefits through a non-contributory single employer defined pension plan covering eligible non-represented employees including staff command. Eligible employees will receive two full working days (three days for police if retiring due to illness or injury) of pay for each year of continuous service, up to 30 years, with the City as of January 1, 2012. The plan is administered by the District and does not issue a stand alone report.

Annual Pension Cost and Net Pension Liability

The City's annual pension cost and net pension obligation for the current year is:

| | |
|--|-----------------|
| Annual required contribution | \$ 52,574 |
| Interest on net pension obligation | - |
| Adjustment to annual required contribution | - |
| Annual pension cost | <u>52,574</u> |
| Contribution made | <u>51,040</u> |
| Change in net pension obligation | 1,534 |
| Net pension obligation - beginning of year | - |
| Net pension obligation - end of year | <u>\$ 1,534</u> |

The annual required contribution was determined as part of the January 1, 2016 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 3.0% discount rate and (b) project salary increase of 2.0%. Mortality, disability and retirement rates are from the retirement rates used in the valuation of the Wisconsin Retirement System.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of the short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2016, was 30 years.

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

NOTE IV - OTHER INFORMATION (cont.)

SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

The City's annual pension cost, the percentage of the annual pension costs contributed to the plan, and the net pension obligation for the year ending December 31, 2016 were:

| Fiscal Year Ended | Annual Pension Cost | Percentage of Annual Pension Cost | | Net Pension Liability |
|-------------------|---------------------|-----------------------------------|----|-----------------------|
| | | Contributed | | |
| December 31, 2016 | \$ 52,574 | 97% | \$ | 1,534 |

Funded Status and Funding Progress

The funded status as of January 1, 2016, the most recent actuarial valuation date, was 0 percent funded. The actuarial accrued liability for benefits was \$505,632 and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$505,632. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll was \$5,829,406.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and compensation trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan member) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.0% rate of return (net of administrative expenses) and a projected salary increase of 2.0%. The actuarial value of the plan assets was not determined because there were no plan assets as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the level dollar amortization method. The amortization period at December 31, 2016 was 30 years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEQUON

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

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 10,268,517 | \$ 10,268,517 | \$ 10,267,108 | \$ (1,409) |
| State shared revenue | 505,654 | 505,654 | 511,240 | 5,586 |
| Intergovernmental | 1,338,165 | 1,338,165 | 1,346,317 | 8,152 |
| Licenses | 54,450 | 54,450 | 59,946 | 5,496 |
| Permits | 939,000 | 939,000 | 765,240 | (173,760) |
| General government fees | 75,000 | 75,000 | 115,510 | 40,510 |
| Public safety fees | 754,589 | 754,589 | 881,807 | 127,218 |
| Public works fees | 145,100 | 145,100 | 107,568 | (37,532) |
| Parks and pool fees | 98,585 | 98,585 | 115,593 | 17,008 |
| Development fees | 102,500 | 102,500 | 60,508 | (41,992) |
| Special assessments | 2,500 | 2,500 | 5,419 | 2,919 |
| Internal service fees | 485,000 | 485,000 | 454,391 | (30,609) |
| Other general revenue | 682,900 | 682,900 | 759,521 | 76,621 |
| Investment revenue | 19,000 | 19,000 | 14,032 | (4,968) |
| Total Revenues | 15,470,960 | 15,470,960 | 15,464,200 | (6,760) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Salaries and fringe benefits | 11,374,785 | 11,454,204 | 11,787,216 | (333,012) |
| Materials and supplies | 1,146,371 | 1,152,047 | 905,885 | 246,162 |
| Purchased services | 2,564,726 | 2,476,925 | 2,331,431 | 145,494 |
| Plant and equipment | 686,578 | 689,284 | 661,927 | 27,357 |
| Total Expenditures | 15,772,460 | 15,772,460 | 15,686,459 | 86,001 |
| Net Change in Fund Balance | (301,500) | (301,500) | (222,259) | 79,241 |
| FUND BALANCE - Beginning of Year | 3,369,405 | 3,369,405 | 3,369,405 | - |
| FUND BALANCE - END OF YEAR | \$ 3,067,905 | \$ 3,067,905 | \$ 3,147,146 | \$ 79,241 |

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

CITY OF MEQUON

**SCHEDULE OF FUNDING PROGRESS
For the Year Ended December 31, 2016**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) - Projected Unit (b) | Unfunded AAL (UAAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAAL as a Percentage of Covered Payroll (b-a)/c |
|--------------------------------------|--|---|-------------------------------------|--------------------------|---------------------------|---|
| Other Postemployment Benefits | | | | | | |
| Governmental Activities | | | | | | |
| 1/1/2016* | \$ - | \$ 1,768,074 | \$ 1,768,074 | 0% | \$ 6,472,346 | 0% |
| Business-type Activities | | | | | | |
| 1/1/2016* | \$ - | \$ 81,183 | \$ 81,183 | 0% | \$ 278,285 | 0% |
| Single Employer Pension Plan | | | | | | |
| Governmental Activities | | | | | | |
| 1/1/2016* | \$ - | \$ 490,023 | \$ 490,023 | 0% | \$ 5,659,316 | 0% |
| Business-type Activities | | | | | | |
| 1/1/2016* | \$ - | \$ 15,609 | \$ 15,609 | 0% | \$ 170,090 | 0% |

*The City is required to present the above information for the three most recent actuarial studies.
The study completed as of January 1, 2016 was the first study implemented by the City.

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

CITY OF MEQUON

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

| Fiscal Year Ending | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------|--|---|--|----------------------------------|--|
| | | | Covered Payroll | Percentage of Covered Payroll | |
| 12/31/15 | 0.06193554% | \$ (1,521,306) | \$ 7,251,806 | 20.98% | 102.74% |
| 12/31/16 | 0.06304942% | 1,024,541 | 7,970,262 | 12.85% | 98.20% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

| Fiscal Year Ending | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | | Contribution Deficiency (Excess) | Contributions as a Percentage of Covered Payroll | |
|-----------------------|--|---|---------------|--|---|---------|
| | | Contractually Required Contributions | Contributions | | Covered Payroll | Payroll |
| 12/31/15 | \$ 649,417 | \$ 649,417 | \$ - | \$ - | 7,970,262 | 8.15% |
| 12/31/16 | 641,381 | 641,381 | - | - | 7,966,468 | 8.05% |

See independent auditors' report and accompanying notes to the required supplementary information. Page 89

CITY OF MEQUON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

BUDGETARY INFORMATION

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

The budgeted amounts presented include any amendments made. Management may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Budget to actual comparisons at the department level are presented on page 87 as supplementary information.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the object level of expenditure. The legal or statutory level of budgetary control is established at the level in which the budget is published for the budget hearing.

WISCONSIN RETIREMENT SYSTEM PENSION

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

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

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

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

See independent auditors' report.

CITY OF MEQUON

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2016**

| | Budgeted Amounts | | | Actual | Variance with Final Budget |
|---------------------------------------|------------------|---------------|---------------|------------|-------------------------------|
| | Original | Final | | | |
| CURRENT | | | | | |
| General Government | | | | | |
| Common Council | 93,300 | 93,300 | \$ 99,337 | \$ (6,037) | 36 |
| Mayor | 85 | 85 | 267,928 | 42,840 | 1,668 |
| City Administrator | 389,708 | 310,768 | 259,560 | 17,785 | (16,588) |
| City Clerk | 258,258 | 261,228 | 66,116 | 511,046 | (48,170) |
| Elections | 83,901 | 83,901 | 335,122 | 212,187 | (1,707) |
| Information services | 318,534 | 318,534 | 153,949 | 42,230 | 18,649 |
| Finance | 457,949 | 462,876 | 740,127 | 27,421 | 78,127 |
| Assessor | 209,724 | 210,480 | | | |
| Human resources | 193,817 | 196,179 | | | |
| Legal counsel | 113,300 | 113,300 | | | |
| Building maintenance | 762,145 | 767,548 | | | |
| Total General Government | 2,880,721 | 2,818,199 | 2,740,072 | 78,127 | |
| Public Safety | | | | | |
| Police | 4,853,610 | 4,861,302 | 5,099,186 | (237,884) | |
| Fire protection | 1,300,370 | 1,302,792 | 1,420,134 | (117,342) | |
| Communications | 637,283 | 645,158 | 614,462 | 30,696 | |
| Police Reserve | 8,359 | 8,359 | 6,373 | 1,986 | |
| Inspections | 436,734 | 440,783 | 387,766 | 53,017 | |
| Total Public Safety | 7,236,356 | 7,258,394 | 7,527,921 | (269,527) | |
| Public Works | | | | | |
| Fleet services | 562,373 | 566,116 | 490,946 | 75,170 | |
| Engineering | 792,091 | 798,656 | 744,273 | 54,383 | |
| Highway | 2,121,200 | 2,141,752 | 2,025,827 | 115,925 | |
| Recycling | 23,455 | 23,455 | 21,690 | 1,765 | |
| Total Public Works | 3,499,119 | 3,529,979 | 3,282,736 | 247,243 | |
| Public Health | | | | | |
| Cemetery | 1,500 | 1,500 | 1,667 | (167) | |
| Total Public Health | 1,500 | 1,500 | 1,667 | (167) | |
| Community Enrichment Services | | | | | |
| Library | 1,048,315 | 1,048,315 | 1,022,315 | 26,000 | |
| Swimming pool | 121,115 | 121,115 | 104,750 | 16,365 | |
| Parks | 566,580 | 570,696 | 587,469 | (16,773) | |
| Total Community Enrichment Services | 1,736,010 | 1,740,126 | 1,714,534 | 25,592 | |
| Conservation and Development Planning | | | | | |
| Planning | 418,754 | 424,262 | 419,529 | 4,733 | |
| Development | 418,754 | 424,262 | 419,529 | 4,733 | |
| TOTAL EXPENDITURES | \$ 15,772,460 | \$ 15,772,460 | \$ 15,686,459 | \$ 86,001 | |

SUPPLEMENTARY INFORMATION

CITY OF MEQUON

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

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|-----------------------|------------------------|-----------------------------|--|
| | Park Fund | Revolving Loan Fund | Other Committed Funds | |
| ASSETS | | | | |
| Cash and investments | \$ - | \$ 412,690 | \$ 189,499 | \$ 602,189 |
| Receivables | | | | |
| Other | 139 | - | 190 | 329 |
| Loans | - | 287,245 | - | 287,245 |
| TOTAL ASSETS | \$ 139 | \$ 699,935 | \$ 189,689 | \$ 889,763 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | | | 17 | 17 |
| Deposits | 4,350 | - | - | 4,350 |
| Due to other funds | 39,505 | - | - | 39,505 |
| Total Liabilities | 43,855 | - | 17 | 43,872 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenues | - | 287,245 | - | 287,245 |
| Fund Balances (Deficit) | | | | |
| Restricted | - | 412,690 | - | 412,690 |
| Committed | - | - | 189,672 | 189,672 |
| Unassigned (Deficit) | (43,716) | - | - | (43,716) |
| Total Fund Balances (Deficit) | (43,716) | 412,690 | 189,672 | 558,646 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 139 | \$ 699,935 | \$ 189,689 | \$ 889,763 |

CITY OF MEQUON

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

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|-----------------------|------------------------|-----------------------------|--|
| | Park Fund | Revolving Loan Fund | Other Committed Funds | |
| REVENUES | | | | |
| Public charges for services | \$ 216,524 | \$ - | \$ 19,027 | \$ 235,551 |
| Investment income | 209 | 59,434 | 287 | 59,930 |
| Miscellaneous | 13,731 | - | 12,201 | 25,932 |
| Total Revenues | 230,464 | 59,434 | 31,515 | 321,413 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | - | - | 22,622 | 22,622 |
| Community enrichment services | 39,584 | - | 1,687 | 41,271 |
| Conservation and development | - | 52,405 | - | 52,405 |
| Capital Outlay | 18,720 | - | - | 18,720 |
| Total Expenditures | 58,304 | 52,405 | 24,309 | 135,018 |
| Excess of revenues over expenditures | 172,160 | 7,029 | 7,206 | 186,395 |
| FUND BALANCES (DEFICIT) - Beginning of Year | (215,876) | 405,661 | 182,466 | 372,251 |
| FUND BALANCES (DEFICIT) - END OF YEAR | \$ (43,716) | \$ 412,690 | \$ 189,672 | \$ 558,646 |

CITY OF MEQUON

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

| | Budgeted Amounts | | |
|---|---------------------|---------------------|-------------------------------|
| | Original & Final | Actual | Variance with Final Budget |
| REVENUES | | | |
| Taxes | \$ 2,883,010 | \$ 2,903,771 | \$ 20,761 |
| Intergovernmental | 122,275 | 120,979 | (1,296) |
| Investment income | 2,123 | 5,484 | 3,359 |
| Total Revenues | <u>3,007,410</u> | <u>3,030,234</u> | <u>22,824</u> |
| EXPENDITURES | | | |
| Debt Service | | | |
| Principal | 2,540,000 | 2,540,000 | - |
| Interest and fiscal charges | 873,535 | 876,060 | (2,525) |
| Total Expenditures | <u>3,413,535</u> | <u>3,416,060</u> | <u>(2,525)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(406,125)</u> | <u>(385,826)</u> | <u>20,299</u> |
| OTHER FINANCING SOURCES | | | |
| Premium on debt issued | - | 197,652 | 197,652 |
| Net Change in Fund Balance | <u>(406,125)</u> | <u>(188,174)</u> | <u>217,951</u> |
| FUND BALANCE (DEFICIT) - Beginning of Year | <u>(295,347)</u> | <u>(295,347)</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ (701,472)</u> | <u>\$ (483,521)</u> | <u>\$ 217,951</u> |

CITY OF MEQUON

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION AGENCY FUND
For the Year Ended December 31, 2016**

| | Balance | | | Balance | |
|---|----------------------|----------------------|----------------------|----------------------|--|
| | 11/1/2016 | Additions | Deductions | 12/31/2016 | |
| ASSETS | | | | | |
| Cash and Investments | \$ 27,128,819 | \$ 27,096,710 | \$ 27,128,819 | \$ 27,096,710 | |
| Taxes receivable | 22,903,536 | 23,433,802 | 22,903,536 | 23,433,802 | |
| TOTAL ASSETS | <u>\$ 50,032,355</u> | <u>\$ 50,530,512</u> | <u>\$ 50,032,355</u> | <u>\$ 50,530,512</u> | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 327,929 | \$ 122,940 | \$ 327,929 | \$ 122,940 | |
| Due to other governments | | | | | |
| State of Wisconsin | 740,212 | 760,098 | 740,212 | 760,098 | |
| Ozaukee County | 7,943,686 | 7,979,502 | 7,943,686 | 7,979,502 | |
| Mequon-Thiensville School District | 35,391,666 | 35,909,626 | 35,391,666 | 35,909,626 | |
| Cedarburg School District | 188,644 | 185,391 | 188,644 | 185,391 | |
| Milwaukee Area Technical College District | 5,440,218 | 5,572,955 | 5,440,218 | 5,572,955 | |
| TOTAL LIABILITIES | <u>\$ 50,032,355</u> | <u>\$ 50,530,512</u> | <u>\$ 50,032,355</u> | <u>\$ 50,530,512</u> | |



STATISTICAL SECTION

CITY OF MEQUON

Statistical Section

This part of the City of Mequon's Comprehensive Annual Financial Report (CAFR) presents additional information intended to provide a better understanding of what the information in the financial statements note disclosures, and the required supplementary information, indicates about the overall financial well being of the City.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue new debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is obtained from the annual financial reports for the given year.

Table 1

CITY OF MEQUON
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 25,489,910 | \$ 27,262,961 | \$ 24,486,433 | \$ 24,847,985 | \$ 25,157,617 | \$ 21,415,193 | \$ 20,244,055 | \$ 20,105,141 | \$ 16,159,417 | \$ 17,083,161 |
| Restricted | 1,044,875 | 1,136,688 | 1,354,442 | 1,019,828 | 6,674,351 | 5,516,016 | 1,799,470 | 1,067,412 | 2,277,291 | 995,817 |
| Unrestricted (deficit) | 4,979,600 | 2,463,821 | 2,990,407 | 1,348,175 | (4,729,276) | (93,988) | 4,386,175 | 2,176,255 | 5,878,837 | 6,560,049 |
| Total governmental activities net position | \$ 31,514,385 | \$ 30,863,470 | \$ 28,831,282 | \$ 27,215,988 | \$ 27,102,692 | \$ 26,837,221 | \$ 26,429,700 | \$ 23,348,808 | \$ 24,315,545 | \$ 24,639,027 |
| Business-type Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 26,419,092 | \$ 26,429,765 | \$ 26,275,107 | \$ 26,156,658 | \$ 26,242,471 | \$ 27,667,737 | \$ 30,059,026 | \$ 30,361,789 | \$ 37,426,354 | \$ 38,624,081 |
| Restricted | 119,214 | 115,255 | 205,353 | 232,166 | 246,988 | 273,879 | 301,144 | 329,024 | 410,727 | 375,150 |
| Unrestricted (deficit) | (14,886,924) | (12,986,854) | (10,046,126) | (7,689,539) | (5,940,164) | (5,018,302) | (3,599,573) | (1,300,683) | 1,159,223 | 4,120,966 |
| Total business-type activities net position | \$ 11,651,382 | \$ 13,558,166 | \$ 16,434,334 | \$ 18,699,285 | \$ 20,549,295 | \$ 22,923,314 | \$ 26,760,597 | \$ 29,390,130 | \$ 38,996,304 | \$ 43,120,197 |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | * \$ 51,909,002 | \$ 53,692,726 | \$ 49,791,864 | \$ 49,966,147 | \$ 50,361,592 | \$ 48,044,434 | \$ 50,303,081 | \$ 49,428,434 | \$ 52,547,275 | \$ 54,728,515 |
| Restricted | 1,164,089 | 1,251,943 | 1,559,795 | 1,251,994 | 6,921,339 | 5,789,895 | 2,100,614 | 1,396,436 | 2,688,018 | 1,370,967 |
| Unrestricted (deficit) | (9,907,324) | (10,523,033) | (6,086,043) | (5,302,868) | (9,630,944) | (4,073,794) | 786,602 | 1,914,068 | 8,076,556 | 11,659,742 |
| Total primary government net position | \$ 43,165,767 | \$ 44,421,636 | \$ 45,265,616 | \$ 45,915,273 | \$ 47,651,987 | \$ 49,760,535 | \$ 53,190,297 | \$ 52,738,938 | \$ 63,311,849 | \$ 67,759,224 |

* Includes an adjustment for utility assets financed with governmental activities debt

CITY OF MEQUON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

| Expenses | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Governmental Activities: | | | | | | | | | | |
| General Government | \$ 2,935,063 | \$ 2,800,453 | \$ 2,901,113 | \$ 3,015,265 | \$ 2,826,782 | \$ 2,578,452 | \$ 2,561,910 | \$ 2,866,025 | \$ 2,827,161 | \$ 2,926,703 |
| Public Safety | 6,712,991 | 6,906,734 | 7,106,793 | 7,181,642 | 7,243,829 | 6,951,642 | 7,155,872 | 7,180,846 | 7,658,522 | 8,568,616 |
| Public Works | 5,841,355 | 6,990,267 | 6,324,874 | 7,198,886 | 7,779,419 | 6,445,104 | 6,807,814 | 7,097,071 | 6,510,601 | 5,590,695 |
| Public Health | 69,080 | 70,859 | 29,726 | 2,375 | 846 | 1,930 | 4,211 | 3,606 | 2,692 | 1,667 |
| Community Enrichment | 1,729,884 | 1,846,261 | 2,101,069 | 1,837,201 | 1,944,084 | 1,886,522 | 1,991,055 | 2,051,348 | 1,832,803 | 1,760,253 |
| Conservation & Development | 782,014 | 451,213 | 885,745 | 607,140 | 555,349 | 556,569 | 431,959 | 2,194,912 | 1,963,424 | 635,097 |
| Interest & Fiscal Charges | 420,005 | 413,812 | 802,613 | 925,877 | 984,173 | 859,007 | 766,527 | 785,985 | 916,642 | 1,174,400 |
| Total government activities expense | <u>\$ 18,490,392</u> | <u>\$ 19,479,599</u> | <u>\$ 20,151,933</u> | <u>\$ 20,768,386</u> | <u>\$ 21,334,482</u> | <u>\$ 19,279,226</u> | <u>\$ 19,719,348</u> | <u>\$ 22,179,793</u> | <u>\$ 21,711,845</u> | <u>\$ 20,657,431</u> |
| Business-type Activities: | | | | | | | | | | |
| Water Utility | - | - | 1,394,217 | 2,085,110 | 2,215,531 | 2,258,364 | 2,251,136 | 2,252,945 | 2,448,115 | 8,990,263 |
| Sewer Utility | 8,267,629 | 8,310,045 | 8,175,180 | 7,881,371 | 8,216,356 | 8,394,444 | 8,215,337 | 8,339,805 | 9,052,567 | 2,563,582 |
| Total business-type activities expense | <u>\$ 8,267,629</u> | <u>\$ 8,310,045</u> | <u>\$ 9,569,397</u> | <u>\$ 9,966,481</u> | <u>\$ 10,431,887</u> | <u>\$ 10,652,808</u> | <u>\$ 10,466,473</u> | <u>\$ 10,592,750</u> | <u>\$ 11,500,682</u> | <u>\$ 11,553,845</u> |
| Total Primary Government Expense | <u>\$ 26,758,021</u> | <u>\$ 27,789,644</u> | <u>\$ 29,721,330</u> | <u>\$ 30,734,867</u> | <u>\$ 31,766,369</u> | <u>\$ 29,932,034</u> | <u>\$ 30,185,821</u> | <u>\$ 32,772,543</u> | <u>\$ 33,212,527</u> | <u>\$ 32,211,276</u> |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services | \$ 2,054,591 | \$ 2,807,641 | \$ 2,494,153 | \$ 2,525,797 | \$ 2,750,636 | \$ 3,035,119 | \$ 3,024,230 | \$ 3,114,438 | \$ 3,172,991 | \$ 3,497,183 |
| Operating Grants and Contributions | 1,322,915 | 1,390,950 | 1,560,663 | 2,102,773 | 1,709,970 | 1,446,983 | 1,559,021 | 1,699,459 | 1,984,048 | 1,931,549 |
| Capital Grants and Contributions | 391,706 | 201,967 | 1,265,378 | 181,607 | 2,508,141 | 511,194 | 330,906 | 37,592 | 122,435 | 653,730 |
| Total governmental activities program revenues | <u>\$ 3,769,212</u> | <u>\$ 4,400,558</u> | <u>\$ 5,320,194</u> | <u>\$ 4,810,177</u> | <u>\$ 6,968,747</u> | <u>\$ 4,993,296</u> | <u>\$ 4,914,157</u> | <u>\$ 4,851,489</u> | <u>\$ 5,279,474</u> | <u>\$ 6,082,462</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for Services | 2,306,485 | 2,537,641 | 4,111,511 | 5,005,461 | 5,139,176 | 5,836,210 | 5,896,086 | 6,325,368 | 6,141,213 | 6,409,901 |
| Capital Grants and Contributions | 224,846 | 342,099 | 137,058 | 151,213 | 150,897 | 208,726 | 2,228,424 | 250,456 | 7,733,127 | 2,034,162 |
| Total business-type activities program revenues | <u>\$ 2,531,331</u> | <u>\$ 2,879,740</u> | <u>\$ 4,248,569</u> | <u>\$ 5,156,674</u> | <u>\$ 5,290,073</u> | <u>\$ 6,044,936</u> | <u>\$ 8,124,510</u> | <u>\$ 6,575,824</u> | <u>\$ 13,874,340</u> | <u>\$ 8,444,063</u> |
| Total Primary Government Program Revenues | <u>\$ 6,300,543</u> | <u>\$ 7,280,298</u> | <u>\$ 9,568,763</u> | <u>\$ 9,966,851</u> | <u>\$ 12,258,820</u> | <u>\$ 11,038,232</u> | <u>\$ 13,038,667</u> | <u>\$ 11,427,313</u> | <u>\$ 19,153,814</u> | <u>\$ 14,526,525</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | <u>\$ (14,721,180)</u> | <u>\$ (15,079,041)</u> | <u>\$ (14,831,739)</u> | <u>\$ (15,958,209)</u> | <u>\$ (14,365,735)</u> | <u>\$ (14,285,930)</u> | <u>\$ (14,805,191)</u> | <u>\$ (17,328,304)</u> | <u>\$ (16,432,371)</u> | <u>\$ (14,574,969)</u> |
| Business-type Activities | <u>\$ (5,736,298)</u> | <u>\$ (5,430,305)</u> | <u>\$ (5,320,828)</u> | <u>\$ (4,809,807)</u> | <u>\$ (5,141,814)</u> | <u>\$ (4,607,872)</u> | <u>\$ (2,341,963)</u> | <u>\$ (4,016,926)</u> | <u>\$ 2,373,658</u> | <u>\$ (3,109,782)</u> |
| Total Primary Government Net Expense | <u>\$ (20,457,478)</u> | <u>\$ (20,509,346)</u> | <u>\$ (20,152,567)</u> | <u>\$ (20,768,016)</u> | <u>\$ (19,507,549)</u> | <u>\$ (18,893,802)</u> | <u>\$ (17,147,154)</u> | <u>\$ (21,345,230)</u> | <u>\$ (14,058,713)</u> | <u>\$ (17,684,751)</u> |

CITY OF MEQUON
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|----------------------|---------------------|---------------------|--------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 47,464 | \$ 40,304 | \$ 40,054 | \$ 41,978 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 1,348,673 | 676,941 | 1,295,092 | 1,687,022 | - | - | - | - | - | - |
| Non-spendable | - | - | - | - | - | 4,014 | 179,218 | 595,505 | 559,000 | 190,177 |
| Restricted | - | - | - | - | 48,786 | 14,621 | 10,410 | 6,804 | 9,043 | 7,377 |
| Assigned | - | - | - | - | - | 186,000 | 286,000 | 301,000 | 301,500 | 701,500 |
| Unassigned | - | - | - | - | 2,244,258 | 3,092,712 | 3,571,508 | 2,534,313 | 2,499,862 | 2,248,092 |
| Total General Fund | 1,396,137 | 717,245 | 1,335,146 | 1,729,000 | 2,293,044 | 3,297,347 | 4,047,136 | 3,437,622 | 3,369,405 | 3,147,146 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | 1,603,822 | 1,683,640 | 2,382,338 | 1,490,466 | - | - | - | - | - | - |
| Unreserved, reported in | | | | | | | | | | |
| Special Revenue Funds | 1,105,618 | 1,017,682 | 515,594 | 459,834 | - | - | - | - | - | - |
| Capital Projects Funds | 3,862,819 | 3,637,816 | 10,058,625 | 6,187,099 | - | - | - | - | - | - |
| Non-spendable | - | - | - | - | - | - | - | 753,750 | - | - |
| Restricted | - | - | - | - | 7,968,864 | 5,287,651 | 7,282,804 | 3,099,716 | 3,830,472 | 4,102,539 |
| Committed | - | - | - | - | 158,474 | 161,555 | 162,079 | 164,009 | 2,406,525 | 189,672 |
| Assigned | - | - | - | - | - | 2,398,957 | 2,397,020 | 1,493,283 | 182,466 | 2,565,453 |
| Unassigned | - | - | - | - | 1,794,965 | (398,750) | (567,319) | (545,298) | (511,223) | (527,237) |
| Total All Other Governmental Funds | 6,572,259 | 6,339,138 | 12,956,557 | 8,137,399 | 9,922,303 | 7,449,413 | 9,274,584 | 4,965,460 | 5,908,240 | 6,330,427 |
| Total Fund Balances | \$ 7,968,396 | \$ 7,056,383 | \$ 14,291,703 | \$ 9,866,399 | \$ 12,215,347 | \$ 10,746,760 | \$ 13,321,720 | \$ 8,403,082 | \$ 9,277,645 | \$9,477,573 |

The City implemented GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions in 2011. This statement establishes new fund balance classifications, which are based primarily on the extent to which the City is bound to observe constraints on the use of the resources reported in governmental funds. As a result of implementing this standard, the fund balance categories used beginning in 2011 are not directly comparable to the fund balance categories used prior to 2011.

Table 4

CITY OF MEQUON
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 12,475,502 | \$ 12,781,935 | \$ 13,012,008 | \$ 13,607,270 | \$ 13,568,659 | \$ 13,260,969 | \$ 13,489,588 | \$ 13,599,333 | \$ 13,712,286 | \$ 14,160,513 |
| Intergovernmental Revenues | 1,710,032 | 1,778,612 | 2,888,511 | 2,545,498 | 1,997,915 | 2,533,394 | 1,947,547 | 2,118,275 | 2,174,623 | 2,436,368 |
| Licenses & Permits | 1,113,504 | 1,177,444 | 1,101,106 | 1,165,138 | 1,170,613 | 1,257,439 | 1,273,998 | 1,378,270 | 1,322,093 | 1,455,967 |
| Fines, Forfeitures and Penalties | - | - | - | - | 159,798 | 183,561 | 184,068 | 190,347 | 167,015 | 240,345 |
| Public Charges for Services | 1,025,262 | 1,863,998 | 1,518,183 | 1,240,937 | 1,288,601 | 1,315,941 | 1,489,731 | 1,602,653 | 1,682,838 | 1,825,212 |
| Intergovernmental Charges for Services | 104,404 | 106,928 | 109,067 | 182,286 | 106,774 | - | - | - | - | - |
| Special Assessments | - | - | - | - | - | - | - | 1,895 | 66,674 | 33,156 |
| Investment Income | 950,518 | 741,986 | 194,187 | 176,734 | 174,997 | 108,638 | 60,715 | 119,292 | 102,244 | 119,876 |
| Other Revenues | 380,545 | 209,300 | 166,023 | 111,137 | 123,755 | 119,871 | 386,589 | 69,804 | 127,201 | 87,132 |
| Total Revenues | 17,759,767 | 18,660,203 | 18,989,085 | 19,029,000 | 18,591,112 | 18,779,813 | 18,832,236 | 19,079,869 | 19,354,974 | 20,358,569 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General Government | 2,877,301 | 2,728,441 | 2,796,046 | 2,716,066 | 2,536,080 | 2,469,334 | 2,386,454 | 2,679,908 | 2,636,148 | 2,740,072 |
| Public Safety | 6,350,569 | 6,521,197 | 6,588,793 | 6,520,263 | 6,586,480 | 6,550,281 | 6,651,414 | 6,767,586 | 7,108,172 | 7,550,543 |
| Public Works | 4,598,917 | 5,329,775 | 3,470,061 | 3,586,628 | 3,487,367 | 3,162,346 | 3,142,843 | 3,290,198 | 3,261,237 | 3,282,736 |
| Public Health | 69,080 | 70,859 | 29,726 | 2,375 | 846 | 1,930 | 4,211 | 3,606 | 2,692 | 1,667 |
| Community Enrichment | 1,661,876 | 1,776,535 | 1,981,720 | 1,700,327 | 1,681,913 | 1,661,202 | 1,807,428 | 1,846,667 | 1,778,292 | 1,755,805 |
| Conservation and Development | 423,079 | 419,263 | 817,181 | 567,802 | 555,349 | 556,569 | 393,109 | 411,582 | 412,059 | 471,934 |
| Capital Outlay | 923,356 | 3,981,521 | 6,861,097 | 5,784,174 | 4,587,815 | 2,194,148 | 3,195,577 | 6,427,077 | 6,879,764 | 10,109,039 |
| Debt Service | | | | | | | | | | |
| Principal | 811,808 | 851,964 | 1,120,219 | 1,743,077 | 1,224,118 | 1,534,554 | 3,141,988 | 2,061,994 | 2,220,000 | 2,540,000 |
| Interest and Fiscal Charges | 327,795 | 315,929 | 550,271 | 890,011 | 797,705 | 807,696 | 934,751 | 833,039 | 835,175 | 996,576 |
| Payment to WRS for Unfunded Liability | - | - | - | - | - | 1,355,819 | - | - | - | - |
| Total Expenditures | 18,043,781 | 21,995,484 | 24,215,114 | 23,510,723 | 21,457,673 | 20,293,879 | 21,657,775 | 24,321,657 | 25,133,539 | 29,448,372 |
| Excess of Revenues | | | | | | | | | | |
| Over/(Under) Expenditures | (284,014) | (3,335,281) | (5,226,029) | (4,481,723) | (2,866,561) | (1,514,066) | (2,825,539) | (5,241,788) | (5,778,565) | (9,089,803) |

Table 4

CITY OF MEQUON
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------------|--------------|--------------|--------------|----------------|--------------|----------------|--------------|----------------|------------|------------|
| Other Financing Sources/(Uses) | | | | | | | | | | |
| Transfers In | 1,907,915 | 1,978,335 | 1,676,627 | 136,063 | 667,449 | 147,463 | 29,497 | 639,000 | 404 | - |
| Transfers Out | (1,907,915) | (1,978,335) | (1,676,627) | (136,063) | (667,449) | (147,463) | (29,497) | (639,000) | (404) | - |
| Debt | | | | | | | | | | |
| General obligation debt issued | - | 2,400,000 | 12,055,000 | - | 8,745,000 | - | 3,710,000 | - | 5,740,000 | 8,905,000 |
| Refunding debt issued | - | - | - | - | - | - | 1,280,000 | - | - | - |
| Refunded general obligation debt | - | - | - | - | (3,956,423) | - | - | - | - | - |
| Discount on debt issued | - | - | - | - | (73,556) | - | - | - | - | - |
| Premium on debt issued | - | - | 91,542 | - | 192,393 | - | 151,717 | - | 237,972 | 197,652 |
| Proceeds of capital leases | - | - | - | - | 235,193 | - | - | - | - | - |
| Proceeds of capital leases | - | - | - | - | - | - | - | - | - | - |
| Sale of capital assets | 50,357 | 23,268 | 48,690 | 56,419 | 72,902 | 45,479 | 258,782 | 219,929 | 604,191 | 130,454 |
| Total Other Financing Sources/(Uses) | 50,357 | 2,423,268 | 12,195,232 | 56,419 | 5,215,509 | 45,479 | 5,400,499 | 271,857 | 70,965 | 56,625 |
| Net Change in Fund Balances | \$ (233,657) | \$ (912,013) | \$ 6,969,203 | \$ (4,425,304) | \$ 2,348,948 | \$ (1,468,587) | \$ 2,574,960 | \$ (4,969,931) | \$ 874,563 | \$ 199,928 |

Debt Service as a % of non-capital expenditures

7.34% 5.71% 8.55% 14.55% 12.06% 20.65% 20.49% 12.96% 14.02% 17.48%

Notes: In 2006, the functional areas were realigned to separate Parks from the Conservation and Development area and then creating the Community Enrichment functional area by combining the Parks, Library, and Leisure Activities (swimming pool) components.

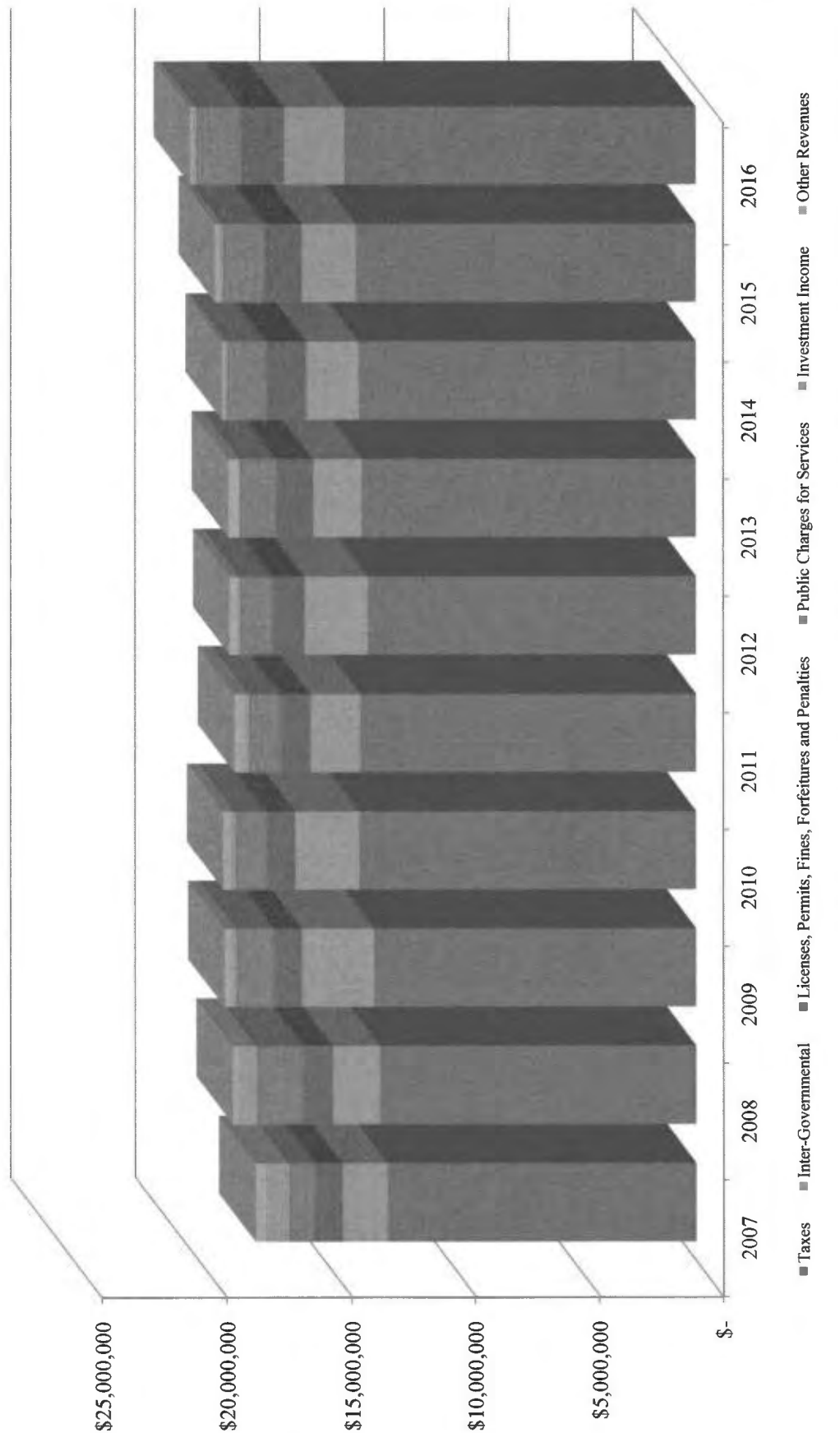
Table 5

CITY OF MEQUON, WISCONSIN
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

| Fiscal Year | Taxes | Inter-Governmental | Licenses, Permits, Fines, Forfeitures and | | Public Charges for Services | Investment Income | Other Revenues | Total Revenues | | | | | |
|-------------|------------|--------------------|--|-------|--------------------------------|-------------------|----------------|----------------|---------|-------|---------|------|------------|
| | | | Penalties | | | | | | | | | | |
| 2007 | 12,475,502 | 70.2% | 1,814,436 | 10.2% | 1,113,504 | 6.3% | 1,025,262 | 5.8% | 950,518 | 5.4% | 380,545 | 2.1% | 17,759,767 |
| 2008 | 12,781,935 | 68.5% | 1,885,540 | 10.1% | 1,177,444 | 6.3% | 1,863,998 | 10.0% | 741,986 | 4.0% | 209,300 | 1.1% | 18,660,203 |
| 2009 | 13,012,008 | 68.5% | 2,888,511 | 15.2% | 1,101,106 | 5.8% | 1,518,183 | 8.0% | 194,187 | 1.0% | 275,090 | 1.4% | 18,989,085 |
| 2010 | 13,607,270 | 71.5% | 2,545,498 | 13.4% | 1,165,138 | 6.1% | 1,240,937 | 6.5% | 176,734 | 0.9% | 293,423 | 1.5% | 19,029,000 |
| 2011 | 13,568,659 | 73.0% | 1,997,915 | 10.7% | 1,170,613 | 6.3% | 1,288,601 | 6.9% | 174,997 | 0.9% | 390,327 | 2.1% | 18,591,112 |
| 2012 | 13,260,969 | 70.6% | 2,533,394 | 13.5% | 1,257,439 | 6.7% | 1,315,941 | 7.0% | 108,638 | 0.6% | 303,432 | 1.6% | 18,779,813 |
| 2013 | 13,489,588 | 71.6% | 1,947,547 | 10.3% | 1,458,066 | 7.7% | 1,489,731 | 7.9% | 60,715 | 30.0% | 386,589 | 2.1% | 18,832,236 |
| 2014 | 13,599,333 | 71.3% | 2,118,275 | 11.1% | 1,568,617 | 8.2% | 1,602,653 | 8.4% | 119,292 | 0.6% | 71,699 | 0.4% | 19,079,869 |
| 2015 | 13,712,286 | 70.8% | 2,174,623 | 11.2% | 1,489,108 | 7.7% | 1,682,838 | 8.7% | 102,244 | 0.5% | 193,875 | 1.0% | 19,354,974 |
| 2016 | 14,160,513 | 69.6% | 2,436,368 | 12.0% | 1,696,312 | 8.3% | 1,825,212 | 9.0% | 119,876 | 0.6% | 120,288 | 0.6% | 20,358,569 |

Includes General, Special Revenue, Debt Service, and Capital Project Funds. Since 2010, certain revenues have been reclassified.

City of Mequon General Governmental Revenues By Source

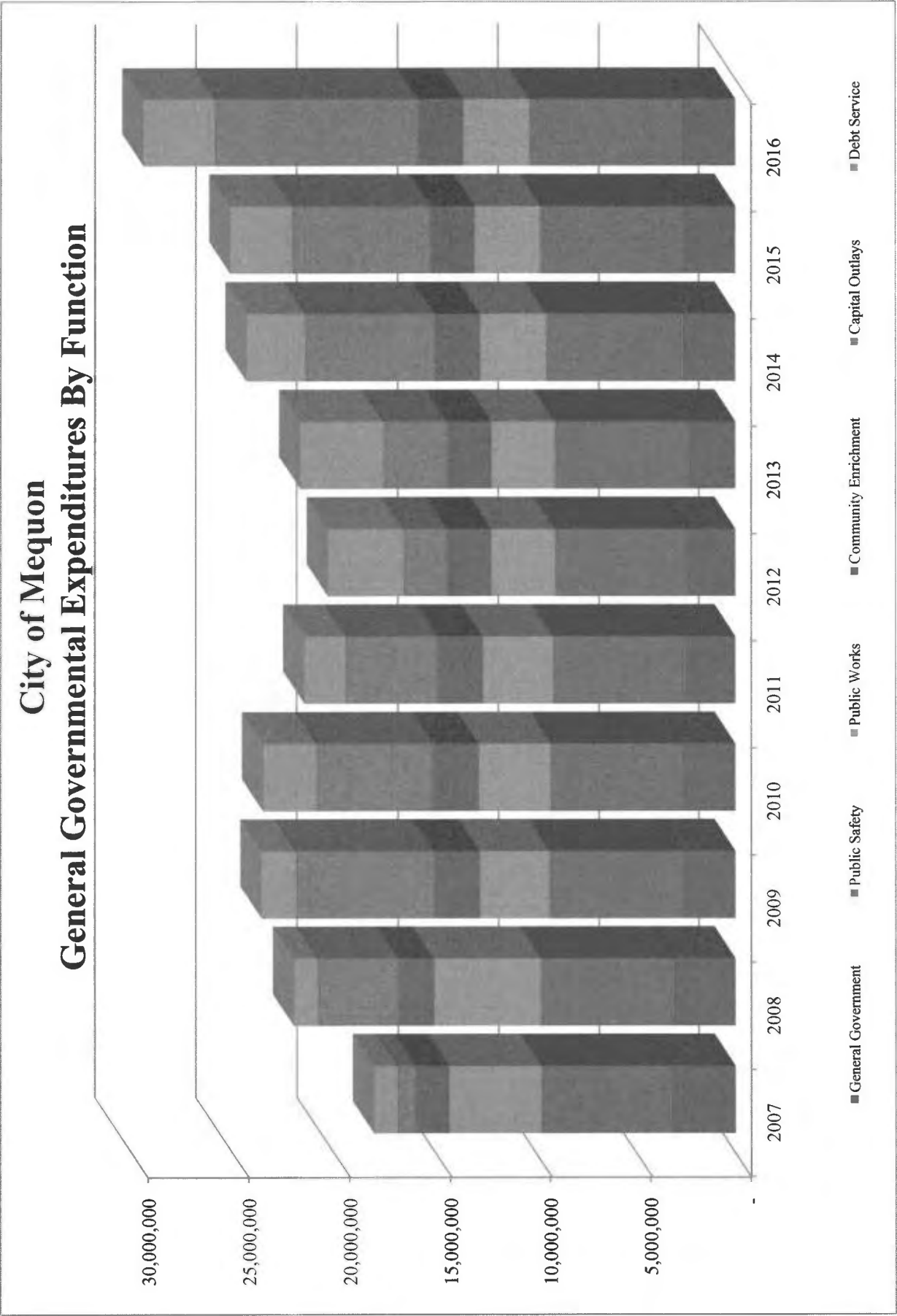


CITY OF MEQUON, WISCONSIN
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

| Fiscal Year | General Government | Public Safety | Public Works | Community Enrichment | Capital Outlays | Debt Service | Total Expenditures | | | | | | |
|-------------|--------------------|---------------|--------------|----------------------|-----------------|--------------|--------------------|-------|------------|-------|-----------|-------|------------|
| 2007 | 3,300,380 | 18.3% | 6,419,649 | 35.6% | 4,598,917 | 25.5% | 1,661,876 | 9.2% | 923,356 | 5.1% | 1,139,603 | 6.3% | 18,043,781 |
| 2008 | 3,147,704 | 14.3% | 6,592,056 | 30.0% | 5,329,775 | 24.2% | 1,776,535 | 8.1% | 3,981,521 | 18.1% | 1,167,893 | 5.3% | 21,995,484 |
| 2009 | 2,718,441 | 11.5% | 6,588,793 | 27.9% | 3,470,061 | 14.7% | 2,268,129 | 9.6% | 6,861,097 | 29.1% | 1,670,490 | 7.1% | 23,577,011 |
| 2010 | 2,718,441 | 11.6% | 6,520,263 | 27.7% | 3,586,628 | 15.3% | 2,268,129 | 9.6% | 5,784,174 | 24.6% | 2,633,088 | 11.2% | 23,510,723 |
| 2011 | 2,536,926 | 11.8% | 6,586,480 | 30.7% | 3,487,367 | 16.3% | 2,237,262 | 10.4% | 4,587,815 | 21.4% | 2,021,823 | 9.4% | 21,457,673 |
| 2012 | 2,471,264 | 12.2% | 6,550,281 | 32.3% | 3,162,346 | 15.6% | 2,217,771 | 10.9% | 2,194,148 | 10.8% | 3,698,069 | 18.2% | 20,293,879 |
| 2013 | 2,386,454 | 11.0% | 6,651,414 | 30.7% | 3,142,843 | 14.5% | 2,204,748 | 10.2% | 3,195,577 | 14.8% | 4,076,739 | 18.8% | 21,567,775 |
| 2014 | 2,679,908 | 11.0% | 6,767,586 | 27.8% | 3,290,198 | 13.5% | 2,261,855 | 9.3% | 6,427,077 | 26.4% | 2,895,033 | 11.9% | 24,321,657 |
| 2015 | 2,636,148 | 10.5% | 7,108,172 | 28.3% | 3,261,237 | 13.0% | 2,193,043 | 8.7% | 6,879,764 | 27.4% | 3,055,175 | 12.2% | 25,133,539 |
| 2016 | 2,740,072 | 9.3% | 7,550,543 | 25.6% | 3,282,736 | 11.1% | 2,229,406 | 7.6% | 10,109,039 | 34.3% | 3,536,576 | 12.0% | 29,448,372 |

Includes General, Special Revenue, Debt Service, and Capital Project Funds.

Public Health and Conservation and Development expenditures are reported under General Government in this schedule.



CITY OF MEQUON
ASSESSED AND EQUALIZED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Table 7

| Levy Year | Fiscal Year | Real Property | | | Personal Property | | | Total | | Ratio of Assessed to Equalized Value | | |
|-----------|-------------|------------------|------------------|--|-------------------|-----------------|--|------------------|------------------|--------------------------------------|----------|---------|
| | | Assessed Value | Equalized Value | | Assessed Value | Equalized Value | | Assessed Value | Equalized Value | | | |
| 2007 | 2008 | \$ 3,587,551,600 | \$ 4,508,754,200 | | \$ 49,002,630 | \$ 60,456,500 | | \$ 3,636,554,230 | \$ 4,569,210,700 | \$ 18.14 | \$ 16.44 | 79.64% |
| 2008 | 2009 | 3,644,645,900 | 4,431,816,900 | | 68,573,110 | 68,585,800 | | 3,713,219,010 | 4,500,402,700 | 18.54 | 16.30 | 81.87% |
| 2009 | 2010 | 4,257,032,100 | 4,316,553,200 | | 59,588,580 | 51,002,200 | | 4,316,620,680 | 4,367,555,400 | 18.47 | 17.18 | 98.83% |
| 2010 | 2011 | 4,253,484,800 | 4,156,726,000 | | 57,834,840 | 66,441,500 | | 4,311,319,640 | 4,223,167,500 | 15.98 | 15.29 | 102.07% |
| 2011 | 2012 | 4,238,554,800 | 4,043,965,700 | | 59,695,260 | 51,865,000 | | 4,298,250,060 | 4,095,830,700 | 15.43 | 14.32 | 104.83% |
| 2012 | 2013 | 4,240,369,050 | 3,908,363,100 | | 51,407,900 | 63,804,400 | | 4,291,776,950 | 3,972,167,500 | 15.47 | 14.36 | 108.81% |
| 2013 | 2014 | 4,262,904,650 | 3,887,126,100 | | 70,198,200 | 62,342,400 | | 4,333,102,850 | 3,949,468,500 | 15.50 | 14.84 | 109.83% |
| 2014 | 2015 | 4,307,459,260 | 4,060,808,700 | | 74,219,200 | 65,952,800 | | 4,381,678,460 | 4,126,761,500 | 14.82 | 13.97 | 106.26% |
| 2015 | 2016 | 4,367,465,300 | 4,284,684,700 | | 66,892,120 | 77,044,000 | | 4,434,357,420 | 4,361,728,700 | 14.84 | 14.65 | 101.67% |
| 2016 | 2017 | 4,421,334,200 | 4,410,741,800 | | 75,091,540 | 68,167,900 | | 4,496,425,740 | 4,478,909,700 | 14.98 | 14.35 | 100.39% |

Source: "Statistical Report of Property Valuations" Published by Bureau of Property Tax, Wisconsin Department of Revenue

CITY OF MEQUON, WISCONSIN
COMPARATIVE TAX RATES FOR ALL DIRECT AND OVERLAPPING GOVERNMENTS
PROPERTIES WITHIN THE MEQUON-THIENSVILLE SCHOOL DISTRICT
LAST TEN FISCAL YEARS

PER \$1,000 OF ASSESSED VALUE

| Levy Year | Collection Year | State of Wisconsin | Ozaukee County | City of Mequon | Sewer Utility | M-T Schools | MATC | Total | State School Credit | Net Tax Rate | Assessed Valuation |
|-----------|-----------------|--------------------|----------------|----------------|---------------|-------------|-----------|------------|---------------------|--------------|--------------------|
| 2007 | 2008 | \$ 0.2068 | \$ 1.9898 | \$ 3.3994 | \$ 1.9865 | \$ 10.0674 | \$ 2.0842 | \$ 19.7341 | \$ 1.5972 | \$ 18.1369 | \$ 3,564,890,610 |
| 2008 | 2009 | 0.2132 | 2.0258 | 3.4058 | 2.2441 | 10.1886 | 2.2266 | 20.3041 | 1.7641 | 18.5400 | 3,636,554,230 |
| 2009 | 2010 | 0.2064 | 1.9829 | 3.4139 | 2.2344 | 10.3060 | 2.2317 | 20.3752 | 1.9008 | 18.4744 | 3,701,157,810 |
| 2010 | 2011 | 0.1717 | 1.6995 | 3.0569 | 1.8618 | 8.8362 | 1.9332 | 17.5593 | 1.5787 | 15.9806 | 4,292,782,940 |
| 2011 | 2012 | 0.1617 | 1.6864 | 3.0360 | 1.8769 | 8.2742 | 1.8543 | 16.8895 | 1.4630 | 15.4265 | 4,279,672,560 |
| 2012 | 2013 | 0.1565 | 1.7036 | 3.0414 | 1.7854 | 8.2186 | 1.9532 | 16.8587 | 1.3893 | 15.4694 | 4,289,391,450 |
| 2013 | 2014 | 0.1553 | 1.7699 | 3.0863 | 1.4951 | 8.1902 | 1.9412 | 16.6380 | 1.3200 | 15.3180 | 4,314,641,750 |
| 2014 | 2015 | 0.1598 | 1.7673 | 3.0612 | 1.8924 | 8.0397 | 1.1964 | 16.1168 | 1.2904 | 14.8264 | 4,381,678,460 |
| 2015 | 2016 | 0.1669 | 1.8058 | 3.0741 | 1.9126 | 8.0808 | 1.2367 | 16.2771 | 1.4389 | 14.8381 | 4,434,357,420 |
| 2016 | 2017 | 0.1690 | 1.7968 | 3.1498 | 1.8921 | 8.1219 | 1.2549 | 16.3844 | 1.4032 | 14.9812 | 4,496,425,740 |

PER \$1,000 OF EQUALIZED VALUE

| Levy Year | Collection Year | State of Wisconsin | Ozaukee County | City of Mequon | Sewer Utility | M-T Schools | MATC | Total | State School Credit | Net Tax Rate | Equalized Valuation |
|-----------|-----------------|--------------------|----------------|----------------|---------------|-------------|-----------|------------|---------------------|--------------|---------------------|
| 2007 | 2008 | \$ 0.1647 | \$ 1.5846 | \$ 2.7073 | \$ 1.5820 | \$ 8.0177 | \$ 1.6599 | \$ 15.7162 | \$ 1.2720 | \$ 14.4442 | \$ 4,476,425,041 |
| 2008 | 2009 | 0.1746 | 1.6586 | 2.7885 | 1.8374 | 8.3419 | 1.8230 | 16.6239 | 1.4444 | 15.1796 | 4,441,609,227 |
| 2009 | 2010 | 0.2039 | 1.9597 | 3.3740 | 2.2082 | 10.1854 | 2.2056 | 20.1368 | 1.8786 | 18.2583 | 3,744,974,006 |
| 2010 | 2011 | 0.1753 | 1.7347 | 3.1202 | 1.9003 | 9.0191 | 1.9732 | 17.9228 | 1.6114 | 16.3114 | 4,205,724,444 |
| 2011 | 2012 | 0.1695 | 1.7679 | 3.1826 | 1.9676 | 8.6738 | 1.9438 | 17.7052 | 1.5337 | 16.1716 | 4,082,488,372 |
| 2012 | 2013 | 0.1703 | 1.8537 | 3.3093 | 1.9427 | 8.9427 | 2.1252 | 18.3440 | 1.5117 | 16.8323 | 3,942,093,052 |
| 2013 | 2014 | 0.1706 | 1.9439 | 3.3897 | 1.6421 | 8.9953 | 2.1320 | 18.2735 | 1.4498 | 16.8238 | 3,928,472,867 |
| 2014 | 2015 | 0.1698 | 1.8779 | 3.2528 | 2.0108 | 8.5430 | 1.2713 | 17.1257 | 1.3711 | 15.7546 | 4,123,544,570 |
| 2015 | 2016 | 0.1697 | 1.8359 | 3.1253 | 1.9445 | 8.2154 | 1.2573 | 16.5481 | 1.4629 | 15.0852 | 4,361,728,700 |
| 2016 | 2017 | 0.1697 | 1.8038 | 3.1621 | 1.8995 | 8.1537 | 1.2598 | 16.4485 | 1.4087 | 15.0398 | 4,478,909,700 |

CITY OF MEQUON, WISCONSIN
COMPARATIVE TAX RATES FOR ALL DIRECT AND OVERLAPPING GOVERNMENTS
PROPERTIES WITHIN THE CEDARBURG SCHOOL DISTRICT
LAST TEN FISCAL YEARS

Table 9

PER \$1,000 OF ASSESSED VALUE

| Levy Year | Collection Year | State of Wisconsin | Ozaukee County | City of Mequon | Cedarburg Schools | MATC | Total | State School Credit | Net Tax Rate | Assessed Valuation |
|-----------|-----------------|--------------------|----------------|----------------|-------------------|-----------|------------|---------------------|--------------|--------------------|
| 2007 | 2008 | \$ 0.2068 | \$ 1.9898 | \$ 3.3994 | \$ 10.3527 | \$ 2.0842 | \$ 18.0329 | \$ 1.5972 | \$ 16.4357 | \$ 15,270,800 |
| 2008 | 2009 | 0.2130 | 2.0258 | 3.4058 | 10.1886 | 2.2266 | 18.0598 | 1.7641 | 16.2957 | 15,199,500 |
| 2009 | 2010 | 0.2064 | 1.9829 | 3.4139 | 11.2476 | 2.2317 | 19.0825 | 1.9008 | 17.1817 | 15,749,050 |
| 2010 | 2011 | 0.1717 | 1.6995 | 3.0569 | 10.0098 | 1.9332 | 16.8711 | 1.5787 | 15.2924 | 18,328,600 |
| 2011 | 2012 | 0.1617 | 1.6864 | 3.0360 | 9.0496 | 1.8543 | 15.7880 | 1.4630 | 14.3250 | 18,577,500 |
| 2012 | 2013 | 0.1565 | 1.7036 | 3.0414 | 8.8914 | 1.9332 | 15.7461 | 1.3893 | 14.3568 | 18,432,700 |
| 2013 | 2014 | 0.1553 | 1.7699 | 3.0863 | 9.2681 | 1.9412 | 16.2208 | 1.3200 | 14.9008 | 18,461,100 |
| 2014 | 2015 | 0.1598 | 1.7673 | 3.0612 | 9.0800 | 1.1964 | 15.2647 | 1.2904 | 13.9744 | 19,253,600 |
| 2015 | 2016 | 0.1669 | 1.8058 | 3.0740 | 9.8011 | 1.2367 | 16.0846 | 1.4389 | 14.6456 | 19,247,300 |
| 2016 | 2017 | 0.1690 | 1.7968 | 3.1498 | 9.3852 | 1.2549 | 15.7556 | 1.4032 | 14.3524 | 19,753,500 |

PER \$1,000 OF EQUALIZED VALUE

| Levy Year | Collection Year | State of Wisconsin | Ozaukee County | City of Mequon | Cedarburg Schools | MATC | Total | State School Credit | Net Tax Rate | Equalized Valuation |
|-----------|-----------------|--------------------|----------------|----------------|-------------------|-----------|------------|---------------------|--------------|---------------------|
| 2007 | 2008 | \$ 0.1647 | \$ 1.5846 | \$ 2.7072 | \$ 8.2446 | \$ 1.6598 | \$ 14.3609 | \$ 1.2720 | \$ 13.0889 | \$ 19,175,509 |
| 2008 | 2009 | 0.1744 | 1.6586 | 2.7885 | 8.3419 | 1.8230 | 14.7864 | 1.4444 | 13.3421 | 18,564,343 |
| 2009 | 2010 | 0.2039 | 1.9597 | 3.3740 | 11.1160 | 2.2056 | 18.8592 | 1.8786 | 16.9807 | 15,935,495 |
| 2010 | 2011 | 0.1753 | 1.7347 | 3.1202 | 10.2170 | 1.9732 | 17.2203 | 1.6114 | 15.6090 | 17,956,892 |
| 2011 | 2012 | 0.1695 | 1.7679 | 3.1826 | 9.4867 | 1.9438 | 16.5505 | 1.5337 | 15.0169 | 17,721,549 |
| 2012 | 2013 | 0.1703 | 1.8537 | 3.3093 | 9.6748 | 2.1252 | 17.1333 | 1.5117 | 15.6216 | 16,940,263 |
| 2013 | 2014 | 0.1706 | 1.9439 | 3.3897 | 10.1792 | 2.1320 | 17.8153 | 1.4498 | 16.3655 | 16,808,795 |
| 2014 | 2015 | 0.1698 | 1.8779 | 3.2528 | 9.6484 | 1.2713 | 16.2203 | 1.3711 | 14.8492 | 18,119,330 |
| 2015 | 2016 | 0.1697 | 1.8359 | 3.1252 | 9.9643 | 1.2573 | 16.3524 | 1.4629 | 14.8895 | 18,932,056 |
| 2016 | 2017 | 0.1697 | 1.8038 | 3.1621 | 9.4219 | 1.2598 | 15.8173 | 1.4087 | 14.4086 | 19,676,549 |

CITY OF MEQUON, WISCONSIN
TEN LARGEST TAXPAYERS - 2016

| Name of Taxpayer | Nature of Business | Assessed Value | Net Taxes Paid | Percent of Total Taxes Levied |
|--------------------------------------|--------------------|-----------------------|---------------------|-------------------------------|
| LCS - Westminster Newcastle LLC | Commercial | \$ 37,908,200 | \$ 544,075 | 0.75% |
| Centro Bradley SPE 1LP | Commercial | 32,433,000 | 465,492 | 0.64% |
| Mequon Trail Townhomes Limited Part. | Commercial | 23,404,400 | 335,910 | 0.46% |
| FFII WI Mequon LLC | Industrial | 20,480,000 | 293,938 | 0.41% |
| Hta-Wisconsin Mob 2 LLC | Commercial | 18,257,100 | 262,034 | 0.36% |
| Mequon Town Center LLC | Commercial | 15,739,000 | 225,893 | 0.31% |
| Wmi Milwaukee LLC | Commercial | 15,711,000 | 225,491 | 0.31% |
| St. Mary's Hospital of Milwaukee | Healthcare | 14,338,800 | 205,797 | 0.28% |
| PJL Group | Commercial | 13,332,000 | 191,347 | 0.26% |
| Highlands at Riverwalk LLC | Residential | 9,264,500 | 132,968 | 0.18% |
| | | <u>\$ 200,868,000</u> | <u>\$ 2,882,944</u> | 3.98% |

Source: City of Mequon Assessment and Tax Rolls

TEN LARGEST TAXPAYERS - 2007

| Name of Taxpayer | Nature of Business | Assessed Value | Net Taxes Paid | Percent of Total Taxes Levied |
|---------------------------------|--------------------|-----------------------|---------------------|-------------------------------|
| Centro Bradley SPE 1 LLP | Commercial | \$ 31,981,200 | \$ 580,040 | 0.87% |
| Mequon Trail Townhomes LP | Townhomes | 19,554,000 | 354,649 | 0.53% |
| CJF4 LLC | Commercial | 16,003,100 | 290,247 | 0.44% |
| Centerpoint Properties Trust | Commercial | 10,474,200 | 189,970 | 0.29% |
| Advanced Healthcare Properties | Healthcare | 8,246,000 | 149,557 | 0.23% |
| Mequon Joint Venture | Commercial | 8,083,100 | 146,602 | 0.22% |
| Glen Oaks Office Park LLC | Commercial | 7,371,300 | 133,693 | 0.20% |
| St Mary's Hospital of Milwaukee | Healthcare | 7,103,800 | 128,841 | 0.19% |
| Concord 19 LLC | Commercial | 7,058,200 | 128,014 | 0.19% |
| Stern Real Estate LLC | Commercial | 6,947,700 | 126,010 | 0.19% |
| | | <u>\$ 122,822,600</u> | <u>\$ 1,973,598</u> | 3.36% |

Source: City of Mequon Assessment and Tax Rolls

CITY OF MEQUON, WISCONSIN

TEN LARGEST EMPLOYERS - 2016

| Name of Employer | Product/Service | Approximate Number of Employees |
|------------------------------------|--|---------------------------------------|
| Concordia University Wisconsin | Post-secondary education | 1,000 |
| Columbia St. Mary's | Health care | 750 |
| Mequon-Thiensville School District | Elementary and secondary education | 425* |
| Telsmith Inc. | Manufacturer of large rock crushing equipment | 275 |
| HB Performance Systems | Manufacturer of braking systems | 250 |
| Kleen Test Products | Contract manufacturer and packager | 250 |
| Aurora Advanced Health Care | Health care | 222 |
| City of Mequon | Municipal government and services | 175* |
| Metro-Mart | Grocery store | 160 |
| Stratagem Inc. | Information technology and project consultants | 160 |

Source: Infogroup, Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development

*Does not include seasonal.

TEN LARGEST EMPLOYERS - 2007

| Name of Employer | Product/Service | Approximate Number of Employees |
|------------------------------------|--|---------------------------------------|
| Columbia St. Mary's | Health care provider | 1,020 |
| Rockwell Automation | Electrical DC drives & systems | 890 |
| Mequon-Thiensville School District | Elementary and secondary education | 472 |
| HB Performance Systems | Manufacturer of breaking systems | 350 |
| Concordia University Wisconsin | Post-secondary education | 284 |
| Telsmith Inc. | Manufacture of large rock crushing equipment | 253 |
| City of Mequon | Municipal government and services | 228* |
| Wage Works | Employee benefits administration | 160 |
| Johnson Level & Tool | Manufacturer of measuring and layout tools | 150 |
| SPI Lighting | Commercial indirect lighting equipment | 146 |
| Super Sky Products | Skylight systems | 80 |
| Jorgensen Conveyors | Conveyor and materials handling equipment | 72 |

CITY OF MEQUON
PROPERTY TAX LEVIES & COLLECTIONS
LAST TEN FISCAL YEARS

| Levy Year | Collection Year | Total Tax Levy | Collected within the | | Collections in Subsequent Years | Total Collections to Date | |
|--------------|--------------------|-------------------|-------------------------|-----------------------|---------------------------------------|------------------------------|-----------------------|
| | | | Fiscal Year of the Levy | Percentage of Levy | | Amount | Percentage of Levy |
| 2006 | 2007 | \$ 12,139,552 | \$ 11,957,195 | 98.50% | \$ 38,954 | \$ 11,996,149 | 98.82% |
| 2007 | 2008 | 12,348,739 | 12,246,123 | 99.17% | 32,555 | 12,278,678 | 99.43% |
| 2008 | 2009 | 12,595,713 | 12,395,036 | 98.41% | 135,917 | 12,530,953 | 99.49% |
| 2009 | 2010 | 13,151,619 | 13,090,531 | 99.54% | 37,106 | 13,127,637 | 99.82% |
| 2010 | 2011 | 13,145,491 | 13,120,344 | 99.81% | 12,704 | 13,133,048 | 99.91% |
| 2011 | 2012 | 13,049,595 | 13,024,446 | 99.81% | - | 13,024,446 | 99.81% |
| 2012 | 2013 | 13,101,821 | 13,048,291 | 99.59% | - | 13,048,291 | 99.59% |
| 2013 | 2014 | 13,202,145 | 13,178,023 | 99.82% | - | 13,178,023 | 99.82% |
| 2014 | 2015 | 13,357,908 | 13,334,800 | 99.83% | - | 13,334,800 | 99.83% |
| 2015 | 2016 | 13,522,527 | 13,508,263 | 99.89% | - | 13,508,263 | 99.89% |

**CITY OF MEQUON
HISTORY OF ASSESSED VALUES
LAST TEN FISCAL YEARS**

| | 2007 R.E. ASSESSED VALUE | 2008 R.E. ASSESSED VALUE | 2009 R.E. ASSESSED VALUE | 2010 R.E. ASSESSED VALUE | 2011 R.E. ASSESSED VALUE | 2012 R.E. ASSESSED VALUE | 2013 R.E. ASSESSED VALUE | 2014 R.E. ASSESSED VALUE | 2015 R.E. ASSESSED VALUE | 2016 R.E. ASSESSED VALUE |
|--------------------------|--------------------------------|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------------|--------------------------------|-----------------------------|-----------------------------|
| REAL ESTATE | | | | | | | | | | |
| RESIDENTIAL | | | | | | | | | | |
| LAND | \$ 1,035,685,500 | \$ 1,042,087,200 | \$ 1,301,196,900 | \$ 1,278,046,500 | \$ 1,271,080,100 | \$ 1,258,885,650 | \$ 1,260,254,050 | \$ 1,259,185,650 | \$ 1,259,227,200 | \$ 1,260,035,900 |
| IMP. | 2,040,248,100 | 2,079,365,800 | 2,305,497,300 | 2,318,384,600 | 2,331,235,100 | 2,340,713,100 | 2,362,968,200 | 2,383,313,510 | 2,423,856,700 | 2,446,799,800 |
| TOTAL | 3,075,933,600 | 3,121,453,000 | 3,606,694,200 | 3,596,431,100 | 3,602,315,200 | 3,599,598,750 | 3,623,222,250 | 3,642,499,160 | 3,683,083,900 | 3,706,835,700 |
| COMMERCIAL | | | | | | | | | | |
| LAND | 111,959,900 | 114,323,700 | 166,065,700 | 165,722,700 | 160,267,600 | 160,556,700 | 159,697,800 | 161,202,800 | 162,990,200 | 166,242,500 |
| IMP. | 311,522,700 | 319,911,000 | 373,292,400 | 378,365,500 | 361,506,800 | 364,192,800 | 363,306,600 | 389,061,100 | 407,396,900 | 434,053,500 |
| TOTAL | 423,482,600 | 434,234,700 | 539,358,100 | 544,088,200 | 521,774,400 | 524,749,500 | 523,004,400 | 550,263,900 | 570,387,100 | 600,296,000 |
| MANUFACTURING | | | | | | | | | | |
| LAND | 13,775,600 | 13,816,400 | 16,832,100 | 17,505,700 | 18,024,600 | 18,704,400 | 18,901,800 | 18,329,900 | 17,409,600 | 18,251,500 |
| IMP. | 51,482,700 | 52,654,800 | 59,424,100 | 60,658,100 | 62,066,200 | 63,624,800 | 64,278,400 | 62,592,100 | 64,447,800 | 64,568,200 |
| TOTAL | 65,258,300 | 66,471,200 | 76,256,200 | 78,163,800 | 80,090,800 | 82,329,200 | 83,180,200 | 80,922,000 | 81,857,400 | 82,819,700 |
| AGRICULTURAL | | | | | | | | | | |
| LAND/TOTAL | 1,107,300 | 1,089,400 | 1,405,900 | 1,386,600 | 1,398,100 | 2,196,100 | 2,186,700 | 2,198,400 | 1,396,000 | 1,383,600 |
| UNDEVELOPED | | | | | | | | | | |
| LAND/TOTAL | 1,970,400 | 1,961,000 | 11,608,300 | 11,554,200 | 11,214,600 | 9,860,700 | 9,793,800 | 9,717,500 | 8,952,100 | 8,965,300 |
| AG FOREST | | | | | | | | | | |
| LAND/TOTAL | 1,010,100 | 1,005,900 | 1,711,600 | 1,789,700 | 1,789,700 | 1,699,200 | 1,698,100 | 1,771,000 | 1,771,000 | 1,672,200 |
| FOREST | | | | | | | | | | |
| LAND/TOTAL | 244,400 | 244,400 | 444,300 | 424,300 | 424,300 | 426,000 | 426,000 | 426,000 | 426,000 | 426,000 |
| OTHER | | | | | | | | | | |
| LAND | 6,696,400 | 6,617,400 | 7,943,400 | 7,943,400 | 7,866,200 | 7,873,800 | 7,873,800 | 7,912,800 | 7,912,400 | 7,591,900 |
| IMP. | 11,848,500 | 11,568,900 | 11,610,100 | 11,703,500 | 11,681,500 | 11,635,800 | 11,519,400 | 11,748,500 | 11,679,400 | 11,343,800 |
| TOTAL | 18,544,900 | 18,186,300 | 19,553,500 | 19,646,900 | 19,547,700 | 19,509,600 | 19,393,200 | 19,661,300 | 19,591,800 | 18,935,700 |
| TOTAL REAL ESTATE | | | | | | | | | | |
| LAND | 1,172,449,600 | 1,181,145,400 | 1,507,208,200 | 1,484,373,100 | 1,472,065,200 | 1,460,202,550 | 1,460,832,050 | 1,460,744,050 | 1,460,084,500 | 1,464,568,900 |
| IMP. | 2,415,102,000 | 2,463,500,500 | 2,749,823,900 | 2,769,111,700 | 2,766,489,600 | 2,780,166,500 | 2,802,072,600 | 2,846,715,210 | 2,907,380,800 | 2,956,765,300 |
| TOTAL | 3,587,551,600 | 3,644,645,900 | 4,257,032,100 | 4,253,484,800 | 4,238,554,800 | 4,240,369,050 | 4,262,904,650 | 4,307,459,260 | 4,367,465,300 | 4,421,334,200 |
| TOTAL PERSONAL | | | | | | | | | | |
| | 49,002,630 | 68,573,110 | 59,588,580 | 57,834,840 | 59,695,260 | 51,407,900 | 70,198,200 | 74,219,200 | 66,892,120 | 75,091,540 |
| TOTAL ASSESSED | \$ 3,636,554,230 | \$ 3,713,219,010 | \$ 4,316,620,680 | \$ 4,311,319,640 | \$ 4,298,250,060 | \$ 4,291,776,950 | \$ 4,333,102,850 | \$ 4,381,678,460 | \$ 4,434,357,420 | \$ 4,496,425,740 |

Source: "Statistical Report of Property Valuations" Published by Bureau of Property Tax, Wisconsin Department of Revenue

CITY OF MEQUON
HISTORY OF EQUALIZED VALUES
LAST TEN FISCAL YEARS

| REAL ESTATE | 2007 R.E. EQUALIZED VALUE | 2008 R.E. EQUALIZED VALUE | 2009 R.E. EQUALIZED VALUE | 2010 R.E. EQUALIZED VALUE | 2011 R.E. EQUALIZED VALUE | 2012 R.E. EQUALIZED VALUE | 2013 R.E. EQUALIZED VALUE | 2014 R.E. EQUALIZED VALUE | 2015 R.E. EQUALIZED VALUE | 2016 R.E. EQUALIZED VALUE |
|--------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| RESIDENTIAL | | | | | | | | | | |
| LAND | \$ 1,340,202,700 | \$ 1,251,357,800 | \$ 1,217,495,600 | \$ 1,139,954,800 | \$ 1,188,142,400 | \$ 1,144,914,300 | \$ 1,145,606,200 | \$ 1,196,754,300 | \$ 1,255,956,400 | \$ 1,251,699,600 |
| IMP. | 2,554,164,200 | 2,530,569,300 | 2,427,509,100 | 2,359,106,500 | 2,217,519,700 | 2,155,116,100 | 2,142,209,800 | 2,258,054,700 | 2,386,928,900 | 2,431,341,400 |
| TOTAL | 3,894,366,900 | 3,781,927,100 | 3,645,004,700 | 3,499,061,300 | 3,405,662,100 | 3,300,030,400 | 3,287,816,100 | 3,454,809,000 | 3,642,885,300 | 3,683,041,000 |
| COMMERCIAL | | | | | | | | | | |
| LAND | 127,866,200 | 147,769,200 | 150,340,300 | 146,252,000 | 139,297,200 | 129,575,500 | 130,072,100 | 129,280,700 | 142,509,200 | 155,787,400 |
| IMP. | 370,447,700 | 382,630,100 | 408,365,500 | 403,141,500 | 385,477,300 | 373,653,200 | 363,525,500 | 371,603,400 | 390,139,400 | 462,667,200 |
| TOTAL | 498,313,900 | 530,399,300 | 558,705,800 | 549,393,500 | 524,774,500 | 503,228,700 | 493,597,600 | 500,884,100 | 532,648,600 | 618,454,600 |
| MANUFACTURING | | | | | | | | | | |
| LAND | 17,297,800 | 16,875,400 | 17,030,500 | 17,149,900 | 17,194,300 | 17,189,300 | 17,208,600 | 17,250,200 | 17,125,000 | 18,056,700 |
| IMP. | 64,646,500 | 64,311,400 | 60,125,400 | 59,426,300 | 59,208,100 | 58,470,100 | 58,520,700 | 58,904,700 | 63,394,500 | 63,808,200 |
| TOTAL | 81,944,300 | 81,186,800 | 77,155,900 | 76,576,200 | 76,402,400 | 75,659,400 | 75,729,300 | 76,154,900 | 80,519,500 | 81,864,900 |
| AGRICULTURAL | | | | | | | | | | |
| LAND/TOTAL | 1,385,700 | 1,306,800 | 1,373,500 | 1,360,700 | 1,333,300 | 1,297,800 | 1,247,400 | 1,228,900 | 1,238,500 | 1,686,700 |
| UNDEVELOPED | | | | | | | | | | |
| LAND/TOTAL | 5,431,300 | 4,625,100 | 8,048,000 | 6,314,300 | 11,683,000 | 4,523,200 | 5,216,000 | 5,166,000 | 4,963,900 | 4,175,300 |
| AG FOREST | | | | | | | | | | |
| LAND/TOTAL | 2,962,500 | 5,245,000 | 4,459,000 | 3,939,500 | 4,056,500 | 4,056,500 | 4,068,700 | 3,817,700 | 3,612,000 | 3,533,200 |
| FOREST | | | | | | | | | | |
| LAND/TOTAL | 75,000 | 2,129,000 | 1,560,000 | 1,366,400 | 1,366,400 | 1,366,400 | 1,390,800 | 1,299,500 | 1,186,500 | 1,186,500 |
| OTHER | | | | | | | | | | |
| LAND | 10,803,000 | 12,246,000 | 8,495,900 | 7,416,100 | 7,712,900 | 7,665,100 | 7,630,000 | 7,227,000 | 7,260,000 | 7,062,000 |
| IMP. | 13,471,600 | 12,751,800 | 11,250,400 | 11,298,000 | 10,974,600 | 10,535,600 | 10,430,200 | 10,221,600 | 10,370,400 | 9,757,600 |
| TOTAL | 24,274,600 | 24,997,800 | 20,246,300 | 18,714,100 | 18,687,500 | 18,200,700 | 18,060,200 | 17,448,600 | 17,630,400 | 16,819,600 |
| TOTAL REAL ESTATE | | | | | | | | | | |
| LAND | 1,506,024,200 | 1,441,554,300 | 1,408,802,800 | 1,323,753,700 | 1,370,786,000 | 1,310,588,100 | 1,312,439,800 | 1,362,024,300 | 1,433,851,500 | 1,443,167,400 |
| IMP. | 3,002,730,000 | 2,990,262,600 | 2,907,750,400 | 2,832,972,300 | 2,673,179,700 | 2,597,775,000 | 2,574,686,300 | 2,698,784,400 | 2,850,833,200 | 2,967,574,400 |
| TOTAL | 4,508,754,200 | 4,431,816,900 | 4,316,553,200 | 4,156,726,000 | 4,043,965,700 | 3,908,363,100 | 3,887,126,100 | 4,060,808,700 | 4,284,684,700 | 4,410,741,800 |
| TOTAL PERSONAL | 60,456,500 | 68,585,800 | 51,002,200 | 66,441,500 | 51,865,000 | 63,804,400 | 62,342,400 | 65,952,800 | 77,044,000 | 68,167,900 |
| TOTAL EQUALIZED | \$ 4,569,210,700 | \$ 4,500,402,700 | \$ 4,367,555,400 | \$ 4,223,167,500 | \$ 4,095,830,700 | \$ 3,972,167,500 | \$ 3,949,468,500 | \$ 4,126,761,500 | \$ 4,361,728,700 | \$ 4,478,909,700 |
| ASSESSMENT RATIO | 79.64% | 81.87% | 98.83% | 102.07% | 104.83% | 108.81% | 109.83% | 106.26% | 101.67% | 100.39% |

Source: "Statistical Report of Property Valuations" Published by Bureau of Property Tax, Wisconsin Department of Revenue

CITY OF MEQUON
NET EQUALIZED VALUE OF TAXABLE PROPERTY (AS REDUCED BY TID)
LAST TEN FISCAL YEARS

| Levy Year | Fiscal Year | Real Property | | Personal Property | | Total | Ratio of Assessed to Equalized Value | TID Value Increments | Net Equalized Value (As Reduced by TID) |
|--------------|----------------|--------------------|----|--------------------|----|--------------------|--|-------------------------|---|
| | | Equalized Value | \$ | Equalized Value | \$ | Equalized Value | | | |
| 2007 | 2008 | 4,508,754,200 | \$ | 60,456,500 | \$ | 4,569,210,700 | 79.64% | \$ 13,473,600 | \$ 4,555,737,100 |
| 2008 | 2009 | 4,431,816,900 | | 68,585,800 | | 4,500,402,700 | 81.87% | 14,171,900 | 4,486,230,800 |
| 2009 | 2010 | 4,316,553,200 | | 51,002,200 | | 4,367,555,400 | 98.83% | 14,478,000 | 4,353,077,400 |
| 2010 | 2011 | 4,156,726,000 | | 66,441,500 | | 4,223,167,500 | 102.07% | 14,428,500 | 4,208,739,000 |
| 2011 | 2012 | 4,043,965,700 | | 51,865,000 | | 4,095,830,700 | 104.83% | 11,801,600 | 4,084,029,100 |
| 2012 | 2013 | 3,908,363,100 | | 63,804,400 | | 3,972,167,500 | 108.81% | 11,785,700 | 3,960,381,800 |
| 2013 | 2014 | 3,887,126,100 | | 62,342,400 | | 3,949,468,500 | 109.83% | 12,334,700 | 3,937,133,800 |
| 2014 | 2015 | 4,060,808,700 | | 65,952,800 | | 4,126,761,500 | 106.26% | 16,970,700 | 4,109,790,800 |
| 2015 | 2016 | 4,284,684,700 | | 77,044,000 | | 4,361,728,700 | 101.67% | 15,095,900 | 4,346,632,800 |
| 2016 | 2017 | 4,410,741,800 | | 68,167,900 | | 4,478,909,700 | 100.39% | 55,150,600 | 4,423,759,100 |

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Source: "Statistical Report of Property Valuations" Published by Bureau of Property Tax, Wisconsin Department of Revenue

CITY OF MEQUON, WISCONSIN
ASSESSED AND EQUALIZED VALUATIONS FOR SCHOOL DISTRICTS WITHIN THE CITY
LAST TEN FISCAL YEARS

| | Mequon-Thiensville School District | | | | Cedarburg School District | | | | Totals | |
|------|------------------------------------|-----------------------|---------------------------------------|-------------------------|-----------------------------|-----------------------|------------------------|-----------------------|---------------------------------------|-----------------------------|
| | As of January 1 | Assessed Valuation | Equalized Valuation Without TID | TID Value Increments | Total Equalized Value | Assessed Valuation | Equalized Valuation | Assessed Valuation | Equalized Valuation Without TID | Total Equalized Value |
| 2007 | \$ | 3,636,554,230 | \$ 4,536,204,132 | \$ 13,473,600 | \$ 4,549,677,732 | \$ 15,199,500 | \$ 19,532,968 | \$ 3,651,753,730 | \$ 4,555,737,100 | \$ 4,569,210,700 |
| 2008 | | 3,701,157,810 | 4,467,085,116 | 14,171,900 | 4,481,257,016 | 15,749,050 | 19,145,684 | 3,716,906,860 | 4,486,230,800 | 4,500,402,700 |
| 2009 | | 4,298,292,080 | 4,334,553,432 | 14,478,000 | 4,349,031,432 | 18,328,600 | 18,523,968 | 4,316,620,680 | 4,353,077,400 | 4,367,555,400 |
| 2010 | | 4,292,782,940 | 4,176,153,097 | 14,428,500 | 4,190,581,597 | 18,536,700 | 18,157,403 | 4,311,319,640 | 4,194,310,500 | 4,208,739,000 |
| 2011 | | 4,279,672,500 | 4,054,629,155 | 11,801,600 | 4,066,430,755 | 18,577,500 | 17,598,345 | 4,298,250,000 | 4,072,227,500 | 4,084,029,100 |
| 2012 | | 4,289,391,450 | 3,943,225,926 | 11,785,700 | 3,955,011,626 | 18,432,700 | 17,155,874 | 4,307,824,150 | 3,960,381,800 | 3,972,167,500 |
| 2013 | | 4,314,641,750 | 3,920,245,581 | 12,334,700 | 3,932,580,281 | 18,461,100 | 16,888,219 | 4,333,102,850 | 3,937,133,800 | 3,949,468,500 |
| 2014 | | 4,362,424,860 | 4,092,200,221 | 16,970,700 | 4,109,170,921 | 19,253,600 | 17,590,579 | 4,381,678,460 | 4,109,790,800 | 4,126,761,500 |
| 2015 | | 4,415,110,120 | 4,307,720,146 | 34,832,000 | 4,342,552,146 | 19,247,300 | 19,176,554 | 4,434,357,420 | 4,326,896,700 | 4,361,728,700 |
| 2016 | | 4,476,672,240 | 4,404,324,727 | 55,150,600 | 4,459,475,327 | 19,753,500 | 19,434,373 | 4,496,425,740 | 4,423,759,100 | 4,478,909,700 |

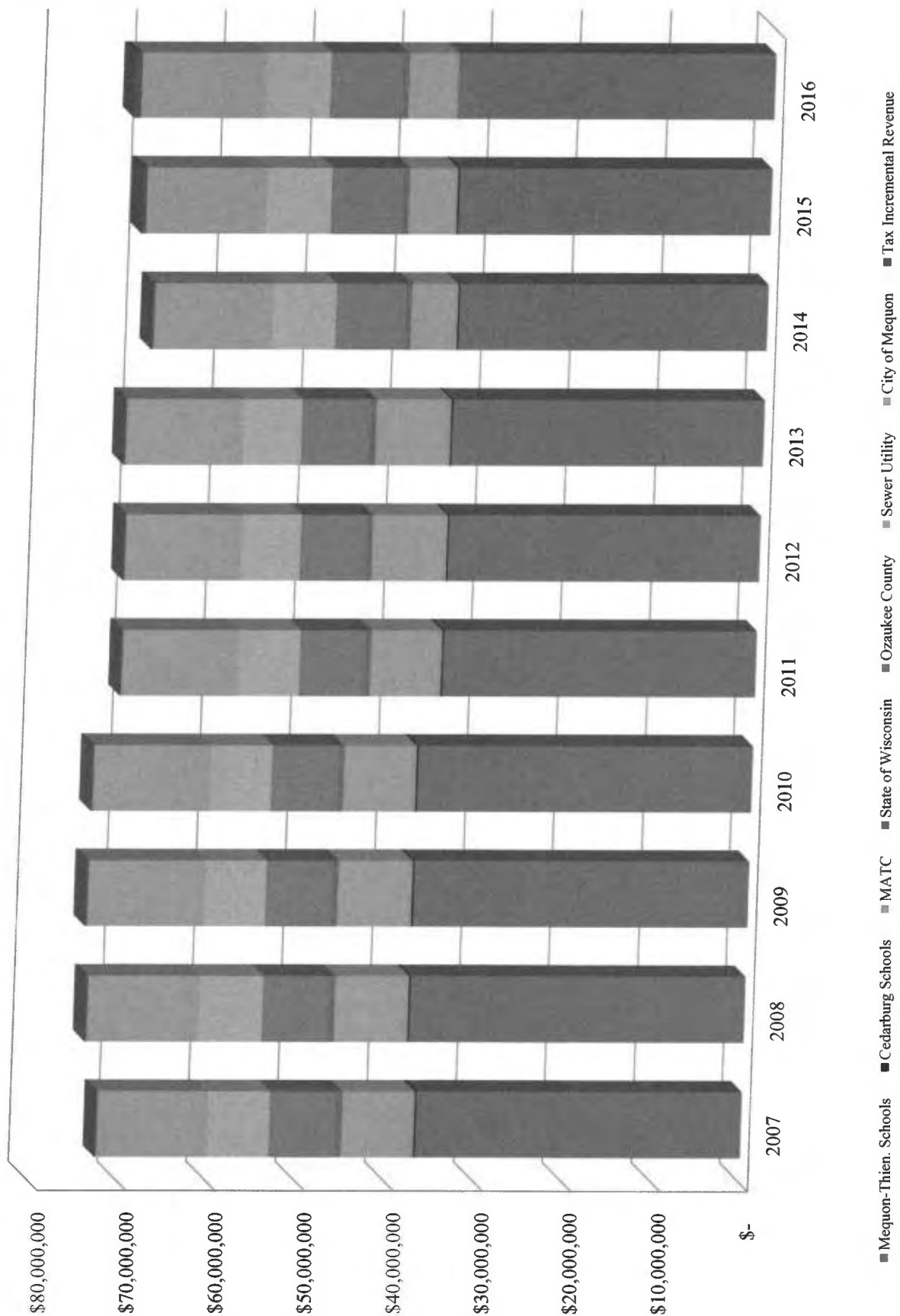
Source: "Statement of Assessments and Tax Levy Certifications from the Mequon-Thiensville School District and School District of Cedarburg"

CITY OF MEQUON, WISCONSIN
COMPARATIVE TAX LEVIES FOR ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

| Levy Year | Collection Year | State of Wisconsin | Ozaukee County | City of Mequon | MATC | Mequon-Thien. Schools | Cedarburg Schools | Sewer Utility | Tax Incremental Revenue | Gross Tax Levy |
|-----------|-----------------|--------------------|----------------|----------------|--------------|-----------------------|-------------------|---------------|-------------------------|----------------|
| 2007 | 2008 | \$ 775,423 | \$ 7,345,515 | \$ 12,348,739 | \$ 8,073,075 | \$ 36,787,236 | \$ 173,880 | \$ 6,981,068 | \$ 221,639 | \$ 72,706,575 |
| 2008 | 2009 | 763,746 | 7,316,059 | 12,595,713 | 8,233,771 | 37,861,589 | 177,139 | 7,054,699 | 240,841 | 74,243,557 |
| 2009 | 2010 | 741,200 | 7,311,380 | 13,151,619 | 8,317,409 | 37,854,117 | 183,466 | 6,805,924 | 249,548 | 74,614,663 |
| 2010 | 2011 | 716,696 | 7,357,720 | 13,145,491 | 8,104,005 | 37,823,292 | 189,173 | 6,833,351 | 254,948 | 74,424,676 |
| 2011 | 2012 | 695,088 | 7,248,580 | 13,049,595 | 7,970,077 | 35,411,226 | 168,119 | 6,857,888 | 183,923 | 71,584,497 |
| 2012 | 2013 | 674,101 | 7,338,957 | 13,101,821 | 8,413,845 | 35,252,866 | 163,893 | 6,544,013 | 213,560 | 71,703,056 |
| 2013 | 2014 | 670,249 | 7,660,519 | 13,202,145 | 8,401,902 | 35,277,251 | 171,100 | 6,474,560 | 225,838 | 72,083,564 |
| 2014 | 2015 | 700,336 | 7,711,888 | 13,357,908 | 5,220,552 | 34,927,646 | 174,823 | 7,025,377 | 287,535 | 69,406,065 |
| 2015 | 2016 | 740,212 | 7,943,686 | 13,522,527 | 5,440,218 | 35,391,666 | 188,644 | 7,215,099 | 502,773 | 70,944,824 |
| 2016 | 2017 | 760,098 | 7,979,502 | 13,988,232 | 5,572,955 | 35,909,626 | 185,391 | 7,226,437 | 793,004 | 72,415,244 |

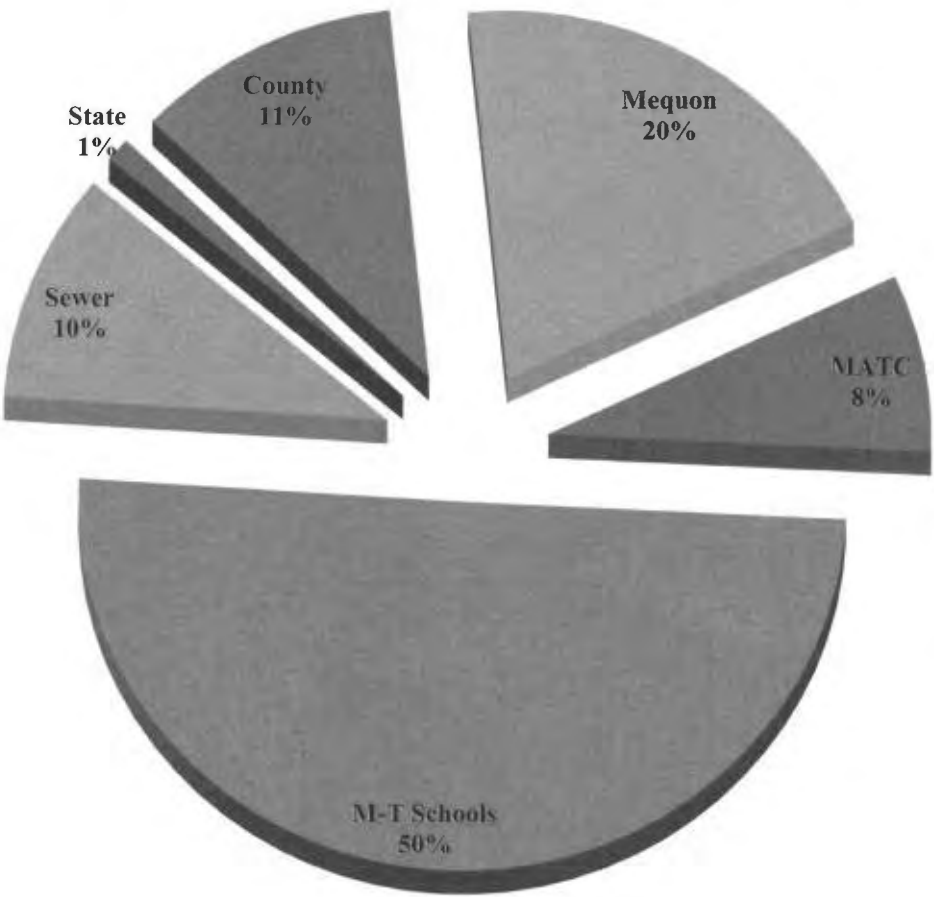
Source: "Statement of Taxes and Tax District Treasurer's Settlements"

Comparative Tax Levies Last Ten Fiscal Years



**City of Mequon
2016 Tax Levy Distribution
(2017 Budget Year)**

Mequon-Thiensville School District with Sewer



2016 Tax Levy information

| <u>State</u> | <u>County</u> | <u>MATC</u> | <u>Mequon</u> | <u>Sewer</u> | <u>M-T School</u> | <u>Total</u> |
|--------------|---------------|-------------|---------------|--------------|-------------------|--------------|
|--------------|---------------|-------------|---------------|--------------|-------------------|--------------|

CITY OF MEQUON, WISCONSIN
RATIO OF NET GENERAL OBLIGATION (G.O.) DEBT TO EQUALIZED VALUE
LAST TEN FISCAL YEARS

| As of Dec. 31 | Total G.O. Debt Outstanding | Less: Funds Available for Debt Service | Net Debt Outstanding | Equalized Value | Statutory Debt Capacity (5% of Equalized Value) | Ratio of Net Debt to Debt Capacity | Population | Net Debt Per Capita | Net Debt Per \$1,000 of Equalized Value |
|------------------|-----------------------------------|--|-------------------------|--------------------|--|--|------------|---------------------------|--|
| 2007 | \$ 25,733,081 | \$ 490,020 | \$ 25,243,061 | \$ 4,214,913,800 | \$ 210,745,690 | 11.98% | 23,565 | \$ 1,071 | \$ 5.99 |
| 2008 | 25,405,797 | 541,533 | 24,864,264 | 4,569,210,700 | 228,460,535 | 10.88% | 23,670 | 1,050 | 5.44 |
| 2009 | 34,502,799 | 1,266,906 | 33,235,893 | 4,515,586,123 | 225,779,306 | 14.72% | 23,660 | 1,405 | 7.36 |
| 2010 | 30,963,913 | 921,502 | 30,042,411 | 4,310,296,791 | 215,514,840 | 13.94% | 23,132 | 1,299 | 6.97 |
| 2011 | 33,120,027 | 1,799,769 | 31,320,258 | 4,296,176,093 | 214,808,805 | 14.58% | 23,191 | 1,351 | 7.29 |
| 2012 | 29,906,141 | - | 29,906,141 | 3,972,167,500 | 198,608,375 | 15.06% | 23,226 | 1,288 | 7.53 |
| 2013 | 30,174,291 | - | 30,174,291 | 3,949,468,500 | 197,473,425 | 15.28% | 23,279 | 1,296 | 7.64 |
| 2014 | 26,524,469 | - | 26,524,469 | 4,126,761,500 | 206,338,075 | 12.85% | 23,387 | 1,134 | 6.43 |
| 2015 | 29,931,420 | - | 29,931,420 | 4,361,728,700 | 218,086,435 | 13.72% | 23,793 | 1,258 | 6.86 |
| 2016 | 34,771,373 | - | 34,771,373 | 4,478,909,700 | 223,945,485 | 15.53% | 23,870 | 1,457 | 7.76 |

Source: City of Mequon Annual Financial Reports; State of Wisconsin Department of Administration, Demographic Services Center; and State of Wisconsin Department of Revenue, Bureau of Property Tax.

Note: Equalized value is used in lieu of assessed value, as the statutory debt capacity in Wisconsin is based on equalized value. Total G.O. Debt Outstanding only includes the unamortized premium on the outstanding Sewer Utility debt.

CITY OF MEQUON
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year | Governmental Activities | | | | Business Activities | | | | Total Primary Government | Total Property Equalized Value | Debt per \$1,000 of Equalized Value |
|----------------|--------------------------------------|---------------------------------|---|-------------------|---------------------------|------------|------------------|---------------|--------------------------------|--------------------------------------|---|
| | General Obligation Bonds/Notes | Tax Incremental | | Capital Leases | General | | Revenue Bonds | | | | |
| | | Build American Bonds Payable | | | Obligation Bonds/Notes | | | | | | |
| 2007 | \$ 8,181,374 | \$ - | - | \$ - | \$ 17,551,707 | \$ - | - | \$ 25,733,081 | \$ 4,214,913,800 | \$ 6.11 | |
| 2008 | 9,729,111 | - | - | - | 15,676,686 | - | - | 25,405,797 | 4,569,210,700 | 5.56 | |
| 2009 | 13,735,000 | 6,950,000 | | 112,252 | 13,817,799 | 17,090,969 | | 51,706,020 | 4,515,586,123 | 11.45 | |
| 2010 | 12,035,000 | 6,950,000 | | 69,175 | 11,978,913 | 16,617,729 | | 47,650,817 | 4,310,296,791 | 11.06 | |
| 2011 | 15,985,000 | 6,950,000 | | 215,250 | 10,185,027 | 16,119,489 | | 49,454,766 | 4,296,176,093 | 11.51 | |
| 2012 | 14,520,000 | 6,950,000 | | 145,696 | 8,436,141 | 15,596,249 | | 45,648,086 | 3,972,167,500 | 11.49 | |
| 2013 | 16,415,000 | 6,950,000 | | 98,708 | 6,809,291 | 15,180,559 | | 45,453,558 | 3,949,468,500 | 11.51 | |
| 2014 | 14,450,000 | 6,950,000 | | 221,643 | 5,124,469 | 14,547,044 | | 41,293,156 | 4,126,761,500 | 10.01 | |
| 2015 | 18,357,972 | 6,800,000 | | 599,808 | 4,773,448 | 13,863,530 | | 44,394,758 | 4,361,728,700 | 10.18 | |
| 2016 | 25,161,009 | 6,550,000 | | 527,341 | 3,060,364 | 13,155,015 | | 48,453,729 | 4,478,909,700 | 10.82 | |

CITY OF MEQUON
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

| | Values in thousands of dollars | | | | | | | | | |
|--|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------|------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Equalized Value of Real and Personal Property | \$ 4,214,914 | \$ 4,569,211 | \$ 4,500,403 | \$ 4,367,555 | \$ 4,241,473 | \$ 3,972,167 | \$ 3,949,469 | \$ 4,126,762 | \$ 4,361,728,700 | \$ 4,478,909,700 |
| General Obligation (G.O.) Debt Limit | | | | | | | | | | |
| Five (5) Percent of Equalized Valuation | | | | | | | | | | |
| per Section 67.03 of the Wisconsin Statutes | | | | | | | | | | |
| Amount of Debt Applicable to Debt Limitation | \$ 210,746 | \$ 228,461 | \$ 225,020 | \$ 218,378 | \$ 212,074 | \$ 198,608 | \$ 197,473 | \$ 206,338 | \$ 218,086 | \$ 223,945 |
| General Obligation Bonds/Notes | 25,146 | 24,874 | 34,030 | 30,550 | 32,765 | 29,610 | 29,875 | 26,300 | 29,490 | 34,220 |
| Net O/S G.O. Debt Applicable to Debt Limitation | \$ 25,146 | \$ 24,874 | \$ 34,030 | \$ 30,550 | \$ 32,765 | \$ 29,610 | \$ 29,875 | \$ 26,300 | \$ 29,490 | \$ 34,220 |
| Legal margin for New Debt | \$ 185,599 | \$ 203,586 | \$ 190,990 | \$ 187,828 | \$ 179,309 | \$ 168,998 | \$ 167,598 | \$ 180,038 | \$ 188,596 | \$ 189,725 |
| Total net debt applicable to the limit as a percentage of debt limit | 11.93% | 10.89% | 15.12% | 13.99% | 15.45% | 14.91% | 15.13% | 12.75% | 13.52% | 15.28% |

CITY OF MEQUON
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2016

| Taxing Authority | Debt as of 12/31/16 | Percent Applicable to City | Direct Debt | Overlapping Debt | Total Direct and | | Total Debt per Capita |
|----------------------------|---------------------|----------------------------------|---------------|------------------|------------------|------|--------------------------|
| | | | | | Overlapping Debt | Debt | |
| City of Mequon | \$ 34,220,000 | 100.00% | \$ 34,220,000 | \$ - | \$ 34,220,000 | \$ | 1,463.21 |
| MATC | 105,825,000 | 6.00% | - | 6,350,558 | 6,350,558 | | 271.54 |
| Ozaukee County | 32,090,000 | 67.55% | - | 21,676,474 | 21,676,474 | | 926.86 |
| Mequon-Thiensville Schools | 24,385,000 | 93.16% | - | 22,716,578 | 22,716,578 | | 971.33 |
| Cedarburg School District | 10,010,000 | 0.87% | - | 86,987 | 86,987 | | 3.72 |
| Totals | \$ 206,530,000 | | \$ 34,220,000 | \$ 50,830,598 | \$ 85,050,598 | \$ | 3,636.66 |

Source: City of Mequon Annual Financial Reports and Ehlers, Incorporated Final Official Statements

*Overlapping debt is calculated by taking total outstanding debt for the overlapping entity as of year-end, and multiplying the amount by the percent of equalized property value of the overlapping entity in Mequon to determine the City's share.

CITY OF MEQUON
DEBT SERVICE FOR GENERAL OBLIGATION DEBT
VS.
GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

| Fiscal Year | Debt Service (A) | | | Total | | Total General Governmental Expenditures (B) | Debt Service % of Total General Expenditures |
|----------------|------------------|--------------------------------|----|-----------|----|---|--|
| | Principal | Interest and Fiscal Charges | | | | | |
| 2007 | \$ 805,000 | \$ 316,587 | \$ | 1,121,587 | \$ | 15,886,472 | 7.06% |
| 2008 | 845,000 | 288,725 | | 1,133,725 | | 16,715,258 | 6.78% |
| 2009 | 965,000 | 340,286 | | 1,305,286 | | 15,265,795 | 8.55% |
| 2010 | 1,265,000 | 893,330 | | 2,158,330 | | 16,335,590 | 13.21% |
| 2011 | 1,135,000 | 787,658 | | 1,922,658 | | 15,640,671 | 12.29% |
| 2012 | 1,465,000 | 801,018 | | 2,266,018 | | 16,946,228 | 13.37% |
| 2013 | 575,000 | 685,225 | | 1,260,225 | | 18,267,240 | 6.90% |
| 2014 | 1,965,000 | 824,037 | | 2,789,037 | | 17,935,217 | 15.55% |
| 2015 | 2,220,000 | 732,434 | | 2,952,434 | | 18,095,726 | 16.32% |
| 2016 | 2,540,000 | 876,060 | | 3,416,060 | | 19,102,519 | 17.88% |

(A) Includes only City portion of debt service

(B) Includes General Fund and Debt Service Fund

CITY OF MEQUON
SCHEDULE OF GENERAL OBLIGATION DEBT
10 YEAR PRINCIPAL PAYMENTS SCHEDULE
AS OF DECEMBER 31, 2016

| Year | 2008A G.O. Notes | 2009A G.O. Notes | 2009C G.O. Bonds | 2011A G.O. Bonds | 2011B G.O. Bonds | 2013A G.O. Notes | 2013 Refunding Bonds | 2015A G.O. Corp. Purp. Bonds | 2016A G.O. Bonds | Totals |
|---------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|----------------------------|------------------------------------|------------------------|----------------------|
| 2017 | \$ 215,000 | \$ 600,000 | \$ 250,000 | \$ 225,000 | \$ 500,000 | \$ 400,000 | \$ 160,000 | \$ 115,000 | \$ 585,000 | \$ 3,050,000 |
| 2018 | 215,000 | 600,000 | 300,000 | 225,000 | 500,000 | 400,000 | 160,000 | 220,000 | 520,000 | 3,140,000 |
| 2019 | - | 600,000 | 350,000 | 250,000 | 530,000 | 400,000 | 165,000 | 275,000 | 530,000 | 3,100,000 |
| 2020 | - | - | 400,000 | 250,000 | 550,000 | 400,000 | 165,000 | 345,000 | 540,000 | 2,650,000 |
| 2021 | - | - | 450,000 | 300,000 | 550,000 | 400,000 | 170,000 | 370,000 | 550,000 | 2,790,000 |
| 2022 | - | - | 550,000 | 300,000 | - | 400,000 | - | 655,000 | 565,000 | 2,470,000 |
| 2023 | - | - | 600,000 | 300,000 | - | 400,000 | - | 660,000 | 575,000 | 2,535,000 |
| 2024 | - | - | 650,000 | - | - | - | - | 990,000 | 585,000 | 2,225,000 |
| 2025 | - | - | 675,000 | - | - | - | - | 990,000 | 600,000 | 2,265,000 |
| 2026 | - | - | 725,000 | - | - | - | - | 590,000 | 610,000 | 1,925,000 |
| Totals | \$ 430,000 | \$ 1,800,000 | \$ 4,950,000 | \$ 1,850,000 | \$ 2,630,000 | \$ 2,800,000 | \$ 820,000 | \$ 5,210,000 | \$ 5,660,000 | \$ 26,150,000 |

CITY OF MEQUON
SCHEDULE OF GENERAL OBLIGATION DEBT

10 YEAR INTEREST PAYMENTS SCHEDULE
AS OF DECEMBER 31, 2016

| Year | 2008A G.O. Notes | 2009A G.O. Notes | 2009C G.O. Bonds | 2011A G.O. Bonds | 2011B G.O. Bonds | 2013A G.O. Notes | 2013B Refunding Bonds | 2015A G.O. Corp. Purp. Bonds | 2016A G.O. Bonds | Totals |
|--------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------------|------------------------------------|------------------------|--------------|
| 2017 | \$ 17,200 | \$ 50,250 | \$ 359,625 | \$ 50,175 | \$ 71,400 | \$ 48,000 | \$ 9,915 | \$ 136,375 | \$ 254,233 | \$ 997,173 |
| 2018 | 8,815 | 30,750 | 347,750 | 44,887 | 56,400 | 40,000 | 8,435 | 131,350 | 164,203 | 832,590 |
| 2019 | - | 10,500 | 332,750 | 38,700 | 40,950 | 32,000 | 6,523 | 123,925 | 153,702 | 739,050 |
| 2020 | - | - | 315,250 | 31,762 | 24,750 | 24,000 | 4,213 | 114,625 | 143,003 | 657,603 |
| 2021 | - | - | 295,250 | 23,700 | 8,250 | 16,000 | 1,488 | 105,750 | 132,102 | 582,540 |
| 2022 | - | - | 272,750 | 14,475 | - | 9,000 | - | 92,225 | 120,953 | 509,403 |
| 2023 | - | - | 244,700 | 4,875 | - | 3,000 | - | 72,500 | 109,553 | 434,628 |
| 2024 | - | - | 212,900 | - | - | - | - | 52,700 | 97,953 | 363,553 |
| 2025 | - | - | 176,500 | - | - | - | - | 31,663 | 81,351 | 289,514 |
| 2026 | - | - | 137,688 | - | - | - | - | 13,887 | 74,002 | 225,577 |
| Totals | \$ 59,340 | \$ 178,500 | \$ 3,072,038 | \$ 267,637 | \$ 303,150 | \$ 234,750 | \$ 42,595 | \$ 875,000 | \$ 1,331,053 | \$ 6,364,063 |

CITY OF MEQUON
Current Schedule of Debt Service 2017-2026

Table 24

UNPAID PRINCIPAL BALANCE

| <u>YEAR</u> | | <u>G.O.</u> | | <u>SEWER</u> | | <u>WATER</u> | | <u>TIF #2</u> | | <u>TIF #3</u> | | <u>TOTAL 12/31 PRINCIPAL</u> |
|--------------------|----|--------------------|----|---------------------|----|---------------------|----|----------------------|----|----------------------|----|---|
| 2017 | \$ | 20,310,000 | \$ | 1,310,000 | \$ | 12,300,000 | \$ | 1,625,000 | \$ | 6,300,000 | \$ | 41,845,000 |
| 2018 | | 17,695,000 | | 1,150,000 | | 11,500,000 | | 1,400,000 | | 6,000,000 | | 37,745,000 |
| 2019 | | 15,195,000 | | 990,000 | | 10,675,000 | | 1,150,000 | | 5,650,000 | | 33,660,000 |
| 2020 | | 13,195,000 | | 825,000 | | 9,825,000 | | 900,000 | | 5,250,000 | | 29,995,000 |
| 2021 | | 11,155,000 | | 660,000 | | 8,925,000 | | 600,000 | | 4,800,000 | | 26,140,000 |
| 2022 | | 9,535,000 | | 495,000 | | 7,975,000 | | 300,000 | | 4,250,000 | | 22,555,000 |
| 2023 | | 7,900,000 | | 330,000 | | 6,975,000 | | - | | 3,650,000 | | 18,855,000 |
| 2024 | | 6,325,000 | | 165,000 | | 5,925,000 | | - | | 3,000,000 | | 15,415,000 |
| 2025 | | 4,735,000 | | - | | 4,850,000 | | - | | 2,325,000 | | 11,910,000 |
| 2026 | | 3,535,000 | | - | | 3,725,000 | | - | | 1,600,000 | | 8,860,000 |

UNPAID INTEREST DUE

| <u>YEAR</u> | | <u>G.O.</u> | | <u>SEWER</u> | | <u>WATER</u> | | <u>TIF #2</u> | | <u>TIF #3</u> | | <u>TOTAL 12/31 INT. PAYABLE</u> |
|--------------------|----|--------------------|----|---------------------|----|---------------------|----|----------------------|----|----------------------|----|--|
| 2017 | \$ | 590,973 | \$ | 116,013 | \$ | 598,156 | \$ | 46,575 | \$ | 359,625 | \$ | 1,711,342 |
| 2018 | | 439,953 | | 32,363 | | 567,156 | | 44,888 | | 347,750 | | 1,432,109 |
| 2019 | | 367,600 | | 27,563 | | 534,656 | | 38,700 | | 332,750 | | 1,301,269 |
| 2020 | | 310,590 | | 22,688 | | 499,031 | | 31,763 | | 315,250 | | 1,179,321 |
| 2021 | | 263,590 | | 18,563 | | 459,656 | | 23,700 | | 295,250 | | 1,060,759 |
| 2022 | | 222,178 | | 14,438 | | 415,656 | | 14,475 | | 272,750 | | 939,496 |
| 2023 | | 185,053 | | 9,488 | | 366,906 | | 4,875 | | 244,700 | | 811,021 |
| 2024 | | 150,653 | | 5,363 | | 315,656 | | - | | 212,900 | | 684,571 |
| 2025 | | 117,765 | | 1,856 | | 264,547 | | - | | 176,500 | | 560,668 |
| 2026 | | 156,734 | | - | | 212,969 | | - | | 68,844 | | 438,546 |

UNPAID PRINCIPAL & INTEREST DUE

| <u>YEAR</u> | | <u>G.O.</u> | | <u>SEWER</u> | | <u>WATER</u> | | <u>TIF #2</u> | | <u>TIF #3</u> | | <u>TOTAL 12/31 INTEREST</u> |
|--------------------|----|--------------------|----|---------------------|----|---------------------|----|----------------------|----|----------------------|----|--|
| 2017 | \$ | 20,900,973 | \$ | 1,426,013 | \$ | 12,898,156 | \$ | 1,671,575 | \$ | 6,659,625 | \$ | 43,556,342 |
| 2018 | | 18,134,953 | | 1,182,363 | | 12,067,156 | | 1,444,888 | | 6,347,750 | | 39,177,109 |
| 2019 | | 15,562,600 | | 1,017,563 | | 11,209,656 | | 1,188,700 | | 5,982,750 | | 34,961,269 |
| 2020 | | 13,505,590 | | 847,688 | | 10,324,031 | | 931,763 | | 5,565,250 | | 31,174,321 |
| 2021 | | 11,418,590 | | 678,563 | | 9,384,656 | | 623,700 | | 5,095,250 | | 27,200,759 |
| 2022 | | 9,757,178 | | 509,438 | | 8,390,656 | | 314,475 | | 4,522,750 | | 23,494,496 |
| 2023 | | 8,085,053 | | 339,488 | | 7,341,906 | | 4,875 | | 3,894,700 | | 19,666,021 |
| 2024 | | 6,475,653 | | 170,363 | | 6,240,656 | | - | | 3,212,900 | | 16,099,571 |

CITY OF MEQUON
PLEDGED REVENUE COVERAGE - WATER UTILITY
LAST TEN FISCAL YEARS

| Fiscal Year | Gross Revenues | Operating Expenses | Net Revenue Available for Debt Service | Maximum Annual Debt Service Requirement | | |
|----------------|----------------|-----------------------|--|--|----------|----------|
| | | | | Principal | Interest | Coverage |
| 2007 | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| 2008 | - | - | - | - | - | - |
| 2009 | 1,657,208 | 704,545 | 952,663 | - | 363,706 | 3 |
| 2010 | 2,365,112 | 970,731 | 1,394,381 | 475,000 | 716,094 | 1 |
| 2011 | 2,475,848 | 1,119,423 | 1,356,425 | 500,000 | 708,019 | 1 |
| 2012 | 2,806,469 | 1,194,568 | 1,611,901 | 525,000 | 697,625 | 1 |
| 2013 | 2,725,172 | 1,196,563 | 1,528,609 | 575,000 | 685,225 | 1 |
| 2014 | 3,041,988 | 1,186,461 | 1,855,527 | 625,000 | 669,875 | 1 |
| 2015 | 2,952,168 | 1,326,869 | 1,625,299 | 675,000 | 649,469 | 1 |
| 2016 | 3,405,056 | 1,395,684 | 2,009,372 | 700,000 | 625,406 | 2 |

Source: City of Mequon Annual Financial Reports

Notes:

Prior to 2009, the City did not have any outstanding revenue bond debt

Gross revenues are operating revenues plus interest

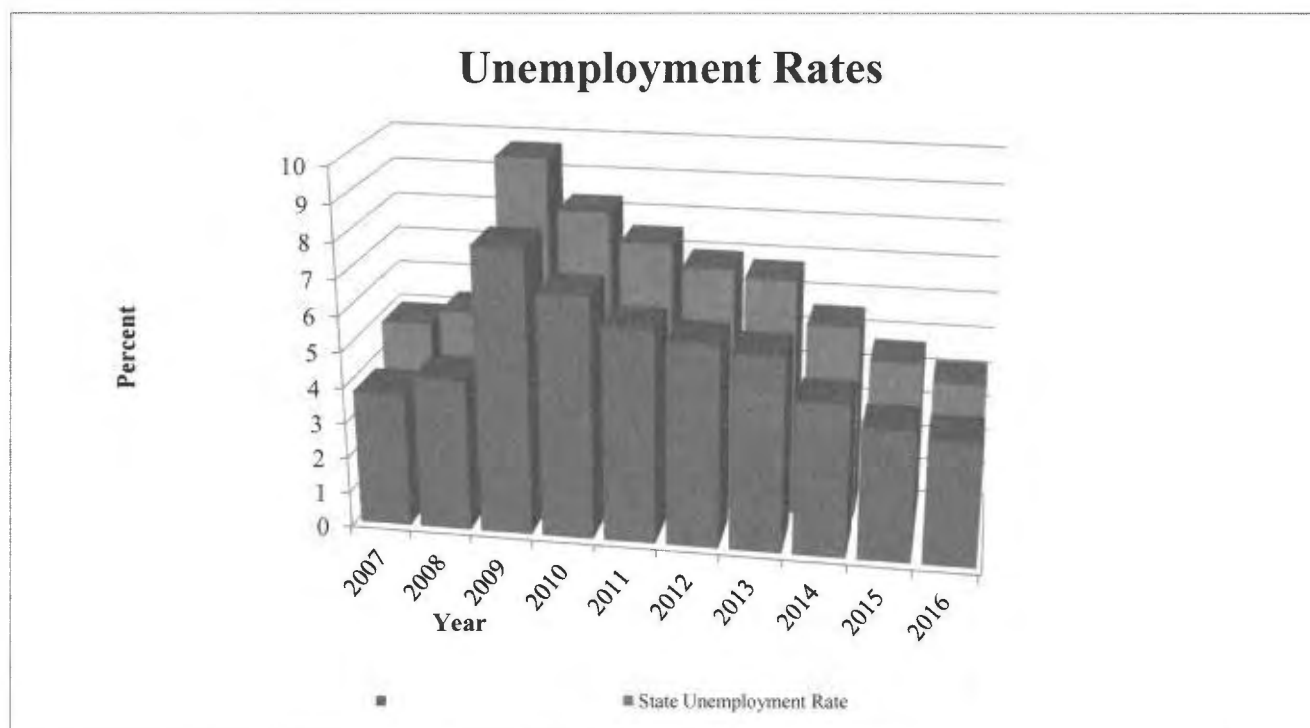
Operating expenses do not include interest or depreciation

CITY OF MEQUON, WISCONSIN DEMOGRAPHIC PROFILE LAST TEN FISCAL YEARS

Employment Information (Ozaukee County)

| <u>Year</u> | <u>Labor Force</u> | <u>Average Employed</u> | <u>Average Unemployed</u> |
|-------------|------------------------|-----------------------------|-------------------------------|
| 2007 | 48,874 | 47,026 | 1,848 |
| 2008 | 48,407 | 46,117 | 2,290 |
| 2009 | 46,327 | 42,642 | 3,685 |
| 2010 | 46,751 | 43,552 | 3,199 |
| 2011 | 47,022 | 44,203 | 2,819 |
| 2012 | 46,917 | 44,249 | 2,668 |
| 2013 | 47,006 | 44,432 | 2,574 |
| 2014 | 47,929 | 45,856 | 2,073 |
| 2015 | 48,136 | 46,342 | 1,794 |
| 2016 | 48,705 | 47,015 | 1,690 |

Source: Wisconsin Department of Workforce Development



Source: Wisconsin Department of Workforce Development

CITY OF MEQUON **ADDITIONAL DEMOGRAPHIC INFORMATION**

| Breakdown of Housing Units | 2013 | 2015 | (%) | Housing Valuations | | 2013 | 2015 |
|-----------------------------------|-------------|-------------|------------|--------------------------------------|--------|------------------|------------------|
| Total Dwelling Units | 9,371 | 9,536 | | \$0 | - | \$99,000 | 0.50% |
| Single Family | 7,089 | 7,251 | 76% | \$100,000 | - | \$199,000 | 8.90% |
| Plex (2-4 units/bldg.) | 1,555 | 1,555 | 16% | \$200,000 | - | \$299,000 | 30.80% |
| Multi-Family (5+ units/bldg.) | 727 | 730 | 8% | \$300,000 | - | \$399,000 | 19.90% |
| | | | | \$400,000 | - | \$499,000 | 13.40% |
| | | | | \$500,000 | - | \$799,000 | 18.60% |
| | | | | \$800,000 | - | \$1,000,000 | 3.76% |
| | | | | \$1,000,000 and up | - | | 4.10% |
| Gender Composition | 2013 | 2015 | | Average Assessed Value | | \$424,300 | \$439,270 |
| Female | 51.2% | 52.0% | | Median Assessed Value | | \$340,000 | \$340,000 |
| Male | 48.8% | 48.0% | | Average Persons Per Household | | | 2.45 |
| Race Comparison | 2013 | 2015 | | Educational Attainment* | | | 2015 |
| White | 93.2% | 91.1% | | Ninth Grade Education or lower | | | 1.3% |
| Black or African American | 3.1% | 2.4% | | High School Diploma or higher | | | 98.7% |
| American Indian, Eskimo | 0.3% | 0.2% | | Bachelors degree or higher | | | 62.7% |
| Asian or Pacific Islander | 4.3% | 3.1% | | * Population 25 years and older | | | |
| Other | 0.1% | 3.2% | | Occupational Composition | | | 2015 |
| Age Composition | 2013 | 2015 | | Managerial & Professional | | | 59.1% |
| Under 5 years | 3.5% | 4.0% | | Service Occupations | | | 6.0% |
| 5 - 14 years | 14.0% | 13.1% | | Sales and office occupations | | | 22.1% |
| 15 - 19 years | 8.0% | 8.3% | | Farming, fishing and forestry | | | 15.0% |
| 20 - 24 years | 3.2% | 3.6% | | Construction and maintenance | | | 2.7% |
| 25 - 34 years | 5.0% | 5.6% | | Production and transportation | | | 6.3% |
| 35 - 44 years | 11.9% | 10.7% | | | | | |
| 45 - 54 years | 16.6% | 16.4% | | | | | |
| 55 - 64 years | 18.5% | 18.4% | | | | | |
| Over 64 years | 19.3% | 20.1% | | | | | |
| Household Income | 2013 | 2015 | | Population: | | | |
| Less than \$10,000 | 3.6% | 3.6% | | 1960 | 8,543 | | |
| \$10,000 - \$20,000 | 4.6% | 5.7% | | 1970 | 12,150 | | |
| \$20,000 - \$30,000 | 5.9% | 5.3% | | 1980 | 16,193 | | |
| \$30,000 - \$40,000 | 11.7% | 4.6% | | 1990 | 18,885 | | |
| \$40,000 - \$74,999 | 12.5% | 17.6% | | 2000 | 21,823 | | |
| \$75,000 - \$99,999 | 13.4% | 13.3% | | 2010 | 23,132 | | |
| \$100,000 - 149,999 | 23.2% | 25.2% | | 2011 | 23,191 | | |
| \$150,000 + | 25.1% | 25.2% | | 2012 | 23,226 | | |
| Median Household Income | \$90,733 | \$105,475 | | 2013 | 23,279 | | |
| | | | | 2014 | 23,387 | | |
| | | | | 2015 | 23,946 | | |

Source: U.S. Census Bureau, Wisconsin Department of Revenue, Wisconsin Department of Administration, City of Mequon Financial Reports, and City of Mequon Comprehensive (Master) Plan
Housing valuations are per City Assessor records.
Housing valuations are per City Assessor records

**CITY OF MEQUON
OTHER COMMUNITY INFORMATION**

Table 28

| GENERAL: | 2012 | 2013 | 2014 | 2015 |
|------------------------------|--------------|--------------|--------------|--------------|
| Area in Square Miles | 46.88 | 46.88 | 46.88 | 46.88 |
| Households | 9,336 | 9,336 | 9,402 | 9,402 |
| Population | 23,226 | 23,279 | 23,387 | 23,793 |
| Equalized Valuations (\$000) | \$ 3,972,167 | \$ 3,949,469 | \$ 4,126,761 | \$ 4,434,357 |

| PUBLIC SAFETY | 2012 | 2013 | 2014 | 2015 |
|---------------------------------|-------------|-------------|-------------|-------------|
| Number of Police Stations | 1 | 1 | 1 | 1 |
| Number of Sworn Police Officers | 38 | 38 | 38 | 38 |
| Number of Fire Stations | 2 | 2 | 2 | 2 |

| PARKS | 2012 | 2013 | 2014 | 2015 |
|-------------------|-------------|-------------|-------------|-------------|
| Acres of Parkland | 1,177.8 | 1,177.8 | 1,318.4 | 1,318.4 |
| Number of Parks | 25 | 25 | 27 | 27 |

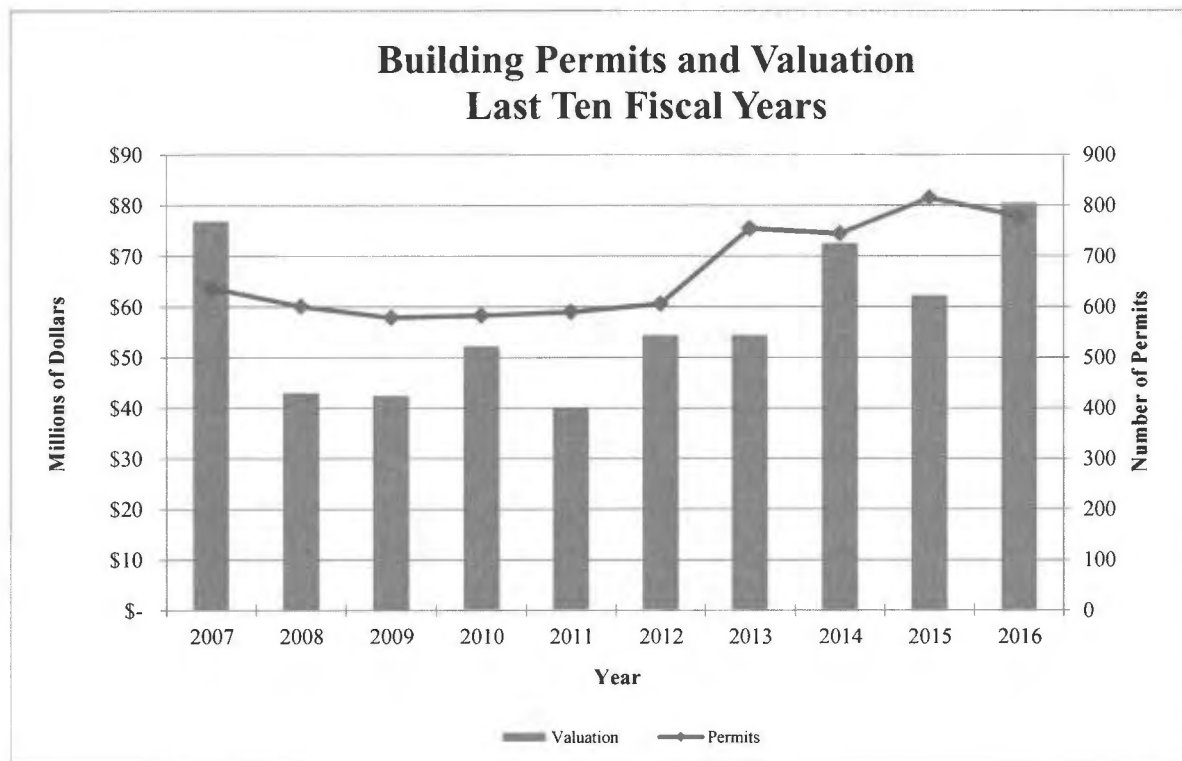
| INFRASTRUCTURE | 2012 | 2013 | 2014 | 2015 |
|----------------------------------|-------------|-------------|-------------|-------------|
| Miles of State Highway System | 15.45 | 15.45 | 15.45 | 15.45 |
| Miles of County Highway System | 7.73 | 7.73 | 9.77 | 9.77 |
| Miles of Local Roads and Streets | 211.77 | 211.77 | 209.73 | 209.73 |
| Miles of Sanitary Sewer Main | 153.21 | 153.21 | 159.22 | 159.93 |
| Miles of Water Main | 77.88 | 77.88 | 83.91 | 95.50 |
| Number of Bridges | 17 | 17 | 17 | 17 |
| Miles of Bike Trails | 12.29 | 12.29 | 12.29 | 12.29 |

CITY OF MEQUON
Operating Indicators by Program/Function
LAST TEN FISCAL YEARS

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| General Government | | | | | | | | | | |
| Building Permits Issued | 638 | 601 | 579 | 583 | 590 | 606 | 755 | 745 | 815 | 779 |
| Valuation (Thousands \$) | 76,820 | 42,970 | 42,411 | 52,219 | 40,128 | 54,390 | 54,365 | 72,473 | 62,197 | 80,464 |
| Number of Employees | 29 | 29 | 27 | 26 | 24 | 24 | 24 | 24 | 24 | 26 |
| Police | | | | | | | | | | |
| Calls for service | 17,548 | 17,321 | 16,352 | 17,597 | 20,665 | 23,927 | 22,488 | 24,337 | 26,920 | 27,720 |
| Physical Arrests | 970 | 1,076 | 968 | 842 | 781 | 697 | 662 | 563 | 651 | 791 |
| Reportable Traffic crashes | 290 | 267 | 259 | 276 | 260 | 267 | 370 | 350 | 309 | 284 |
| Number of Employees | 47 | 48 | 48 | 46 | 46 | 46 | 46 | 48 | 48 | 50 |
| Fire / EMS | | | | | | | | | | |
| Fire calls for service | 345 | 324 | 318 | 341 | 312 | 392 | 394 | 469 | 496 | 450 |
| EMS calls for service | 1,163 | 1,165 | 1,003 | 992 | 1,020 | 1,112 | 1,214 | 1,261 | 1,421 | 1,657 |
| Number of Employees | 63 | 67 | 71 | 52 | 62 | 62 | 62 | 62 | 60 | 72 |
| Parks | | | | | | | | | | |
| Acres of Parkland maintained | 1,080 | 1,177 | 1,177 | 1,177 | 1,177 | 1,177 | 1,177 | 1,318 | 1,318 | 1318.4 |
| Pavillion Rentals | 77 | 81 | 58 | 65 | 65 | 72 | 59 | 67 | 79 | 82 |
| Pool Attendance | 20,101 | 21,509 | 19,184 | 22,068 | 19,188 | 21,482 | 13,071 | 11,374 | 10,701 | 12,943 |
| Number of Employees | 37 | 37 | 37 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |

**CITY OF MEQUON
BUILDING PERMITS AND VALUATION
LAST TEN FISCAL YEARS**

| | Number of Permits | Valuation (\$mil) |
|------|----------------------|----------------------|
| 2007 | 638 | \$76.82 |
| 2008 | 601 | \$42.97 |
| 2009 | 579 | \$42.41 |
| 2010 | 583 | \$52.22 |
| 2011 | 590 | \$40.13 |
| 2012 | 606 | \$54.39 |
| 2013 | 755 | \$54.37 |
| 2014 | 745 | \$72.47 |
| 2015 | 815 | \$62.20 |
| 2016 | 779 | \$80.46 |



City of Mequon, Wisconsin
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| Public Safety | | | | | | | | | | |
| Police Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Marked Patrol Vehicles | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Fire Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Ambulances | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fire Engines | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Ladder Trucks | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Tanker Trucks | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Public Works | | | | | | | | | | |
| Off-Road Nike Trail (miles) | 12.29 | 12.29 | 12.29 | 12.29 | 12.29 | 12.29 | 12.29 | 12.29 | 12.29 | 12.29 |
| Bridges | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Miles of Road (miles) | 211.40 | 211.40 | 211.40 | 211.40 | 211.40 | 211.77 | 209.73 | 209.73 | 209.73 | 209.73 |
| Culture & Recreation | | | | | | | | | | |
| Parks | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 27 | 27 | 27 |
| Football Fields | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Soccer Fields | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Baseball Fields | 9 | 9 | 9 | 9 | 9 | 9 | 10 | 10 | 10 | 10 |
| Archery | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Playgrounds | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Basketball Courts | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Pool | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water* | | | | | | | | | | |
| Water Mains (feet) | 0 | 0 | 395,705 | 397,241 | 398,539 | 408,066 | 443,061 | 444,685 | 504,259 | 510,211 |
| Fire Hydrants | 0 | 0 | 865 | 870 | 876 | 876 | 949 | 955 | 1,079 | 1,098 |
| Sewer | | | | | | | | | | |
| Sanitary Sewer (miles) | 152.87 | 152.87 | 152.87 | 152.87 | 152.87 | 153.21 | 159.22 | 159.22 | 159.93 | 161.29 |

Source: City of Mequon Department Directors and capital asset inventory records

*City did not assume operation of Water Utility until 2009. Previously, the Water Utility was owned by WE Energies.

FORM OF LEGAL OPINION

(See following pages.)

ATTORNEYS AT LAW

Telephone (414) 375-2630
Fax (414) 375-2631

April 26, 2018

LEGAL OPINION

We have served as bond counsel with regard to:

\$19,400,000
CITY OF MEQUON
OZAUKEE COUNTY, WISCONSIN
GENERAL OBLIGATION SEWERAGE SYSTEM IMPROVEMENT BONDS, SERIES 2018A
DATED APRIL 26, 2018

We hereby certify that we have examined a transcript of proceedings of the Common Council of the City of Mequon relative to the authorization, issuance and sale of the aforesaid Bonds. We have also examined the law and such other documents furnished to us as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the transcript of proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation.

The Bonds are numbered 1 and upward; are in the denomination of \$5,000 or any integral multiple thereof; bear interest at the rates set forth below; and mature serially on October 1 of each year, in the years and principal amounts as follows:

| <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-------------------------|-------------------------|----------------------|
| 2018 | \$1,695,000 | 4.000% |
| 2019 | 1,465,000 | 4.000 |
| 2020 | 1,160,000 | 3.000 |
| 2021 | 1,190,000 | 4.000 |
| 2022 | 1,240,000 | 4.000 |
| 2023 | 1,290,000 | 3.000 |
| 2024 | 1,330,000 | 4.000 |
| 2025 | 1,380,000 | 3.000 |
| 2026 | 1,425,000 | 4.000 |
| 2027 | 1,480,000 | 3.000 |
| 2028 | 1,525,000 | 3.000 |
| 2029 | 1,570,000 | 3.000 |
| 2030 | 1,615,000 | 3.000 |
| 2031 | 1,035,000 | 3.000 |

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

At the option of the City, the Bonds maturing on October 1, 2027 and thereafter are subject to redemption prior to maturity on October 1, 2026 or on any date thereafter. Said Bonds are redeemable as a whole or in part, from maturities selected by the City and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

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

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based on our examinations, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Bonds are valid and binding general obligations of the City.
2. All taxable property in the territory of the City is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The City is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent the necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.
3. The interest on the Bonds is excludable from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax and is includable in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations for tax years beginning before January 1, 2018. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that enforcement of the Bonds may also be subject to the exercise of judicial discretion in appropriate cases.

BOOK-ENTRY-ONLY SYSTEM

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

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

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages.)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Mequon, Ozaukee County, Wisconsin (the “Issuer”) in connection with the issuance of \$19,400,000 General Obligation Sewerage System Improvement Bonds, Series 2018A, dated April 26, 2018 (the “Securities”). The Securities are being issued pursuant to a Resolution, dated April 10, 2018 (the “Resolution”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Securities and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“National Repository” shall mean the Municipal Securities Rulemaking Board electronically through the Electronic Municipal Market Access system, available at www.emma.msrb.org, or such other website as may be determined from time to time by the Securities and Exchange Commission.

“Obligated Person” shall mean any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Securities.

“Participating Underwriter” shall mean any of the original underwriters of the Securities required to comply with the Rule in connection with the offering of the Securities.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time including any official interpretations thereof.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, not later than December 31 of each year, commencing December 31, 2018, provide to the National Repository an Annual Report 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.

(b) Documents provided to the National Repository shall be accompanied by identifying information as prescribed by the National Repository.

(c) The Issuer shall determine each year prior to providing the Annual Report the electronic address of the National Repository.

(d) If the Issuer is unable or fails to provide to the National Repository 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 National Repository in the format prescribed by the National Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) The Issuer's audited financial statements. The financial statements will be prepared in accordance with Generally Accepted Accounting Principles. If audited financial statements are not available by December 31, unaudited financial information will be provided, and audited financial statements will be submitted to the National Repository when and if available.

(b) Updates of the following sections of the final official statement:

(1) Valuations

(2) Debt (except Overlapping Debt and Future Financing)

(3) Tax Levies and Collections

Any or all of the items listed above may be incorporated by reference from documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the National Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. (Currently located at 1300 I Street NW, Suite 1000, Washington, DC 20005 (202) 838-1500.) The Issuer shall clearly identify each 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 to the extent applicable 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) Bond 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 Obligated Person;
- (13) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person 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 Obligated Person, 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 Obligated Person.)

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine under applicable legal standards if such event would constitute material information, within the meaning of the Rule, for holders or beneficial owners of the Securities, provided, that any event under subsection (a) (1), (3), (4), (5), (8) (tender offers only), (9), (11) or (12) will always be deemed to be material.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the National Repository. 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.

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

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under 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 this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule.

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 Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder or beneficial owner 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 this Disclosure Certificate. 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 and beneficial owners from time to time of the Securities, and shall create no rights in any other person or entity.

Date: April 26, 2018

CITY OF MEQUON
OZAUKEE COUNTY, WISCONSIN

By _____

Caroline Fochs,
City Clerk

(SEAL)