

NEW ISSUE (BOOK ENTRY ONLY)
"BANK QUALIFIED"

Moody's Investors Service, Inc. Rating: Aa2

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law interest on the Notes is excludable from gross income and is not an item of tax preference for federal income tax purposes. The Notes will be "Qualified Tax Exempt Obligations" for purposes of Section 265(b)(3) of the Code. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes. See "LEGAL MATTERS - Tax Exemption" herein.

CITY OF OCONOMOWOC
Waukesha County, Wisconsin

\$1,150,000 General Obligation Promissory Notes

Dated: December 16, 2014 (Date of Delivery)

Due: April 1, as shown below

The General Obligation Promissory Notes (the "Notes") are being issued pursuant to Section 67.12(12), Wisconsin Statutes. The Notes will be general obligations of the City of Oconomowoc, Wisconsin (the "City") for which its full faith and credit and unlimited taxing powers are pledged. The Notes are being issued to finance street improvement projects.

The Notes will mature April 1, as follows:

Year	Amount	Rate	Yield	CUSIP No.	Year	Amount	Rate	Yield	CUSIP No.
2015	\$ 110,000	1.50%	0.35%	675634 ⁽¹⁾ MR7	2020	\$ 115,000	2.00%	1.40%	675634 ⁽¹⁾ MW6
2016	105,000	1.50	0.35	MS5	2021	120,000	2.50	1.65	MX4
2017	105,000	2.00	0.65	MT3	2022	120,000	2.50	1.85	MY2
2018	110,000	2.00	1.00	MU0	2023	125,000	2.50	1.90	MZ9
2019	110,000	2.00	1.20	MV8	2024	130,000	2.50	2.00	NA3

Principal of the Notes, payable annually each April 1, commencing April 1, 2015 through 2024, and interest, payable semi-annually each April 1 and October 1, commencing April 1, 2015, will be paid to The Depository Trust Company ("DTC"), which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Notes as described herein. Officials of the City will act as the paying agent for the Notes.

The Notes maturing on April 1, 2023 and thereafter shall be subject to redemption prior to maturity, at the option of the City, on April 1, 2022 or on any date thereafter. Said Notes shall be redeemable as a whole or in part, and if 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. See "THE NOTES – Redemption" herein.

The Notes will be issued as fully registered obligations without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Notes. Individual purchases may be made in book entry form only, in denominations of \$5,000 or more. Purchasers will not receive certificates representing their interest in the Notes purchased.

The Notes are offered when, as and if issued, subject to the receipt of the approving opinion of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. The Notes will be available for delivery on or about December 16, 2014, through the facilities of DTC in New York, New York.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS **NOT** A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

UMB Bank N.A.
Kansas City, Missouri
Underwriter of the Notes

Hutchinson, Shockey, Erley & Co.
Financial Advisor to the City

⁽¹⁾ See "CUSIP INFORMATION" herein.

Unless otherwise indicated, information contained in this Official Statement is based upon material provided by the City and available at the date of publication of the Official Statement. Certain information contained herein has been obtained from sources other than records of the City, and is believed to be reliable, but is not guaranteed as to accuracy or completeness.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the offering of the Notes and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the operations of the City since the date of this Official Statement.

The Notes have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

This Official Statement is in a form deemed final by the City for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)).

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**CITY OF OCONOMOWOC
WAUKESHA COUNTY, WISCONSIN**

COMMON COUNCIL

<u>Name</u>	<u>Ward</u>	<u>Position on Council</u>	<u>Term Expiration</u>
Derek Zwart	First	Aldersperson	April, 2016
James Larsen	First	Aldersperson	April, 2015
Ken Herro	Second	Aldersperson	April, 2015
Thomas Strey	Second	Aldersperson	April, 2016
Matt Rosek	Third	Aldersperson	April, 2016
Michael Miller	Third	Aldersperson	April, 2015
Charlie Shaw	Fourth	Aldersperson	April, 2016
David Nold	Fourth	Aldersperson	April, 2015

CITY ADMINISTRATION

James Daley Mayor
Diane M. Gard, CPA/CMA..... City Administrator/Treasurer
Diane Coenen, CMC City Clerk
Sarah J. Kitsembel, CPA..... Director of Finance
G. William Chapman City Attorney
Robert Duffy Director – Bureau of Economic Development

PROFESSIONAL SERVICES

BOND COUNSEL

Quarles & Brady LLP
Milwaukee, Wisconsin

FINANCIAL ADVISOR

Hutchinson, Shockey, Erley & Co.
Milwaukee, Wisconsin

UNDERWRITER

UMB Bank N.A.
Kansas City, Missouri

PAYING AGENT

Officials of the City of Oconomowoc, WI

* The contact person for paying agent matters is Sarah Kitsembel, Director of Finance.

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SUMMARY

This is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Notes to potential investors is made only by means of the entire Official Statement and all such documents.

Issuer	City of Oconomowoc, Wisconsin.		
Issue	\$1,150,000 General Obligation Promissory Notes (the "Notes").		
Dated Date	December 16, 2014 (Date of Delivery).		
Principal Due	Annually each April 1, commencing April 1, 2015 through 2024.		
Interest Payment Date	Semi-annually each April 1 and October 1, commencing April 1, 2015. Interest on the Notes will be computed on the basis of a 30-day month and a 360-day year.		
Redemption Provision	The Notes maturing on April 1, 2023 and thereafter are subject to redemption prior to maturity, at the option of the City, on April 1, 2022 or on any date thereafter. Said Notes shall be redeemable as a whole or in part, and if 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. See "THE NOTES – Redemption" herein.		
Purpose	The Notes will be issued to finance street improvement projects, as set forth in "THE NOTES – Purpose" herein.		
Security	The Notes are general obligations of the City for which the City pledges its full faith and credit and unlimited taxing powers to levy <i>ad valorem</i> taxes.		
Authority	The Notes are issued pursuant to Section 67.12(12), Wisconsin Statutes, and a Resolution Authorizing the Issuance and Awarding the Sale of \$1,150,000 General Obligation Promissory Notes adopted by the Common Council on December 2, 2014.		
Tax Exemption	In the opinion of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, interest on the Notes is excludable from gross income for federal income tax purposes. (See "LEGAL MATTERS -Tax Exemption" herein.)		
Credit Rating	Moody's Investors Service, Inc. Rating: Aa2		
Underwriter	UMB Bank N.A., Kansas City, Missouri.		
Bank Qualification	The Notes will be designated as "qualified tax-exempt obligations."		
Paying Agent/Registrar	Officials of the City of Oconomowoc, Wisconsin.		
Record Date	The fifteenth day of the month next preceding an interest payment date.		
Delivery Date and Place	On or about December 16, 2014, through the facilities of DTC in New York, New York.		
Denominations	The Notes will be issued in denominations of \$5,000 each and integral multiples thereof.		
Bond Years	5,725.42	Average Life	4.979 years
Repositories	The Official Statement will be available from the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access ("EMMA") System. The City will covenant to provide annual reports, as required, and timely notice of certain events as set forth in the Continuing Disclosure Certificate. See Appendix C herein.		

OFFICIAL STATEMENT

CITY OF OCONOMOWOC, WISCONSIN WAUKESHA COUNTY, WISCONSIN

\$1,150,000 General Obligation Promissory Notes

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information in connection with the issuance of \$1,150,000 General Obligation Promissory Notes (the "Notes") of the City of Oconomowoc, Wisconsin (the "City").

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The information contained in this Official Statement is based upon material provided by the City or obtained from other sources and is believed to be reliable, but is not guaranteed as to accuracy or completeness.

All references to material included in this Official Statement not purporting to be quoted in full are only summaries of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is made to such instruments, documents and other materials for the complete provisions thereof, copies of which will be furnished upon request.

Information is available, including City prior years' financial statements, upon request and upon payment to the City of a charge for any copying, mailing and handling if required, from City's Director of Finance, City of Oconomowoc, 174 E. Wisconsin Avenue, P.O. Box 27, Oconomowoc, Wisconsin 53066, telephone (262) 569-3234 or e-mail at skitsembe@oconomowoc-wi.gov. Ms. Kitsembe should also be contacted for paying agent matters.

THE NOTES

Purpose

The Notes are being issued for the purpose of financing street improvement projects.

Authority for Issuance

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, and a Resolution Authorizing the Issuance and Awarding the Sale of \$1,150,000 General Obligation Promissory Notes (the "Resolution") adopted by the Common Council on December 2, 2014.

Description

The Notes will be dated December 16, 2014, the date of delivery, and will bear interest from their dated date to their respective maturity dates. Principal of the Notes is payable annually each April 1, commencing April 1, 2015 through 2024, and interest on the Notes is payable semi-annually each April 1 and October 1, commencing April 1, 2015. Interest on the Notes will be computed on the basis of a 30-day month and a 360-day year.

Sources and Applications of Funds

Sources of Funds

Par Amount of Notes	\$ 1,150,000
Premium	<u>36,702</u>
Total Sources	<u>\$ 1,186,702</u>

Applications of Funds

Street Improvement Projects	\$ 1,150,000
Underwriters' Discount	6,457
Deposit to Debt Service Fund Account	<u>30,245</u>
Total Applications	<u>\$ 1,186,702</u>

Sources of Payment for the Notes

The City is authorized and required by law to levy on all property taxable by the City such *ad valorem* taxes, without limitation as to rate or amount, as necessary to pay the Notes and the interest thereon.

Redemption

The Notes maturing on April 1, 2023 and thereafter shall be subject to redemption prior to maturity, at the option of the City, on April 1, 2022 or on any date thereafter. Said Notes shall be redeemable as a whole or in part, and if 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. If less than all of the Notes of a maturity are to be redeemed, selection of the Notes to be so redeemed shall be by lot conducted by DTC in accordance with its rules and practices (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Notice of Redemption

Notice of redemption shall be given by facsimile or electronic transmission, certified or registered mail, overnight express delivery or in any other manner required by DTC, to DTC or its nominee as the registered owner of the Notes. Such notice shall be mailed not more than 60 days nor less than 30 days prior to the date fixed for redemption. Except as set forth in any undertaking by the City to provide continuing disclosure, the City will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee.

PAYING AGENT

City Officials will act as the Paying Agent for the Notes.

THE RESOLUTION

The Common Council authorized the issuance and sale of the Notes with the Resolution adopted on December 2, 2014, pursuant to the procedures prescribed by State Statutes. Reference is made to the Resolution for a complete recital of the terms.

The Resolution awarded the Notes to the successful Underwriter. The Resolution established the form and terms of the Notes, including the dating, maturity schedule, interest payment dates and redemption provisions, as shown in this Final Official Statement, and approved the interest rates to be borne by the Notes.

BOOK-ENTRY-ONLY SYSTEM

The following information has been furnished by The Depository Trust Company for use in this Official Statement. Neither the Issuer nor the Underwriter takes any responsibility for the accuracy or completeness of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes (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 maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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, 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 and www.dtc.org.

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 the 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 Issuer 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 Issuer 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 Issuer, 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 Issuer 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 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 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 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 Issuer or Registrar. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

CUSIP INFORMATION

CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is provided for convenience of reference only. The City and the Underwriter take no responsibility for the accuracy of such data.

THE CITY

Introduction

The City is located in southeastern Wisconsin, approximately 30 miles west of Milwaukee, Wisconsin. The City, incorporated in 1875, encompasses an area of approximately twelve square miles in Waukesha County, just north of Interstate Highway 94. The City's estimated 2014 population is 16,293.

Common Council

The City has a mayor/aldermanic form of government with the mayor and eight council members elected to serve staggered two-year terms. The mayor is responsible for conducting the proceedings of the council at its meetings.

Administrative Organization

The policies of the City are set by an eight-member council and mayor. The mayor serves as chief executive of the City with power of veto over council action, subject to override by a two-thirds vote of the council.

The Administrator/Treasurer is responsible for the financial and operational posture of the City. The mayor and council share responsibility for the formulation and the Director of Finance is responsible for enforcement of the budgets for each department.

Services

The City employs the following number of employees in order to provide services to its residents.

<u>Department</u>	<u>No. of Employees</u>		<u>Department</u>	<u>No. of Employees</u>	
	<u>Full-Time</u>	<u>Part-Time</u>		<u>Full-Time</u>	<u>Part-Time</u>
City Council	0	8	Engineering	2	0
Mayor	0	1	Public Works	11	3
Attorney	0	1	Library	7	21
City Admin./Treas.	1	0	Parks and Recreation	9	118
City Clerk	3	29	Planning	2	0
Finance Department	6	1	Economic Development	1	0
City Buildings	1	1	Wastewater Treatment	9	2
Police Department	28	20	Water Utility	8	0
Fire/EMS Department	6	14	Electric Utility	18	3
Ambulance Department	0	36			

Employee Relations and Collective Bargaining

The following collective bargaining units represent City employees.

<u>Association</u>	<u>Term Expiration</u>	<u>No. of Members</u>
Wisconsin Professional Police Association	December 31, 2016	19
International Association of Fire Fighters	In negotiation	5

All eligible City personnel are covered by the Municipal Employment Relations Act (MERA) of the Wisconsin Statutes. Pursuant to that law, employees have limited rights to organize and collectively bargain with the 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.

Certain legal challenges have been brought with respect to the Act. On May 26, 2011, the Dane County Circuit Court (the "Circuit Court") issued a decision which voided the legislative action taken with respect to the Act due to violations of the State's Open Meetings Law. However, on June 14, 2011, the Supreme Court of Wisconsin overturned the Circuit Court's decision by vacating and declaring all orders and judgments of the Circuit Court with respect to the Act to be void. As a result, the Act took effect on June 29, 2011, the day after it was published in accordance with State statutes. On September 14, 2012, the Circuit Court issued a decision which declared that certain portions of the Act violated State Constitutional rights to freedom of speech and association and equal protection, including portions of the Act that prohibit collectively bargaining with municipal employees with respect to any factor or condition of employment except total base wages. On September 18, 2012, the State Attorney General filed an appeal to the Circuit Court's decision and requested a stay on the enforcement of the decision until such an appeal is decided. On October 22, 2012, the Circuit Court denied the motion for a stay until the appeal is decided.

On July 31, 2014, the Wisconsin Supreme Court, in a 5-2 decision, upheld the provisions of Act 10 as constitutional.

As a result of the amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety employees and transit employees, with respect to any factor or condition of employment except total base wages. The City or employee union has the option to pursue mediation and grievance arbitration. Voluntary impasse resolution procedures are prohibited for municipal employees, other than public safety employees and transit employees, 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. 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.

Demographic Information

Population

The Wisconsin Department of Administration has estimated the population trends of the City and Waukesha County to be as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010 ⁽¹⁾</u>
City of Oconomowoc	16,293	16,004	15,834	15,805	15,759
Waukesha County	392,761	391,478	390,914	390,267	389,891

⁽¹⁾ 2010 U.S. Census.

The median ages for the City, County and State as of the 2010 Census are as follows:

	<u>Median Age As Of The 2010 Census</u>
City of Oconomowoc	38.6 years
Waukesha County	42.0
State of Wisconsin	38.5

Source: Wisconsin Department of Revenue

Economic Information

The City has been affected locally by the national economy. Growth has slowed but is still proceeding. Over the long-term, however, the City is likely to continue to experience significant residential and commercial growth in the years ahead as development from the Milwaukee area edges toward Oconomowoc. Because of its easy access to points east and west, provided by Interstate Highway I-94 and the four-lane State Highway 16, a significant portion of the City's population commutes to work in the Milwaukee area. In 2013, the City had net new construction growth of 0.62% or \$11 million. In 2014, the City had net new construction growth of 1.88% or \$33.8 million.

The City is home to a diverse business base. The 145-acre Oconomowoc Corporate Center features office and light industrial sites for several area companies. The City is also expecting continued industrial and commercial development in the 1,100 acre Pabst Farms area. The Pabst Farms development is a mixed-use development with industrial, commercial, residential, school and institutional uses with open space preservation. The Pabst Farms development will have a major impact on western Waukesha County.

The Roundy's Distribution Center and Target Distribution Center are located in the City near Interstate 94 and State Highway 67 interchange. The Roundy's Distribution Center, located within Pabst Farms, was completed in 2005 and comprises 1.065 million square feet and employs approximately 480 people. Target Distribution Center opened in 1994 and underwent an expansion in 2002. The Target facility is 1.5 million square feet and employs about 690 people.

The City's 2013 overall net property tax rate of \$18.31 per \$1,000 estimated actual value ranks 181 out of all 190 Wisconsin cities. In 2013 the City's overall net property tax rate decreased to \$18.31. In 2011 and 2012 the City's overall net equalized property tax rate increased to \$17.00 and \$18.58, respectively.

As a public power community, the City is able to provide its residential customers with electric rates averaging approximately 20 percent lower than the rates charged by the large investor-owned utility that services the surrounding communities. Oconomowoc's average 2013 annual sewer and water charge per household was \$646 compared to \$752, the average for area communities.

Local economy indicators continued their favorable trends. For example Waukesha County's unemployment rate continued to compare favorably to the state and national average rates as well as the City's adjusted gross income per tax return compared favorably to Wisconsin's average. The City expects these trends to remain favorable in the future.

Construction

Building activity in the City is indicated by the value of building permits issued, as set forth in the following table:

<u>Year</u>	<u>Valuation</u>
2014 (through August)	\$ 14,351,973
2013	45,708,052
2012	25,488,036
2011	24,274,005
2010	11,498,218
2009	15,567,283

Source: City of Oconomowoc

Income Statistics

Per tax return income data for the City, Waukesha County and the State are presented in the following table:

<u>Year</u>	<u>City of Oconomowoc</u>	<u>Waukesha County</u>	<u>State of Wisconsin</u>
2012	\$78,560	\$76,390	\$49,900
2011	79,480	73,460	47,640
2010	72,919	71,071	46,958
2009	69,035	68,711	45,372
2008	70,931	72,179	47,046

Source: Bureau of Economic Analysis - Wisconsin Department of Revenue

Employment

The Bureau of Labor Market Information has estimated the percentage of unemployment in Waukesha County to be as follows:

	<u>September 2014</u>	<u>2013 Average</u>	<u>2012 Average</u>	<u>2011 Average</u>	<u>2010 Average</u>	<u>2009 Average</u>
Waukesha County	4.2%	5.9%	6.0%	6.5%	7.4%	7.5%
State of Wisconsin	4.7	6.7	6.9	7.7	8.3	8.7
U. S.	5.7	7.4	8.1	9.3	9.6	9.3

Average Annual Employment

The table below presents average annual employment by selected categories within Waukesha County for the last five years for which information is available.

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
ALL INDUSTRIES	229,258	226,847	218,191	213,353	220,849
Construction	12,580	11,665	11,805	11,976	13,030
Education & Health	38,567	37,842	37,614	37,181	36,215
Financial Activities	14,504	14,310	14,041	14,185	14,682
Information	4,853	4,861	suppressed	suppressed	5,008
Leisure & Hospitality	19,696	19,171	18,793	18,435	18,711
Manufacturing	43,617	43,740	42,598	40,762	41,864
Natural Resources	489	477	449	523	532
Other Services	7,956	7,904	7,947	7,698	7,670
Professional & Business Services	33,450	32,852	31,571	29,799	27,942
Public Administration	5,980	6,106	6,053	6,241	6,307
Trade, Transportation, Utilities	47,562	47,913	47,320	46,553	48,880
Not Assigned	4	6	suppressed	suppressed	8

Source: Wisconsin Department of Workforce Development, Bureau of Workforce Information

Major Employers

Following are the larger employers in the City:

<u>Employer</u>	<u>Product/Business</u>	<u>Approximate Employment</u>
Target Stores	Retail Distribution Center	690
Oconomowoc Memorial Hospital	Medical facility	671
Oconomowoc School District	Education	549
Pabst Farms YMCA	Recreational/health facility	500
Roundy's	Retail Distribution Center	480
Shore Haven (aka Lutheran Homes of Oconomowoc)	Health care and nursing home facility	345
City of Oconomowoc	Government	370
Bruno Independent Living Aids	Manufacturer of mobility aids	325
CL & D Graphics	Graphic design of manufacturing labels	198
Olympia Resort & Spa	Convention center and hotel facilities	175

Source: Independent employer inquiries.

Tax Levies and Collections

Wisconsin cities, villages and towns are charged with the responsibility of assessing taxable property and collecting taxes, and making distribution to counties, districts and other public bodies. Property of manufacturing establishments and utilities is assessed by the State Department of Revenue. All assessments are made as of January 1.

All taxes on personal property must be paid in full at the first specified collection date; taxes on real estate may be paid in full by the first specified collection date or in three installments during the collection year. Initially, all taxes are collected by the City Treasurer who then makes settlements with the county, school district and other taxing authorities. In the City of Oconomowoc, all taxes, except personal property taxes, not paid by July 31 are turned over to the County Treasurer for collection. In August of each year, the County reimburses the City in full for uncollected real estate taxes. Special assessments, special charges and special taxes are held in trust and are reimbursed as they are paid. The City collects its own personal property taxes.

City tax levies (includes TIF) for the past five calendar years are as follows:

<u>Collection Year</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Property Tax Levy	\$ 35,722,537	\$ 36,075,907	\$ 35,283,663	\$ 35,886,692	\$ 34,310,672
City Purpose Tax Levy	9,159,719	8,976,277	8,575,367	8,325,172	8,121,307
Tax Increment Levy	3,594,510	3,484,405	3,869,250	4,361,734	4,394,872

Tax Rates Per \$1,000 of Assessed Valuation

Tax rates for the City for the past five collection years are as follows:

<u>Collection Year</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
State	\$ 0.15	\$ 0.15	\$ 0.16	\$ 0.17	\$ 0.17
County	1.94	1.89	1.94	1.95	1.85
City	5.13	4.98	4.83	4.66	4.56
School District	9.56	9.87	9.54	9.62	9.06
TCD District	1.19	1.17	1.21	1.22	1.14
Lake Mgmt District #1	.06	.06	.06	.06	.06
Lake Mgmt District #2	.0006	--	--	--	--
School Tax Credit	<u>(1.39)</u>	<u>(1.35)</u>	<u>(1.32)</u>	<u>(1.23)</u>	<u>(1.19)</u>
Net Tax Rate Lake District #1	\$ 16.66	\$ 16.78	\$ 16.43	\$ 16.46	\$ 15.65
Net Tax Rate Lake District #2	\$ 16.59	\$ 16.72	\$ 16.37	\$ 16.40	\$ 15.59

Equalized Valuation

The City's trend in equalized value over the past five years is outlined in the table below.

	<u>Including Captured Tax Increment Value</u>	<u>% Change</u>	<u>Excluding Captured Tax Increment Value</u>	<u>% Change</u>
2014	\$1,860,351,900	3.35	\$1,855,001,800 ⁽¹⁾	14.70
2013	1,799,980,600	.22	1,617,270,600	-.23
2012	1,795,970,900	-6.53	1,620,989,100	-5.13
2011	1,921,427,200	-4.80	1,708,708,100	-3.50
2010	2,018,359,000	-.05	1,770,629,700	0.72

(1) The City closed Tax Increment District No. 3 in 2013 which resulted in the return of captured valuation.

Due to varying assessment ratios to full market value used in municipalities, all overlying tax districts such as counties are required to use equalized value for levying property taxes. Equalized value is the legal market value determined by the Wisconsin Department of Revenue Bureau of Property Tax.

The equalized valuation by class of property for 2014 is as follows:

Real Estate	
Residential	\$ 1,289,452,500
Commercial	467,366,500
Manufacturing	58,591,600
Other	<u>2,812,000</u>
Total Real Estate	\$ 1,818,222,600
Total Personal Property	<u>42,129,300</u>
Total	\$ 1,860,351,900

The percentage mix of equalized valuation by class of property for the past five years was as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Real Estate					
Residential	69.3%	67.4%	66.6%	68.9%	65.3%
Commercial	25.1	26.7	27.5	25.5	29.1
Manufacturing	3.1	3.4	3.4	3.1	3.1
Other	.2	.2	.2	.2	.2
Personal Property	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>
	100.0%	100.0%	100.0%	100.0%	100.0%
Total Equalized Value (millions)	\$1,860	\$1,800	\$1,796	\$1,921	\$2,018

Tax Increment Districts

There is one tax incremental district (TID) located in the City. Following is information on the TID.

<u>Name</u>	<u>Creation Date</u>	<u>Beginning Value</u>	<u>Increment</u>	<u>Current Value</u>
TID No. 4	2003	\$50,424,400	\$5,350,100	\$55,774,500

Largest Taxpayers for Fiscal Year 2013

The table below shows the City's largest taxpayers for 2013.

Name	2013 Assessed Valuation	Net Taxes Payable in 2014
Pabst Farms-RDL LLC	\$ 51,500,000	\$ 854,599
Dayton Hudson Corporation #557	45,307,400	751,714
Waukesha Health Care Inc.	19,574,800	324,697
Pabst Farms Market Place LLC	17,176,300	285,734
Summit Center Market Place	12,663,800	210,013
Whitman Park LLC	10,232,400	169,733
Bruno Real Estate LLC	9,913,500	164,238
Pabst Farms Village Square	9,797,800	162,641
Creekside North Partners LLC	9,586,900	159,864
Prairie Creek Shopping Center	<u>7,195,000</u>	<u>119,262</u>
	\$ 192,947,900	\$ 3,202,495

CITY DEBT STRUCTURE

Outstanding Debt Summary

General Obligation Debt by Issue

Type of Obligation	Date of Issue	Original Amount Issued	Maturity Dates	Current Amount Outstanding
G.O. Street Improvement Bonds	7/07/11	\$ 2,525,000	4/01/14-26	\$ 2,295,000
G.O. Refunding Bonds	12/18/12	4,285,000	4/01/14-23/25/27/29/31	4,060,000
G.O. Promissory Notes	8/21/13	1,250,000	4/01/14-20/22/23	1,250,000
Taxable G.O. Refunding Bonds	8/21/13	1,270,000	4/01/14-24	1,270,000
G.O. Refunding Bonds	11/01/13	3,880,000	4/01/14-24	3,880,000
G.O. Promissory Note	11/18/14	78,528	2/15/15-22	78,528
G.O. Promissory Notes ⁽¹⁾	12/16/14	1,150,000	4/01/15-24	<u>1,150,000</u>
		Outstanding General Obligation Debt		\$ 13,983,528
		Less: 2014 Payments		<u>855,000</u>
		Net Outstanding General Obligation Debt		\$ 13,128,528

⁽¹⁾ New Issue.

Revenue Debt of the Utility by Issue (For informational purposes only)

Wastewater Utility Debt

<u>Type of Obligation</u>	<u>Date of Issue</u>	<u>Original Amount Issued</u>	<u>Maturity Dates</u>	<u>Current Amount Outstanding</u>
Sewerage System Revenue Bonds ⁽¹⁾	6/25/97	\$ 5,413,869	5/01/14-17	\$ <u>1,393,408</u>
				Outstanding Wastewater Utility Debt
				\$ 1,393,408
				Less: 2014 Payments
				<u>333,694</u>
				Net Outstanding Wastewater Utility Debt
				<u>\$ 1,059,714</u>

⁽¹⁾ State of Wisconsin Clean Water Fund Loan issued at a rate of 2.873%.

Electric Utility Debt

<u>Type of Obligation</u>	<u>Date of Issue</u>	<u>Original Amount Issued</u>	<u>Maturity Dates</u>	<u>Current Amount Outstanding</u>
Electric Utility Revenue Bonds	12/27/07	\$ 6,165,000	4/01/14-22	\$ <u>4,345,000</u>
				Outstanding Wastewater Utility Debt
				\$ 4,345,000
				Less: 2014 Payments
				<u>410,000</u>
				Net Outstanding Electric Utility Debt
				<u>\$ 3,935,000</u>

Debt Service Schedules – General Obligation Debt

	<u>\$2,525,000 G.O. Street Improvement Bonds – 7/07/11</u>		<u>\$4,285,000 G.O. Refunding Bonds – 12/18/12</u>		<u>\$1,250,000 G.O. Promissory Notes – 8/21/13</u>	
<u>Year</u>	<u>Principal (4/01)</u>	<u>Interest</u>	<u>Principal (4/01)</u>	<u>Interest</u>	<u>Principal (4/01)</u>	<u>Interest</u>
2014	\$ 135,000	\$ 65,312	\$ 190,000	\$ 92,594	\$ 110,000	\$ 30,606
2015	145,000	62,923	190,000	90,219	115,000	25,775
2016	150,000	59,670	195,000	86,844	115,000	23,762
2017	155,000	55,741	200,000	82,894	120,000	21,412
2018	160,000	51,568	200,000	78,894	125,000	18,963
2019	170,000	47,195	200,000	74,894	125,000	16,462
2020	175,000	42,624	210,000	70,794	130,000	13,588
2021	180,000	37,695	215,000	66,544	135,000 ⁽⁵⁾	10,022
2022	190,000	32,140	220,000	62,194	135,000 ⁽⁵⁾	6,141
2023	195,000	26,075	225,000	57,462	140,000	2,100
2024	205,000	19,419	230,000 ⁽¹⁾	52,056		
2025	215,000	12,066	235,000 ⁽¹⁾	46,243		
2026	220,000	4,125	240,000 ⁽²⁾	40,006		
2027			250,000 ⁽²⁾	33,269		
2028			255,000 ⁽³⁾	26,325		
2029			260,000 ⁽³⁾	19,244		
2030			270,000 ⁽⁴⁾	11,787		
2031			275,000 ⁽⁴⁾	3,953		
	<u>\$ 2,295,000</u>	<u>\$ 516,553</u>	<u>\$ 4,060,000</u>	<u>\$ 996,216</u>	<u>\$ 1,250,000</u>	<u>\$ 168,831</u>
Less: 2014 Payments	<u>135,000</u>	<u>65,312</u>	<u>190,000</u>	<u>92,594</u>	<u>110,000</u>	<u>30,606</u>
TOTAL	\$ 2,160,000	\$ 451,241	\$ 3,870,000	\$ 903,622	\$ 1,140,000	\$ 138,225

⁽¹⁾ Term Bond maturing April 1, 2025.

⁽²⁾ Term Bond maturing April 1, 2027.

⁽³⁾ Term Bond maturing April 1, 2029.

⁽⁴⁾ Term Bond maturing April 1, 2031.

⁽⁵⁾ Term Bond maturing April 1, 2022.

Year	\$1,270,000 Taxable G.O. Refunding Bonds – 8/21/13		\$3,880,000 G.O. Refunding Bonds – 11/01/13		\$78,528 G.O. Promissory Note – 11/18/14	
	Principal (4/01)	Interest	Principal (4/01)	Interest	Principal (2/15)	Interest ⁽¹⁾
2014	\$ 95,000	\$ 49,908	\$ 325,000	\$ 87,017		
2015	100,000	41,850	325,000	90,200	\$ 9,816	
2016	105,000	38,775	325,000	83,700	9,816	
2017	105,000	35,625	325,000	77,200	9,816	
2018	110,000	32,400	345,000	70,500	9,816	
2019	115,000	28,738	350,000	61,800	9,816	
2020	115,000	24,712	350,000	51,300	9,816	
2021	120,000	20,300	375,000	40,425	9,816	
2022	130,000	15,138	375,000	29,175	9,816	
2023	135,000	9,338	385,000	17,775		
2024	<u>140,000</u>	<u>3,150</u>	<u>400,000</u>	<u>6,000</u>		
	\$ 1,270,000	\$ 299,934	\$ 3,880,000	\$ 615,092	\$ 78,528	
Less: 2014 Payments	<u>95,000</u>	<u>49,908</u>	<u>325,000</u>	<u>87,017</u>	<u>0</u>	
TOTAL	\$ 1,175,000	\$ 250,026	\$ 3,555,000	\$ 528,075	\$ 78,528	

⁽¹⁾ This is an interest-free loan from the County.

Year	\$1,150,000 G.O. Promissory ⁽¹⁾ Notes – 12/16/14	
	Principal (4/01)	Interest
2014		
2015	\$ 110,000	\$ 18,492
2016	105,000	21,963
2017	105,000	20,125
2018	110,000	17,975
2019	110,000	15,775
2020	115,000	13,525
2021	120,000	10,875
2022	120,000	7,875
2023	125,000	4,812
2024	<u>130,000</u>	<u>1,625</u>
	\$ 1,150,000	\$ 133,042
Less: 2014 Payments	<u>0</u>	<u>0</u>
TOTAL	\$ 1,150,000	\$ 133,042

⁽¹⁾ New Issue.

Total Outstanding Debt

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 855,000	\$ 325,437	\$ 1,180,437
2015	994,816	329,459	1,324,275
2016	1,004,816	314,714	1,319,530
2017	1,019,816	292,997	1,312,813
2018	1,059,816	270,300	1,330,116
2019	1,079,816	244,864	1,324,680
2020	1,104,816	216,543	1,321,359
2021	1,154,816	185,861	1,340,677
2022	1,179,816	152,663	1,332,479
2023	1,205,000	117,562	1,322,562
2024	1,105,000	82,250	1,187,250
2025	450,000	58,309	508,309
2026	460,000	44,131	504,131
2027	250,000	33,269	283,269
2028	255,000	26,325	281,325
2029	260,000	19,244	279,244
2030	270,000	11,787	281,787
2031	<u>275,000</u>	<u>3,953</u>	<u>278,953</u>
	\$ 13,983,528	\$ 2,729,668	\$ 16,713,196
Less: 2014 Payments	<u>855,000</u>	<u>325,437</u>	<u>1,180,437</u>
TOTAL	\$ 13,128,528	\$ 2,404,231	\$ 15,532,759

Debt Service Schedules – Revenue Debt

Wastewater Utility Debt

\$5,413,868.91 Mortgage Revenue Bonds
(Clean Water Fund) ⁽¹⁾
6/25/97

<u>Year</u>	<u>Principal (5/01)</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage Ratio</u>
2014	\$ 333,694	\$ 35,239	\$ 368,933	3.96
2015	343,281	25,514	368,795	3.96
2016	353,144	15,510	368,654	3.96
2017	<u>363,289</u>	<u>5,219</u>	<u>368,508</u>	3.97
Outstanding Revenue Debt	\$ 1,393,408	\$ 81,482	\$ 1,474,890	
Less: 2014 Payments	<u>333,694</u>	<u>35,239</u>	<u>368,933</u>	
Net Outstanding Revenue Debt	\$ 1,059,714	\$ 46,243	\$ 1,105,957	

⁽¹⁾ Clean Water Fund loans require a 1.10% coverage ratio. Coverage calculated with 2013 audited net revenues of \$1,461,317.

Electric Utility Debt

\$6,165,000 Electric Utility Revenue Bonds ⁽¹⁾
12/27/07

Year	Principal (4/01)	Interest	Total	Coverage Ratio
2014	\$ 410,000	\$ 167,248	\$ 577,248	4.61
2015	425,000	150,548	575,548	4.62
2016	445,000	133,148	578,148	4.60
2017	460,000	115,048	575,048	4.63
2018	480,000	96,248	576,248	4.62
2019	500,000	76,648	576,648	4.62
2020	520,000	56,118	576,118	4.62
2021	540,000	34,518	574,518	4.63
2022	<u>565,000</u>	<u>11,724</u>	<u>576,724</u>	4.61
Outstanding Revenue Debt	\$ 4,345,000	\$ 841,248	\$ 5,186,248	
Less: 2014 Payments	<u>410,000</u>	<u>167,248</u>	<u>577,248</u>	
Net Outstanding Revenue Debt	\$ 3,935,000	\$ 674,000	\$ 4,609,000	

⁽¹⁾ A coverage ratio of 1.25 is required. Coverage calculated with 2013 audited net revenues of \$2,661,496.

WPPI Note Payable (for informational purposes only)

The City entered into a loan agreement with WPPI Energy, a Wisconsin municipal electric company, to upgrade the City's accounting software. The loan is payable monthly in the amount of \$283 with no interest being charged.

The annual principal payments are detailed below:

Year	Governmental Activities		
	Principal	Interest	Total
2014	\$ 3,400	\$ 0	\$ 3,400
2015	3,400	0	3,400
2016	3,400	0	3,400
2017	3,400	0	3,400
2018-2021	<u>13,033</u>	<u>0</u>	<u>13,033</u>
TOTALS	\$ 26,633	\$ 0	\$ 26,633

This loan is an obligation of the City; however, it does not constitute general obligation indebtedness of the City.

Debt Ratios

Outstanding general obligation direct debt as a percentage of equalized value and on a per capita basis for the current year (through December 16) as well as the past five years ended December 31 follows:

Year	Ratios of General Obligation Debt to <u>Equalized Valuation and Population</u>				
	<u>Outstanding General Obligation Debt</u>	<u>Equalized Valuation</u>	<u>Percent of Equalized Value</u>	<u>Population</u> ⁽²⁾	<u>Per Capita</u>
2014 (as of 12/16)	\$ 13,128,528 ⁽¹⁾	\$ 1,860,351,900	0.71%	16,293	\$ 806
2013	17,740,000	1,799,980,600	0.99	16,004	1,108
2012	29,860,470	1,795,970,900	1.66	15,834	1,886
2011	27,259,310	1,921,427,200	1.42	15,805	1,725
2010	20,932,245	2,018,359,000	1.04	15,759 ⁽³⁾	1,328
2009	21,689,656	2,019,391,100	1.07	14,330	1,514

⁽¹⁾ Unaudited; includes New Issue (less 2014 payments).

⁽²⁾ Estimated by the Wisconsin Department of Administration.

⁽³⁾ 2010 U.S. Census population.

Indirect Debt

The indirect general obligation debt of the City as of September 1, 2014 is listed below.

<u>Governmental Unit</u>	<u>Outstanding Debt As of September 1, 2014 (Less: 2014 Payments)</u>	<u>Percent of Debt Applicable to City</u>	<u>Amount of Debt Within City</u>
Waukesha County	\$ 81,970,000	3.49%	\$ 2,860,753
Oconomowoc Area School District	55,360,000	35.34	19,564,224
Waukesha County Area TCD	27,945,000 ⁽¹⁾	3.41	<u>952,924</u>
Total Indirect Debt			\$ 23,377,901

⁽¹⁾ The District anticipates borrowing \$3.0 million in the next twelve months.

Total Indirect Debt	\$ 23,377,901
Indirect Debt Per Capita	\$ 1,435
Indirect Debt as a % of Equalized Value	1.26%
Total Direct Debt	\$ 13,128,528
Total Direct Debt Per Capita	\$ 806
Total Direct Debt as a % of Equalized Value	0.71%
Total Direct and Indirect Debt	\$ 36,506,429
Total Direct and Indirect Debt Per Capita	\$ 2,241
Total Direct and Indirect Debt as a % of Equalized Value	1.97%

Short Term Debt

The City has no short-term debt outstanding.

Legal Debt Limit

The City has the power to incur indebtedness for City purposes specified by statute (Article 11 Section 3 of the Wisconsin Constitution and Chapter 67, Wisconsin Statutes) in an aggregate amount, not exceeding five percent of the equalized value of taxable property in the City, as last determined by the State of Wisconsin Department of Revenue. In general, such indebtedness may be in the form of bonds and promissory notes for various public purposes.

The City's unused borrowing capacity is as follows:

Equalized Value of Taxable Property in the City for 2014		\$ 1,860,351,900
G.O. Debt Outstanding	\$ 12,833,528	
Less: 2014 Payments	855,000	
Plus: New Issue	<u>1,150,000</u>	
Net G.O. Debt Outstanding		\$ 13,128,528
Legal Debt Capacity (5% of Equalized Value)		\$ 93,017,595
Unused Margin of Indebtedness		\$ 79,889,067
Percent of Unused Margin of Indebtedness		85.9%

No Default on City Indebtedness

The City has never defaulted on any of its prior or outstanding indebtedness.

Future Financings

The City anticipates issuing no additional debt in the next three months.

FINANCIAL INFORMATION

Annual Budgets

The Common Council prepares an annual operating budget corresponding to their fiscal year. The budget is presented to the City's electors at a public hearing in November of each year. Following the public hearing, the budget is adopted by the Common Council by a simple majority vote. Once adopted, amendments to the budget require a two-thirds majority vote of the entire Common Council. A summary table of the 2014 and 2015 Adopted Budgets follows.

Adopted Budget (General Fund) 2014 and 2015

	2014 Adopted <u>Budget</u>	2015 Adopted <u>Budget</u>	Percent to <u>Total</u>
REVENUES			
Taxes (other than property taxes)	\$ 439,775	\$ 457,170	3.56%
Special Assessments	12,500	12,500	.10
Intergovernmental	1,690,895	1,654,700	12.90
Licenses and Permits	550,380	663,430	5.17
Fines, Forfeits and Penalties	427,570	428,500	3.34
Public Charges for Services	1,031,805	1,063,725	8.29
Interfund Charges for Services	69,310	49,145	.38
Miscellaneous Revenues	<u>215,815</u>	<u>210,340</u>	<u>1.64</u>
Total Revenues (excluding Property taxes)	\$ 4,438,050	\$ 4,539,510	35.38%
General Property Taxes	6,146,899	6,684,405	52.10
Other Financing Sources	1,575,000	1,395,000	10.87
Fund Balance Applied	<u>14,710</u>	<u>211,455</u>	<u>1.65</u>
TOTAL REVENUES, OTHER FINANCING SOURCES AND FUND BALANCE APPLIED	\$ 12,174,659	\$ 12,830,370	100.00%
EXPENDITURES			
General Government	\$ 1,352,641	\$ 1,333,310	10.39%
Public Safety	5,296,230	5,444,933	42.44
Public Works	2,357,821	2,437,109	18.99
Health and Welfare	56,157	65,630	.51
Library	1,075,336	1,229,807	9.59
Parks and Recreation	1,499,761	1,519,944	11.85
Conservation and Development	536,714	599,638	4.67
Other Financing Uses	<u>--</u>	<u>200,000</u>	<u>1.56</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 12,174,659	\$ 12,830,370	100.00%

Summary of Operations

Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Years Ended December 31,

	Audited		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES:			
Taxes	\$ 6,666,397	\$ 6,804,802	\$ 6,651,197
Special Assessments	13,038	18,941	15,338
Intergovernmental	1,605,300	1,508,980	1,652,375
Licenses and Permits	662,067	487,011	553,004
Fines and Forfeits	448,560	373,860	363,154
Public Charges for Services	407,004	380,044	392,925
Intergovernmental Charges for Services	528,929	490,910	480,039
Interdepartmental Charges for Services	71,555	71,620	62,631
Miscellaneous	268,645	320,105	317,335
Total Revenues	\$ 10,671,495	\$ 10,456,273	\$ 10,487,998
 EXPENDITURES:			
General Government	\$ 1,137,436	\$ 1,049,020	\$ 1,443,477
Public Safety	5,129,046	4,915,807	4,671,715
Public Works	2,240,306	2,103,211	2,228,076
Health and Human Services	50,921	51,639	53,193
Culture and Recreation	2,384,658	2,401,409	2,429,640
Conservation and Development	451,895	520,517	448,841
Total Expenditures	\$ 11,394,262	\$ 11,041,603	\$ 11,274,942
Excess of Revenues Over (Under) Expenditures	(722,767)	(585,330)	(786,944)
Other Financing Sources			
Transfers in	\$ 1,541,232	\$ 1,395,363	\$ 1,398,616
Transfers out	(173,336)	(449,125)	(120,585)
Total Other Financing Sources (Uses)	\$ 1,367,896	\$ 946,238	\$ 1,278,031
Net Change in Fund Balances	\$ 645,129	\$ 360,908	\$ 491,087
FUND BALANCE – BEGINNING OF YEAR	\$ 8,294,257	\$ 7,933,349	\$ 7,442,262
FUND BALANCE – END OF YEAR	\$ 8,939,386	\$ 8,294,257	\$ 7,933,349
Reserved	\$ 1,881,622	\$ 1,915,402	\$ 1,945,099
Unreserved-Designated	\$ 434,030	\$ 558,828	\$ 445,473
Unreserved-Undesignated	\$ 6,623,734	\$ 5,820,027	\$ 5,542,777

Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types
For the Years Ended December 31.

	Audited		
	2013	2012	2011
REVENUES:			
Taxes	\$ 12,904,809	\$ 12,872,762	\$ 12,842,742
Special Assessments	20,038	25,941	22,338
Intergovernmental	1,900,262	4,216,408	1,924,108
Licenses and Permits	912,518	697,628	709,276
Fines and Forfeits	463,488	374,446	363,598
Public Charges for Services	2,343,960	2,297,148	2,319,161
Intergovernmental Charges for Services	528,929	490,910	480,039
Interdepartmental Charges for Services	71,555	114,949	104,872
Miscellaneous	681,208	727,923	376,172
Total Revenues	\$ 19,826,767	\$ 21,818,115	\$ 19,142,306
EXPENDITURES:			
General Government	\$ 1,137,436	\$ 1,049,020	\$ 1,443,477
Public Safety	5,922,656	5,742,408	5,453,505
Public Works	3,450,449	3,280,946	3,369,449
Health and Human Services	50,921	51,639	53,193
Culture and Recreation	2,753,605	2,411,125	2,441,651
Conservation and Development	460,342	534,042	458,803
Debt Service	19,532,246	7,199,875	7,292,467
Capital Outlay	3,342,920	9,631,767	5,197,551
Total Expenditures	\$ 36,650,575	\$ 29,900,822	\$ 25,710,096
Excess of Revenues Over (Under) Expenditures	(16,823,808)	\$ (8,082,707)	\$ (6,567,790)
Other Financing Sources (Uses)			
Long-term debt issued	\$ 6,400,000	\$ 8,650,000	\$ 7,510,000
Premium on debt issued	233,929	193,338	91,767
Transfers in	17,700,461	3,712,971	8,035,795
Transfers out	(16,164,229)	(2,317,608)	(6,711,489)
Total Other Financing Sources (Uses)	\$ 8,170,161	\$ 10,238,701	\$ 8,926,073
Net Change in Fund Balances	\$ (8,653,647)	\$ 2,155,994	\$ 2,358,283
FUND BALANCES – BEGINNING OF YEAR	\$ 24,376,697	\$ 22,220,703	\$ 19,862,420
FUND BALANCES – END OF YEAR	\$ 15,723,050	\$ 24,376,697	\$ 22,220,703

Pension Plan

All eligible City employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire, are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including Teachers, and Executive and Elect-

ed 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. Contribution rates are as follows:

	2013	
	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives & Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for employees covered by the WRS for the year ended December 31, 2013 was \$7,445,148; the employer's total payroll was \$7,560,027. The total required contribution for the year ended December 31, 2013 was \$1,058,737, which consisted of \$563,544, or 7.57% of covered payroll from the employer, and \$495,193, or 6.65% of covered payroll from employees. Total contributions for the years ended December 31, 2012 and 2011 were \$943,224 and \$917,386, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupations employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years of earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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.

See Note D.1 of the City's December 31, 2013 Financial Statements included in Appendix A for more detailed information on the City's retirement plan.

LEGAL MATTERS

Pending Litigation

There is no pending litigation or, to the knowledge of the City, threatened litigation, which would restrain or enjoin the issuance, sale, execution or delivery of the Notes or in any way contest or affect the validity of the Notes or of any proceedings of the City taken with respect to the issuance and sale of the Notes.

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 the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

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

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

Approval of Legal Proceedings

Certain legal matters incident to the authorization and issuance of the Notes are subject to the approval of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Notes. The proposed form of such opinion is attached hereto as Appendix B.

Statement Regarding Bond Counsel Participation

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation, except with respect to the sections entitled "LEGAL MATTERS – Tax Exemption" and "APPENDIX B - Proposed Form of Legal Opinion for the Notes" and has not performed any investigation as to its accuracy, completeness or sufficiency.

Tax Exemption

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

"The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Notes is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes."

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

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

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely af-

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

See Appendix B "Form of Legal Opinion for the Notes".

Original Issue Discount

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

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

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

The accrual or receipt of original issue discount on the Discounted Notes may result in certain collateral federal income tax consequences for the owners of such Discounted Notes. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Notes, a portion of the original issue discount that is accrued in each year will be included in the calculation of the corporation's alternative minimum tax liability. Corporate owners of any Discounted Notes should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Notes will not receive a corresponding cash payment until a later year.

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

Original Issue Premium

To the extent that the initial offering prices of certain of the Notes are more than the principal amount payable at maturity, such Notes (the "Premium Note(s)" or "Note(s)") will be considered to have bond premium.

Any Premium Note 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 Note is calculated on a daily basis from the issue date of such Premium Note until its stated maturity date (or call date, if any) on the basis of a constant instant rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Note 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 Notes. During each taxable year, such an owner must reduce his or her tax basis in such Premium Note by the amount of the amortizable bond premium that is allocable to the por-

tion of such taxable year during which the holder held such Premium Note. The adjusted tax basis in a Premium Note will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Note.

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

Designation as Qualified Tax-Exempt Obligations

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

MISCELLANEOUS

Ratings

Moody's Investors Service, Inc. ("Moody's") has assigned a Aa2 rating to the City's Notes. Moody's maintains the Aa2 underlying rating on the City's outstanding general obligation debt.

The rating, when issued, reflects only the view of the rating agency, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either upward or downward, or withdrawn entirely, by Moody's if, in their judgment, circumstances so warrant.

Continuing Disclosure

Undertaking to Provide Continuing Disclosure. In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to the Resolution adopted by the Common Council to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Notes to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notice of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Notes are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. A failure by the City to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

While the City has timely filed its Comprehensive Annual Financial Report (CAFR) for the fiscal years ending December 31, 2009, 2011, 2012 and 2013, and annual disclosure over the past five years, the City's December 31, 2010 CAFR was not filed by the September 27, 2011 deadline. On September 19, 2011, however, the City filed its annual continuing disclosure information and its December 31, 2010 Utilities audit. The December 31, 2010 CAFR was filed on EMMA on July 17, 2014. In addition, the City has not filed material event notices of underlying and insured rating changes affecting certain of the City's notes and bonds. To the best of the City's knowledge, the City did not receive any notification from the rating agencies of these rating changes for FGIC and AMBAC in order to file a material event notice. Additionally, the City did not file the Moody's global scale recalibration on April 16, 2010 based on Moody's statement that: "This recalibration does not reflect an improvement in credit quality or a change in our credit opinion for rated municipal debt issuers."

The City will be required to file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Underwriting

The Notes were purchased by competitive bidding conducted on December 2, 2014.

The award of the Notes was made to UMB Bank N.A., Kansas City, Missouri (the "Underwriter"). The public reoffering price or yield of the Notes may be obtained from the successful Underwriter.

Financial Advisor

Hutchinson, Shockey, Erley & Co., Milwaukee, Wisconsin, is under contract with the City to provide financial advisory services to the City, as well as assistance with the competitive sale of the City's Notes on December 2, 2014.

CERTIFICATES CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Notes, the Mayor and Clerk of the City will deliver to the purchaser of the Notes a certificate stating that, to the best of their knowledge, this Official Statement did not as of its date and as of the sale date and does not, as of the date of delivery of the Notes, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made not misleading.

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APPENDIX A

**AUDITED FINANCIAL STATEMENTS
OF
CITY OF OCONOMOWOC
FOR THE YEAR ENDED DECEMBER 31, 2013**

The City's Comprehensive Annual Financial Report (CAFR) for the Year Ended December 31, 2013, which contains the financial statements presented in this Appendix, is available for viewing, in its entirety, on the City's website at www.oconomowoc-wi.gov, or upon request to the City's Director of Finance.

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CITY OF OCONOMOWOC, WISCONSIN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

Prepared by
Finance Department

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CITY OF OCONOMOWOC, WISCONSIN
Comprehensive Annual Financial Report
December 31, 2013

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April 28, 2014

To the Honorable Mayor, Members of the City Council and Citizens of the City of Oconomowoc:

The comprehensive annual financial report for the City of Oconomowoc for the year ended December 31, 2013, is hereby submitted. This report consists of management's representations concerning the finances of the City of Oconomowoc. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City Council retained the accounting firm of Schenck SC to perform an audit of the City's financial statements. Schenck SC has issued an unqualified ("clean") opinion on the City of Oconomowoc's financial statements for the year ended December 31, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, first incorporated as a village in 1865, and then as a city in 1875, is located in western Waukesha County, in the southeastern part of Wisconsin, 30 miles west of downtown Milwaukee. The City currently has a land area of approximately 12 square miles and a population of 15,834. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City has operated under a mayor-council form of government since its incorporation. Policymaking and legislative authority is vested in the City Council, which consists of a mayor and an eight-member council. This governing council is responsible, among other things, for passing ordinances, adopting the budget, and hiring the City's administrator. The city administrator is responsible for carrying out the policies and ordinances of the governing council and for overseeing the day-to-day operations of the City government. The mayor is responsible for appointing committees, boards and commissions, subject to the approval of the City Council. The mayor and the council are elected on a non-partisan basis. Council members are elected from within their respective districts to two-year staggered terms, with four council members elected every year. The mayor is elected at large to two-year terms.

Early in its history, Oconomowoc attracted wealthy individuals from Chicago, Milwaukee, St. Louis and other midwestern cities that came to this area to enjoy its lakes and stay in its prospering resort hotels. By the 1880's, six luxury resorts and 26 grand Victorian homes dotted the landscape and lakeshores. As the years passed, the City grew in population and business prospered. Today, Oconomowoc continues to attract visitors, new businesses, and new residents with its natural beauty, favorable location, diverse and thriving businesses and industries, fine services, and year-round recreational activities.

The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of streets, highways, and other infrastructure; recreational activities and cultural events. In addition to the general activities, the City Council exercises control over the Wastewater, Water, and Electric Utilities and therefore they have been included as an integral part of the City's financial statements. The Oconomowoc Area School District is an autonomous entity and has not met the established criteria for inclusion in the reporting entity and accordingly, is excluded from this report.

The annual budget serves as the foundation for the City of Oconomowoc's financial planning and controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, and the debt service fund are included in the annual appropriated budget. Project-length budgets are prepared for capital project funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the function level within the department and individual fund.

Local Economy

The City has been affected locally by the national economy. Growth has slowed but is still proceeding. Over the long-term, however, the City is likely to continue to experience significant residential and commercial growth in the years ahead as development from the Milwaukee area edges toward Oconomowoc. Because of its easy access to points east and west, provided by Interstate Highway I-94 and the four-lane State Highway 16, a significant portion of the City's population commutes to work in the Milwaukee area. In 2013 the City had net new construction growth of 0.62% or \$11 million.

The City is home to a diverse business base. The 145-acre Oconomowoc Corporate Center features office and light industrial sites for several area companies. The City is also expecting continued industrial and commercial development in the 1,100 acre Pabst Farms area. The Pabst Farms development is a mixed-use development with industrial, commercial, residential, school and institutional uses with open space preservation. The Pabst Farms development will have a major impact on western Waukesha County.

The Roundy's Distribution Center and Target Distribution Center are located in the City near Interstate 94 and State Highway 67 interchange. The Roundy's Distribution Center, located within Pabst Farms, was completed in 2005 and comprises 1.065 million square feet and employs approximately 480 people. Target Distribution Center opened in 1994 and underwent an expansion in 2002. The Target facility is 1.5 million square feet and employs about 690 people.

The City's 2012 overall net property tax rate of \$18.58 per \$1,000 of estimated actual value ranks 177 out of all 190 Wisconsin cities. In 2013 the City's overall net property tax rate decreased to \$18.31. The decrease is primarily the result of a decrease in the total tax levy. Rankings are not available for 2013 but it is expected to be comparable to 2012.

As a public power community, the City is able to provide its residential customers with electric rates averaging approximately 20 percent lower than the rates charged by the large investor-owned utility that services the surrounding communities. Oconomowoc's average 2013 annual sewer and water charge per household was \$646 compared to \$752, the average for area communities.

Local economic indicators continued their favorable trends. For example Waukesha County's unemployment rate continued to compare favorably to the state and national average rates as well as the City's adjusted gross income per tax return compared favorably to Wisconsin's average. We expect these trends to remain favorable in the future.

Long-term Financial Planning

The City continues to focus on how to improve Oconomowoc's services and vitality. The City has committed to improving Oconomowoc through various actions and continues to improve their long-term financial planning efforts.

The City uses both its Zoning Ordinance and 2030 Comprehensive Land Use Plan, adopted in 2010 to manage development until the year 2030. In addition to the Comprehensive Land Use Plan, the City has also adopted plans relating to Downtown revitalization, parking, waterfronts, the Southwest Summit Avenue area, and the River West Neighborhood. These plans focus on the applicable specific areas within the City and the unique characteristics each area encompasses. Together, these documents serve as guides to growth and development in the City and the surrounding area. As long range planning tools, these documents are concerned with a wide variety of environmental, economic and social factors for areas currently within the City's corporate limits and beyond. City officials use these land use plans as a policy guide to direct community development decisions, to assist with community facility budgeting, and to focus and stimulate private housing, business, and industrial investment decisions. These plans contain detailed recommendations for community character, land use, transportation, recreation, community facilities, and utilities, as well as extensive recommendations to ensure the implementation of the plans.

The Common Council approved the creation of TIF No. 3 district in 2001 to promote industrial development in the Pabst Farms area annexed by the City in 2000. The district is located at Interstate 94 and State Highway 67 interchange and includes approximately 543 developable acres of land in which the City will provide the necessary public infrastructure improvements. Overall the estimated costs to provide infrastructure within the boundaries of the district are \$43.1 million with the City contributing approximately \$20.7 million and the developer contributing the remaining \$22.4 million. The City's total costs for the project are limited to \$24,311,588 which includes public infrastructure costs, capitalized interest and debt issuance costs. When the development is completed this district is expected to bring approximately \$200 million of value onto the tax rolls. Overall the Pabst Farms development comprises approximately 1,100 acres of land, which includes lands within and outside of TIF No. 3.

The City of Oconomowoc has established the revitalization of the downtown and adjoining neighborhoods as a top priority. It is a goal of the City to maintain the downtown as a healthy, vibrant area and a center of community activities. As a result of this effort the Common Council approved and created TIF No. 4 during 2003. The district was created to finance public works improvements, provide incentives to the private sector to assist in the elimination of blighted conditions and lastly to stimulate planned commercial, housing and mixed-use development within the district. In 2006 the Common Council amended TIF No. 4 to address the increased scope of the public infrastructure investments in the downtown. The TIF amendment changed the boundaries as well as increased the project costs. In 2012 the Common Council again amended TIF No. 4 to create consistent taxing jurisdictions with TIF No. 3. Overall the estimated costs within the district are estimated to be \$22.6 million with the district funding approximately \$13.2 million and the remaining funds to come from various other sources. When the district is terminated it is expected to bring approximately \$66.7 million of value onto the tax rolls.

In early 2013, the Common Council amended both TIF No. 3 and TIF No. 4 to establish a donor TIF so excess tax increment generated in TIF No. 3 can be transferred to TIF No. 4. This donor arrangement will allow TIF No. 4 to regain its financial health with minimal impact on the close-out of TIF No. 3.

Other examples in which the City continues to take an active role in the downtown development and redevelopment include the implementation of the downtown revitalization plan and market analysis in partnership with the CDA (Community Development Authority). This plan, which was approved in 2004, serves as a tool and vision for the future of Oconomowoc's downtown image. One of the key recommendations within the Plan was for the City to encourage additional rooftops in the Downtown. During the past several years the City has approved over 100 apartment units directly in the City's Downtown and an additional 55 units in the former Middle School, located just several blocks from the Downtown. The most recent downtown residential project included a land

swap which gave the City additional land adjacent to our park downtown. This expanded park area is expected to bring expanded use, programming and visitors into the heart of our downtown.

In conjunction with these efforts the City adopted a redevelopment plan for a block within the downtown area. The redevelopment plan gives the CDA the ability to exercise certain powers to remove blight in the designated project area. In 2009, the City adopted the Downtown Waterfront and Parking Solutions plan. The Plan goal is to create the most compelling, memorable, and beloved waterfront destination in the Heart of Lake County – Downtown Oconomowoc. Through the implementation of these efforts the downtown will continue to attract businesses, residents, and visitors to our community. In addition, the City is working with the Oconomowoc Area Chamber of Commerce, as well as independently, in soliciting new and appropriate retail to our downtown and in establishing initiatives to ensure the downtown vitality for years to come.

In addition to the efforts detailed above, the City annually updates and adopts a five-year long-term financial plan/capital improvement plan. This plan focuses on the strategic initiatives of the City and addresses the City's capital and operating needs over five years. This document assists the Council in setting the priorities of the City as well as determining how we will finance the needs of the City in the future.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oconomowoc for its comprehensive annual financial report (CAFR) for the year ended December 31, 2012. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state or local government financial reports. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Oconomowoc received its first Certificate of Achievement in 1994, and has received it in all subsequent years except for 1997 when a report was not submitted. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible through the dedicated services of the Finance Department staff, other City departments, and our independent auditors. We express our appreciation to all the City staff that assisted and contributed to the preparation of this report. We also thank the Mayor, the City Council, and the City Administrator – without their leadership and continuing support, preparation of this report would not have been possible.

Sincerely,



Sarah Kitsembel, CPA
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

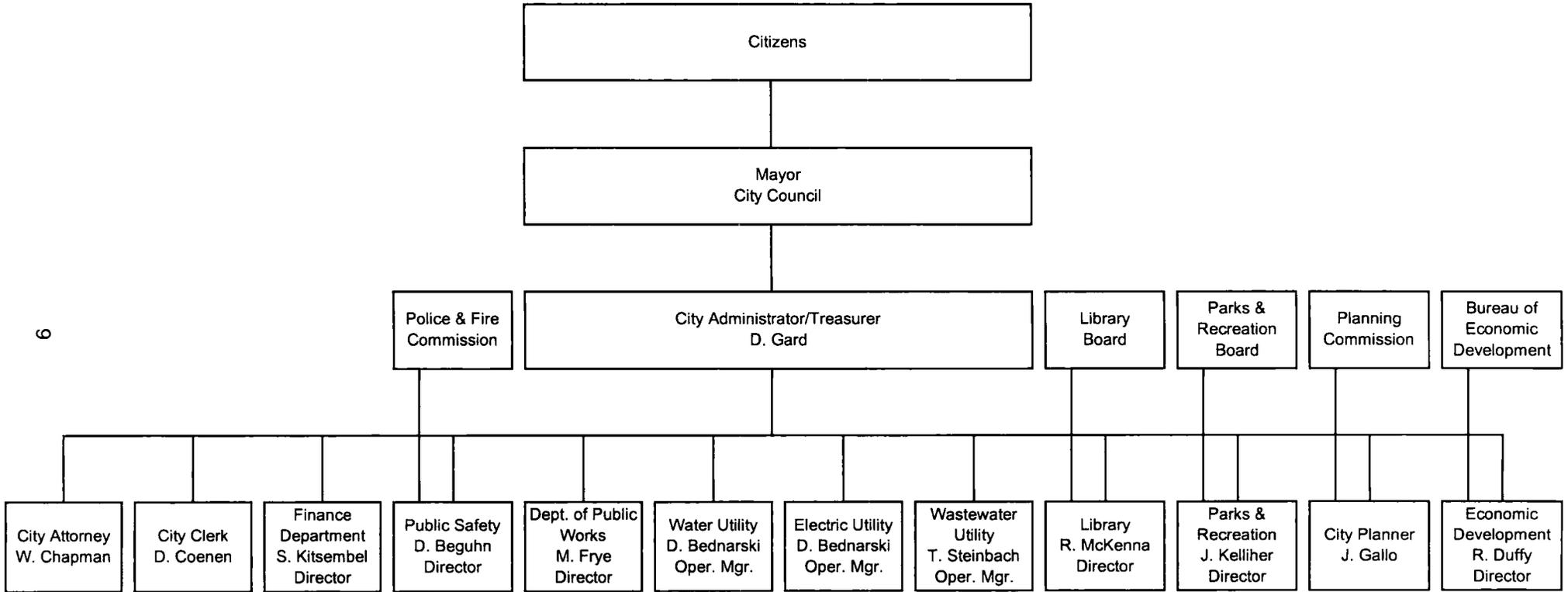
**City of Oconomowoc
Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

City of Oconomowoc Organizational Chart



CITY OF OCONOMOWOC, WISCONSIN

List of Elected and Appointed Officials

December 31, 2013

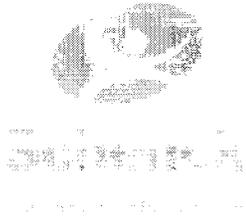
ELECTED OFFICIALS

Mayor		James Daley
Council Member	District 1	Jim Preston
	District 1	James Larsen
	District 2	Ken Herro
	District 2	Tom Strey
	District 3	Michael Miller
	District 3	Denny Daggett
	District 4	Robert Morgan
	District 4	David Nold
Municipal Court Judge		Timothy Kay

APPOINTED OFFICIALS

Administrator/Treasurer	Diane Gard
Attorney	George W. Chapman
Assistant Attorney	Jeffrey Ek
Clerk	Diane Coenen
Finance Director	Sarah Kitsembel
Public Safety Director	David Beguhn
Deputy Fire Chief	Glenn Leidel
Public Works Director	Mark Frye
City Engineer	Stanley Sugden
Library Director	Charles McKenna
Parks and Recreation Director	John Kelliher
Economic Development Director	Robert Duffy
City Planner	Jason Gallo
Wastewater Operations Manager	Thomas Steinbach
Electric & Water Operations Manager	Dennis Bednarski

Financial Section



INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Oconomowoc, 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 Oconomowoc, Wisconsin ("the City") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 22 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as supplementary information and the other information, such as the introductory and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
April 28, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Oconomowoc (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 4 - 7 of this report.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, health and welfare, culture and recreation and conservation and development. Business-type activities include electric, water and wastewater utilities.

The government-wide financial statements include not only the City of Oconomowoc itself, but also any component units. Component units are legally separate entities for which a primary government is financially accountable. The City has not identified any component units that are required to be included.

The government-wide financial statements can be found on pages 23 - 24 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 financial 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Budgetary comparison statements are included in the basic financial statements for the general fund. Budgetary comparison schedules for special revenue funds and other capital projects funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

The basic governmental fund financial statements can be found on pages 25 - 33 of this report.

Proprietary funds. Proprietary funds generally report services for which the City charges customers a fee. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Services such as the electric, water and wastewater utilities are provided to customers external to the City organization. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its data processing, risk management, and fleet maintenance systems. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and wastewater utilities, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 34 - 36 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 37 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and individual fund statements and schedules can be found on pages 60 - 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows by \$180,278,703 at the close of the most recent fiscal year.

City of Oconomowoc's Summary of Net Position						
	Governmental Activities		Business-type Activities		Total	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Assets:						
Non-Capital assets	\$55,087,344	\$65,095,066	\$26,361,652	\$26,029,415	\$81,448,996	\$91,124,481
Capital assets	67,952,687	68,379,548	96,379,694	96,586,927	164,332,381	164,966,475
Total assets	123,040,031	133,474,614	122,741,346	122,616,342	245,781,377	256,090,956
Liabilities:						
Current and other liabilities	26,218,800	28,113,113	2,763,941	3,561,011	28,982,741	31,674,124
Long-term liabilities	17,580,240	29,452,170	6,153,698	6,896,116	23,733,938	36,348,286
Total liabilities	43,799,040	57,565,283	8,917,639	10,457,127	52,716,679	68,022,410
Deferred Inflows of Resources:						
Property taxes	12,785,995	12,481,929	-	-	12,785,995	12,481,929
Total deferred inflows	12,785,995	12,481,929	-	-	12,785,995	12,481,929
Net Position:						
Net investment in capital assets	51,289,093	49,653,615	90,641,286	90,129,144	141,930,379	139,782,759
Restricted	13,278	14,954	295,227	271,182	308,505	286,136
Unrestricted	15,152,625	13,758,833	22,887,194	21,758,889	38,039,819	35,517,722
Total net position	<u>\$ 66,454,996</u>	<u>\$ 63,427,402</u>	<u>\$ 113,823,707</u>	<u>\$ 112,159,215</u>	<u>\$ 180,278,703</u>	<u>\$ 175,586,617</u>

The largest portion of the City's net position (79%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

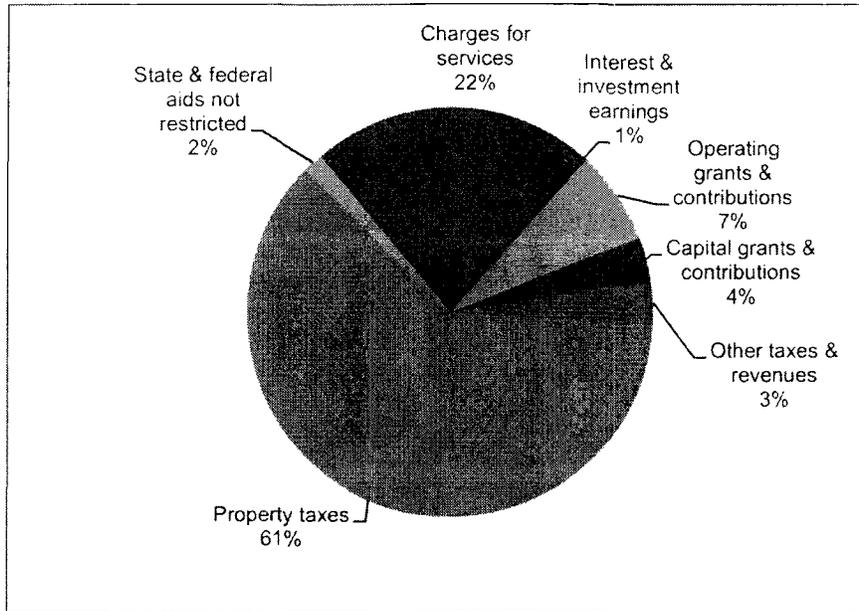
An additional portion of the City's net assets (.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$38,039,819) may be used to meet the government's ongoing obligations to citizens and creditors.

The following table provides a summary of the City's changes in net position.

City of Oconomowoc's Summary of Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Revenues:						
Program Revenues						
Charges for services	\$4,528,330	\$4,203,330	\$31,007,949	\$31,052,276	\$35,536,279	\$35,255,606
Operating grants and contributions	1,498,010	1,433,184	-	-	1,498,010	1,433,184
Capital grants and contributions	715,030	4,313,414	275,745	811,825	990,775	5,125,239
General Revenues						
Property taxes	12,453,379	12,431,797	-	-	12,453,379	12,431,797
Other taxes	385,647	375,828	-	-	385,647	375,828
State & federal aids not restricted to specific functions	336,336	325,804	-	-	336,336	325,804
Interest & investment earnings	99,425	116,693	310,853	447,462	410,278	564,155
Miscellaneous	299,351	305,072	-	-	299,351	305,072
Total Revenues	20,315,508	23,505,122	31,594,547	32,311,563	51,910,055	55,816,685
Expenses:						
General government	1,722,233	1,686,098	-	-	1,722,233	1,686,098
Public safety	6,200,876	6,124,308	-	-	6,200,876	6,124,308
Public works	5,251,866	5,157,208	-	-	5,251,866	5,157,208
Sanitation	1,206,549	1,187,665	-	-	1,206,549	1,187,665
Health and human services	65,396	51,639	-	-	65,396	51,639
Culture and recreation	3,037,207	2,956,094	-	-	3,037,207	2,956,094
Conservation and development	479,290	211,363	-	-	479,290	211,363
Interest on debt	865,729	961,798	-	-	865,729	961,798
Electric Utility	-	-	23,203,140	23,457,389	23,203,140	23,457,389
Water Utility	-	-	2,288,830	2,269,042	2,288,830	2,269,042
Wastewater Utility	-	-	2,896,853	2,765,639	2,896,853	2,765,639
Total Expenses	18,829,146	18,336,173	28,388,823	28,492,070	47,217,969	46,828,243
Transfers	1,541,232	1,395,363	(1,541,232)	(1,395,363)	-	-
Increase in net assets	3,027,594	6,564,312	1,664,492	2,424,130	4,692,086	8,988,442
Beginning net assets	63,427,402	56,863,090	112,159,215	109,735,085	175,586,617	166,598,175
Ending net assets	\$66,454,996	\$63,427,402	\$113,823,707	\$112,159,215	\$180,278,703	\$175,586,617

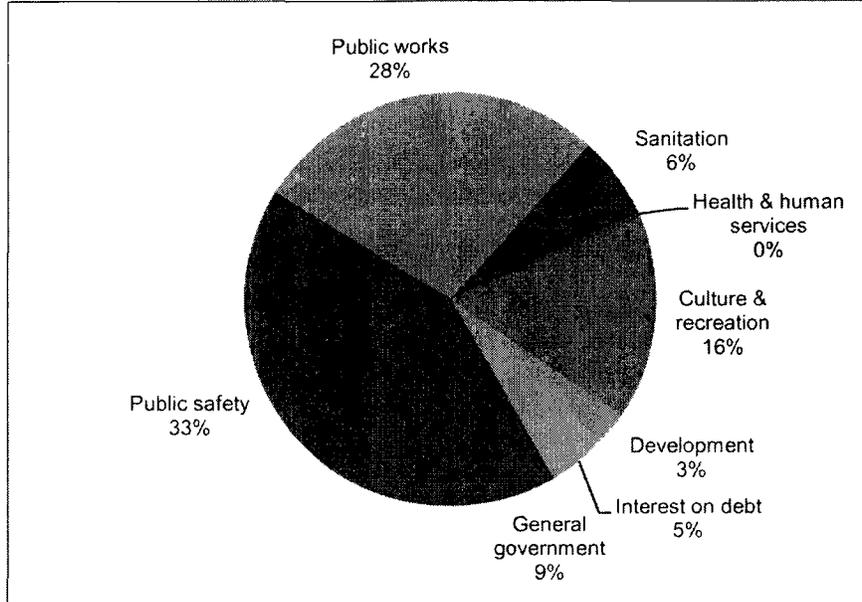
Governmental activities. Total net assets for the governmental activities increased approximately \$3.0 million during the current fiscal year. Net investment in capital assets increased 3% (approximately \$1.6 million). Capital assets purchased and contributed during the year totaled approximately \$3.5 million; however, \$1.3 million was funded through debt, including applicable debt premium. See the discussion regarding capital assets later in this analysis for further details.

GOVERNMENTAL ACTIVITIES REVENUES



As graphically portrayed above, in 2013 the City received a significant amount of its revenue from property taxes (61%). This percentage is not comparable to prior year due to a modest levy increase in 2012 and large capital grants for the new Community Center, South East Arterial Road and Old School House Road in 2012 causing higher than normal capital grants and contributions in 2012. The City also received a significant amount of its revenue from charges for services. This percentage is comparable to prior year.

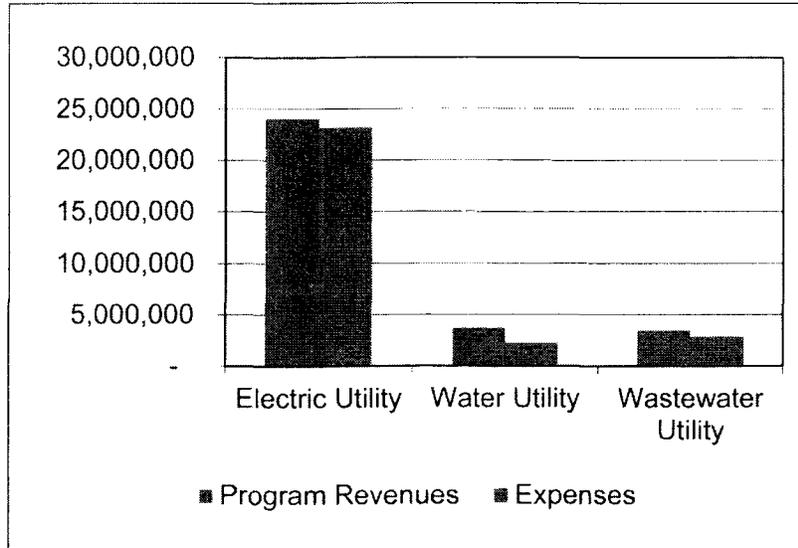
GOVERNMENTAL ACTIVITIES FUNCTIONAL EXPENSES



This graph shows the distribution by function of the total governmental activities cost of \$18,829,146. Of the total amount, public safety accounts for 33% in costs, public works 28%, and culture and recreation 16%. All of these percentages are comparable to the prior year.

Business-type activities. Total net position for the business-type activities increased approximately \$1.7 million during the current fiscal year. This increase is less than 2012 but more than previous years due to differences in capital contributions received by the each of the utilities and also the increase in the water utility's rates and usage in 2012. See the discussion regarding capital assets later in this analysis for further details.

BUSINESS TYPE ACTIVITIES
Program Revenues vs. Expenses



Business-type activities are shown above comparing costs to revenues generated by related services. Operating income from the electric, water and wastewater utilities totaled \$2,597,186. This is also less than 2012 but higher than previous years due a water rate increase that began in 2012 that is offset by drought conditions that resulted in higher than normal water sales in 2012.

Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15.7 million. Of this amount \$1.7 million is considered nonspendable based on form and \$2.9 million is restricted by outside parties for specific purposes. The significant decrease in restricted fund balance is due to the early pay-off of the TID #3 debt using available funds. See the discussion regarding long-term debt later in this analysis for further details. The Council committed a total of \$4.3 million in fund balance for future projects and spending. These commitments are not legally obligated but can only be reversed by future Council action. The Council, City Administrator and/or Finance Director assigned \$4 million for future budget items, including the City's portion of future construction projects, future dispatch maintenance costs, and carryovers of certain budget surpluses into the next year.

Total unassigned fund balance for governmental funds totals \$6.5 million. The general fund portion of the unassigned fund balance is the largest segment at \$6.6 million. The City Council adopted a reserve policy that requires an emergency reserve of 25% of the general operating fund and capital projects fund expenditures. As of the end of the year, the fund balance required under the reserve policy was \$3.5 million; therefore the remaining unassigned fund balance was \$3.2 million. This is a significant increase from last year due to the donor relationship between TID #3 and TID #4 that eliminated the negative fund balance in TID #4. All negative fund balances are included in unassigned fund balance regardless of the fund. In 2013, the positive fund balance in TID #4 is included as restricted. There are no current plans adopted by Council to use the available funds. The general fund unassigned fund balance is offset by the negative fund balance in the debt service fund and fire & EMS impact fee special revenue fund. Both are the result of internal advances that will be paid with future revenues.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$8.9 million, which is comparable to prior years. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 58% of total general fund expenditures, while total fund balance represents 78% of that same amount. Both of these percentages are also comparable to prior year.

The TID #3 capital projects fund experienced a \$12.5 million decrease in fund balance during the current year. This is the result of an early pay-off of the external debt using available funds. This TID has been very successful and was designated as a donor TID in early 2013 to assist with the struggling TID #4. Even with the donor arrangement, TID #3 will close-out in 2014, which is one year earlier than original projections when it was created.

The TID #4 capital projects fund experienced a \$2.6 million increase in fund balance during the current year due to the donor arrangement from TID #3 mentioned above.

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

Unrestricted net assets of the electric, water and wastewater utilities at the end of the year were \$22.9 million, which is comparable to last year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The net revision of the original 2013 budget for the General Fund expenditures was \$298,663. Supplemental appropriations or authorized budget amendments were approved as follows:

- Increase in General Fund Expenditure Budget
 - The Council approved \$142,647 in continuing appropriations from the 2012 budget.
 - The Council approved revenue and expenditure budget adjustments of \$44,840 for donation and grant proceeds.
 - The Council approved the use of \$1,676 in restricted fund balance for repairs at the Imagination Station Playground (in accordance with the restriction).
 - The Council approved a transfer of \$5,000 from the General Fund to the Fleet internal service fund for cash needs in the fund's first year of operation.
 - The Council approved an \$84,500 transfer from the General Fund to the Capital Projects Fund, which represents the use of General Fund fund balance for the new community center.
 - The Council approved a \$20,000 transfer from the General Fund to the Capital Projects Fund to apply unplanned revenues from a new intergovernmental agreement with an area municipality for dispatch services to the dispatch remodel project.
- No net affect on General Fund Expenditure Budget
 - The Council approved the use of \$60,000 in contingency funding for the LaBelle water quality project completed in conjunction with two other area municipalities and the lake management district. These funds were then transferred over to the capital projects fund.

The General Fund ended the year with a budget surplus of \$916,762. The surplus is composed of both favorable revenue and expenditure variances. The significant items composing the revenue surplus are as follows:

- Intergovernmental aid – transportation aids \$110,699 favorable variance: The general transportation aid received from the state is based on a formula comparing our average streets expenditures to other municipalities.
- Licenses and permits – building permits \$162,490 favorable variance: There were two large commercial projects and two multi-unit residential permits issued during the year.
- Fines and forfeits – court penalties and fines \$62,517 favorable variance: Two grants were received in 2013 that resulted in an increase in speed and seat belt enforcement tickets.
- Public charges for service – park and recreation fees \$67,767 unfavorable variance: enrollment and rentals were lower in 2013 than projected with the new community center due to the delay in opening the building and the uncertainty around timing.
- Other financing sources – transfer for municipal utility PILOT \$96,232 favorable variance: The tax rate and assessed value ratio used in the Public Service Commission required calculation was lower than budgeted.

The significant items included in the expenditure favorable variance include:

- Continuing Appropriations \$186,161 favorable variance: Council approved continuing appropriations and additional designations from the 2013 budget for projects that were not completed in the year budgeted.
- Salaries and benefits allocation \$92,432 favorable variance: Certain employees (primarily department heads) have a salary and benefit allocation to the two TIF Districts.
- Health insurance premiums \$72,408 favorable variance: Employees are given the option each year to change health plans. For 2013, several employees chose a less expensive health plan. Also, some employees changed from a family to a single plan.
- Police operations \$135,388 favorable variance: There were no major police events during the year so less over-time and part-time wages were needed.
- Inspections \$118,829 unfavorable variance: The amount we pay to the contracted building inspector is based on the building permits received during the year. See related favorable variance in building permit revenue.
- Snow and ice removal \$164,306 unfavorable variance: There were several large snow and ice events during the year that utilized a lot of City resources.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$164,332,381 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, improvements other than buildings, machinery and equipment, and infrastructure such as roads, storm sewers, bridges, and utility mains. The following table provides a summary of the City's capital assets.

City of Oconomowoc's Capital Assets Net of Accumulated Depreciation						
	Governmental Activities		Business-type Activities		Total	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Land and land rights	\$12,610,161	\$11,982,625	\$242,294	\$242,294	\$12,852,455	\$12,224,919
Land improvements	345,262	320,305	-	-	345,262	320,305
Buildings	9,159,834	9,106,552	7,235,050	5,551,380	16,394,884	14,657,932
Machinery and equipment	3,164,135	2,988,193	18,883,799	16,706,816	22,047,934	19,695,009
Infrastructure	37,624,435	35,824,279	69,690,563	68,526,688	107,314,998	104,350,967
Construction in progress	5,048,860	8,157,594	327,988	5,559,749	5,376,848	13,717,343
	<u>\$67,952,687</u>	<u>\$68,379,548</u>	<u>\$96,379,694</u>	<u>\$96,586,927</u>	<u>\$164,332,381</u>	<u>\$164,966,475</u>

Major capital asset events during the current fiscal year are as follows:

- Progress was made on several street projects during the year resulting in additional construction in progress of \$301,172 for various 2013 street projects and the final payment and reclassification for the 2012 street program totaling \$3,789,489.
- The new community center project was completed during 2013. A total of \$516,096 in various pieces of equipment and final building costs were capitalized.
- Three properties near the new community center that were owned by the City were swapped with a developer for two properties in the downtown that will be used to expand a park area. The land received was capitalized as land for a total of \$1,261,263 including demolition and related costs. Land acquisition and demolition costs were also incurred for a potential new parking lot for the community center for \$334,435.
- Progress was made on a new restroom facility at Roosevelt Park. The total cost incurred during the year was \$280,371 of which \$100,000 was funded by two grants and \$138,600 was funded by community donations.
- Two dump trucks were purchased for a total of \$268,585.
- The new computer aided dispatch (CAD) project was completed in 2013 for a cost of \$123,788.
- The Electric Utility added \$1,439,526 of infrastructure including cable replacement projects that will assist in reducing outages as well as increase the voltage to eliminate the older 4KV substations in the future.
- The Water Utility added \$445,596 of infrastructure which was mostly underground distribution mains.
- The Wastewater Utility added \$1,333,863 of infrastructure, which included the completion of a multi-year major treatment plant expansion.

Additional information on the City's capital assets can be found in Note C(4) in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$23,733,938. Of this amount, \$17,740,000 comprises debt backed by the full faith and credit of the government, \$26,633 borrowed as an unsecured note, and \$5,738,408 represents debt secured solely by specified revenue sources (i.e. revenue bonds).

City of Oconomowoc's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
General obligation debt	\$17,324,710	\$29,422,137	\$415,290	\$438,333	\$17,740,000	\$29,860,470
Notes	26,633	30,033	-	-	26,633	30,033
Revenue bonds	-	-	5,738,408	6,457,783	5,738,408	6,457,783
Subtotal	17,351,343	29,452,170	6,153,698	6,896,116	23,505,041	36,348,286
Premium	228,897	-	-	-	228,897	-
Total	<u>\$17,580,240</u>	<u>\$29,452,170</u>	<u>\$6,153,698</u>	<u>\$6,896,116</u>	<u>\$23,733,938</u>	<u>\$36,348,286</u>

During 2013 the City issued \$1.25 million in general obligation debt for the 2013 street projects, refinanced two debt issuances for a total of \$5.15 million to benefit from favorable interest rates, and completed an early payoff of \$10.9 million in TID #3 debt due to the success of the district.

Wisconsin state statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its equalized valuation. The current debt limitation for the City of Oconomowoc is \$89,999,030 of which the City has used \$17,740,000 or 20%. The debt limitation is comparable to last year because of relatively flat equalized values. The percentage of debt limitation used decreased significantly from last year due to the large payoff of the TID #3 debt.

The City maintains a bond rating of Aa2 from Moody's Investor Service for general obligation debt. The City's credit rating for utility revenue bonds remained unchanged at A2.

Additional information on the City's long-term debt can be found in Note C(6) in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The nation has begun to experience a slow recovery from the economic slowdown which continues to have affects locally. The City's overall value increased a modest .2% in 2013. The City experienced decreases in values in commercial and manufacturing but they were offset by the increase in residential values. The largest percentage change was the decrease in the manufacturing classification for 3%, which is primarily the result of a decrease in the city's assessment ratio. The largest dollar change was in residential, which is primarily due to new construction. Even with the decreases in commercial and manufacturing, the City remains well positioned to grow in the future, as referenced in the transmittal letter.

The City is located within Waukesha County which enjoys a favorable unemployment rate of 5.9% in comparison to the State of Wisconsin's rate of 6.7% and the national average of 7.4%. The City's 2012 adjusted gross income per tax return of \$78,560 also compares favorably to Wisconsin's average of \$49,900. The data for 2013 is not yet available but it is expected to be comparable to 2012. Also the City's high school graduate rate for 2010 was 96.0%, which compares favorably to Wisconsin's average of 89.4%.

These economic factors were considered in preparing the City's budget for the 2014 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Oconomowoc's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City's Finance Department at 174 E. Wisconsin Avenue, Oconomowoc, Wisconsin 53066.

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BASIC FINANCIAL STATEMENTS

CITY OF OCONOMOWOC, WISCONSIN
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 34,115,554	\$ 10,236,630	\$ 44,352,184
Receivables			
Taxes	20,024,502	-	20,024,502
Accounts (net)	778,662	2,621,463	3,400,125
Special assessments	38,508	252,130	290,638
Interest	13,948	14,828	28,776
Internal balances	(86,607)	86,607	-
Due from other governments	188,222	-	188,222
Inventories and prepaid items	14,555	1,781,214	1,795,769
Restricted cash and investments	-	8,415,516	8,415,516
Impact fees	-	2,936,226	2,936,226
Other assets	-	17,038	17,038
Capital Assets			
Land	12,610,161	242,294	12,852,455
Construction in progress	5,048,860	327,988	5,376,848
Land improvements	1,327,279	-	1,327,279
Buildings and improvements	15,015,449	13,616,937	28,632,386
Machinery and equipment	8,389,324	32,005,745	40,395,069
Infrastructure and other improvements	58,981,598	94,460,196	153,441,794
Less: Accumulated depreciation	(33,419,984)	(44,273,466)	(77,693,450)
TOTAL ASSETS	123,040,031	122,741,346	245,781,377
LIABILITIES			
Accounts payable	1,315,620	2,068,361	3,383,981
Accrued and other current liabilities	298,151	92,619	390,770
Deposits	259,759	342,575	602,334
Accrued interest payable	102,782	56,039	158,821
Due to other governments	23,042,293	-	23,042,293
Unearned revenues	1,200,195	204,347	1,404,542
Long-term Obligations			
Due within one year	848,861	774,759	1,623,620
Due in more than one year	16,731,379	5,378,939	22,110,318
TOTAL LIABILITIES	43,799,040	8,917,639	52,716,679
DEFERRED INFLOWS OF RESOURCES			
Property taxes	12,785,995	-	12,785,995
NET POSITION			
Net investment in capital assets	51,289,093	90,641,286	141,930,379
Restricted for			
Subsequent year projects	13,278	-	13,278
Plant replacement	-	295,227	295,227
Unrestricted	15,152,625	22,887,194	38,039,819
TOTAL NET POSITION	\$ 66,454,996	\$ 113,823,707	\$ 180,278,703

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

CITY OF OCONOMOWOC, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 1,722,233	\$ 862,810	\$ 2,910	\$ -	\$ (856,513)	\$ -	\$ (856,513)
Public safety	6,200,876	1,829,378	101,943	63,504	(4,206,051)	-	(4,206,051)
Public works	5,251,866	315,672	851,699	54,488	(4,030,007)	-	(4,030,007)
Sanitation	1,206,549	1,164,153	89,130	-	46,734	-	46,734
Health and human services	65,396	-	-	-	(65,396)	-	(65,396)
Culture and recreation	3,037,207	344,858	380,953	597,038	(1,714,358)	-	(1,714,358)
Conservation and development	479,290	11,459	-	-	(467,831)	-	(467,831)
Interest and fiscal charges	865,729	-	71,375	-	(794,354)	-	(794,354)
Total Governmental Activities	18,829,146	4,528,330	1,498,010	715,030	(12,087,776)	-	(12,087,776)
Business-type Activities							
Electric utility	23,203,140	24,057,575	-	11,225	-	865,660	865,660
Water utility	2,288,830	3,433,380	-	264,520	-	1,409,070	1,409,070
Wastewater utility	2,896,853	3,516,994	-	-	-	620,141	620,141
Total Business-type Activities	28,388,823	31,007,949	-	275,745	-	2,894,871	2,894,871
Total	\$ 47,217,969	\$ 35,536,279	\$ 1,498,010	\$ 990,775	(12,087,776)	2,894,871	(9,192,905)
General revenues							
Taxes							
Property taxes, levied for general purposes					6,214,967	-	6,214,967
Property taxes, levied for debt service					1,068,185	-	1,068,185
Property taxes, levied for capital projects					5,170,227	-	5,170,227
Other taxes					385,647	-	385,647
Federal and state grants and other contributions not restricted to specific functions							
Interest and investment earnings					336,336	-	336,336
Miscellaneous					99,425	310,853	410,278
Miscellaneous					299,351	-	299,351
Transfers							
Total general revenues and transfers					15,115,370	(1,230,379)	13,884,991
Change in net position					3,027,594	1,664,492	4,692,086
Net position - January 1					63,427,402	112,159,215	175,586,617
Net position - December 31					\$ 66,454,996	\$ 113,823,707	\$ 180,278,703

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

CITY OF OCONOMOWOC, WISCONSIN

Balance Sheet

Governmental Funds

December 31, 2013

	General Fund	Debt Service Fund	TID #3 Capital Projects Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 25,027,081	\$ 15,033	\$ 62,769	\$ 3,269,500	\$ 5,292,074	\$ 33,666,457
Receivables						
Taxes	20,024,502	-	-	-	-	20,024,502
Accounts (net)	432,046	-	98,531	17,099	203,181	750,857
Special assessments	38,508	-	-	-	-	38,508
Interest	13,948	-	-	-	-	13,948
Due from other funds	1,487,500	1,193,665	3,556,237	1,699,155	1,340,056	9,276,613
Due from other governments	3,615	-	-	184,607	-	188,222
Inventories and prepaid items	10,084	-	-	-	367	10,451
TOTAL ASSETS	\$ 47,037,284	\$ 1,208,698	\$ 3,717,537	\$ 5,170,361	\$ 6,835,678	\$ 63,969,558
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 452,695	\$ -	\$ 102,620	\$ 572,721	\$ 135,049	\$ 1,263,085
Accrued and other current liabilities	283,177	-	1,186	-	9,090	293,453
Deposits	259,759	-	-	-	-	259,759
Due to other funds	7,835,444	-	-	-	1,487,500	9,322,944
Due to other governments	23,042,293	-	-	-	-	23,042,293
Unearned revenues	27,425	-	-	-	1,172,770	1,200,195
Advance to other funds	-	40,276	-	-	-	40,276
Total Liabilities	31,900,793	40,276	103,806	572,721	2,804,409	35,422,005
Deferred Inflows of Resources						
Property taxes	6,158,597	1,193,665	3,556,237	1,699,155	178,341	12,785,995
Special assessments	38,508	-	-	-	-	38,508
Total Deferred Inflows of Resources	6,197,105	1,193,665	3,556,237	1,699,155	178,341	12,824,503
Fund Balances (Deficit)						
Nonspendable						
Inventories and prepaid items	10,084	-	-	-	367	10,451
Long-term receivables	1,662,000	-	-	-	-	1,662,000
Restricted						
Subsequent year projects	-	-	-	-	943	943
Future improvements	13,278	-	57,494	-	2,784,765	2,855,537
Committed						
Subsequent year projects	-	-	-	2,898,485	1,218,123	4,116,608
Health insurance	196,260	-	-	-	-	196,260
Assigned						
Subsequent year budget items	434,030	-	-	-	-	434,030
Unassigned (deficit)	6,623,734	(25,243)	-	-	(151,270)	6,447,221
Total Fund Balances (Deficit)	8,939,386	(25,243)	57,494	2,898,485	3,852,928	15,723,050
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 47,037,284	\$ 1,208,698	\$ 3,717,537	\$ 5,170,361	\$ 6,835,678	\$ 63,969,558

(Continued)

CITY OF OCONOMOWOC, WISCONSIN
 Balance Sheet (Continued)
 Governmental Funds
 December 31, 2013

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page	\$ 15,723,050
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	67,854,264
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	38,508
Internal service funds are used by management to charge the costs of data processing, risk management and fleet to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	495,563
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(17,324,710)
Premium on long term debt	(228,897)
Accrued interest on long-term obligations	(102,782)
	(18,556,394)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 23)	\$ 66,454,996

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

CITY OF OCONOMOWOC, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	Debt Service Fund	TID #3 Capital Projects Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 6,666,397	\$ 1,068,185	\$ 3,405,877	\$ 1,693,125	\$ 71,225	\$ 12,904,809
Special assessments	13,038	-	-	-	7,000	20,038
Intergovernmental	1,605,300	71,375	25,100	-	198,487	1,900,262
Licenses and permits	662,067	-	-	-	250,451	912,518
Fines and forfeits	448,560	-	-	-	14,928	463,488
Public charges for services	407,004	-	-	-	1,936,956	2,343,960
Intergovernmental charges for services	528,929	-	-	-	-	528,929
Interdepartmental charges for services	71,555	-	-	-	-	71,555
Miscellaneous	268,645	44,924	9,348	184,012	174,279	681,208
Total Revenues	10,671,495	1,184,484	3,440,325	1,877,137	2,653,326	19,826,767
Expenditures						
Current						
General government	1,137,436	-	-	-	-	1,137,436
Public safety	5,129,046	-	-	-	793,610	5,922,656
Public works	2,240,306	-	-	-	1,210,143	3,450,449
Health and human services	50,921	-	-	-	-	50,921
Culture and recreation	2,384,658	-	-	-	368,947	2,753,605
Conservation and development	451,895	-	-	-	8,447	460,342
Debt service						
Principal	-	18,520,470	-	-	-	18,520,470
Interest and fiscal charges	-	987,962	443	-	23,371	1,011,776
Capital outlay	-	-	67,149	2,940,941	334,830	3,342,920
Total Expenditures	11,394,262	19,508,432	67,592	2,940,941	2,739,348	36,650,575
Excess of Revenues Over (Under)						
Expenditures	(722,767)	(18,323,948)	3,372,733	(1,063,804)	(86,022)	(16,823,808)
Other Financing Sources (Uses)						
Long-term debt issued	-	5,150,000	-	1,250,000	-	6,400,000
Premium on debt issued	-	233,929	-	-	-	233,929
Transfers in	1,541,232	12,990,893	-	168,336	3,000,000	17,700,461
Transfers out	(173,336)	-	(15,891,193)	-	(99,700)	(16,164,229)
Total Other Financing Sources (Uses)	1,367,896	18,374,822	(15,891,193)	1,418,336	2,900,300	8,170,161
Net Change in Fund Balances	645,129	50,874	(12,518,460)	354,532	2,814,278	(8,653,647)
Fund Balances (Deficit) - January 1	8,294,257	(76,117)	12,575,954	2,543,953	1,038,650	24,376,697
Fund Balances (Deficit) - December 31	\$ 8,939,386	\$ (25,243)	\$ 57,494	\$ 2,898,485	\$ 3,852,928	\$ 15,723,050

(Continued)

CITY OF OCONOMOWOC, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2013

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (8,653,647)

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 activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay reported in governmental fund statements	\$ 3,342,920	
Outlay items not capitalized	(811,439)	
Loss on disposals	(531)	
Depreciation expense reported in the statement of activities	<u>(2,972,799)</u>	(441,849)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments of general obligation debt	\$ 18,520,470	
Principal repaid by proprietary funds	(438,333)	
Debt issued	(6,400,000)	
Debt transferred to proprietary funds	415,290	
Premium on debt issued	(233,929)	
Amortization of debt premium	<u>5,032</u>	11,868,530

Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid; in the statement of activities interest is reported as it occurs. 164,257

Revenue in the fund financial statements that are not revenue in the statement of activities but are a reduction to receivables. (1,439)

Internal service funds are used by management to charge the costs of data processing and risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. 91,742

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see page 24) \$ 3,027,594

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

CITY OF OCONOMOWOC, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Revenues and Other Financing Sources
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
General property	\$ 6,214,967	\$ 6,214,967	\$ 6,214,967	\$ -
General sales	25	25	43	18
Public accommodation	356,000	356,000	385,647	29,647
Payment in lieu of taxes				
Other tax exempt entities	28,885	28,885	28,884	(1)
Interest on taxes	38,000	38,000	36,856	(1,144)
Total Taxes	6,637,877	6,637,877	6,666,397	28,520
Special Assessments				
Sidewalks	12,500	12,500	13,038	538
Intergovernmental				
Federal				
Other public safety	725	725	-	(725)
State				
Shared revenues	243,500	243,500	244,634	1,134
Expenditure restraint program	2,840	2,840	2,845	5
Fire insurance tax	62,350	62,350	59,633	(2,717)
Exempt computer aid	31,000	31,000	31,428	428
Municipal services	2,400	2,400	2,910	510
Transportation aids	738,000	738,000	848,699	110,699
Other state grants	12,060	31,165	30,165	(1,000)
Local road improvement program	21,950	21,950	-	(21,950)
Boat safety	9,000	9,000	9,233	233
Community development block grant	10,000	10,000	-	(10,000)
County				
Library	375,230	375,230	375,753	523
Total Intergovernmental	1,509,055	1,528,160	1,605,300	77,140
Licenses and Permits				
Licenses				
Liquor and malt beverages	38,000	38,000	38,546	546
Electrical contractor	-	-	525	525
Cigarette	1,800	1,800	1,700	(100)
Operators	7,500	7,500	9,030	1,530
Soft drink	500	500	440	(60)
Sundry	4,750	4,750	4,320	(430)
Dog	3,000	3,000	2,599	(401)
Cable TV franchise payment	220,000	220,000	234,563	14,563

(Continued)

CITY OF OCONOMOWOC, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Revenues and Other Financing Sources (Continued)

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Licenses and Permits (Continued)				
Permits				
Fireworks	\$ 100	\$ 100	\$ -	\$ (100)
Building	105,000	105,000	267,490	162,490
Building plan review	1,200	1,200	2,030	830
Electrical	23,000	23,000	39,160	16,160
Plumbing	30,000	30,000	48,193	18,193
Zoning and conditional use	8,000	8,000	6,525	(1,475)
Miscellaneous	4,600	4,600	6,946	2,346
Total Licenses and Permits	447,450	447,450	662,067	214,617
Fines and Forfeits				
Court penalties and fines	330,415	330,415	392,932	62,517
Parking violations	65,000	65,000	55,628	(9,372)
Total Fines and Forfeits	395,415	395,415	448,560	53,145
Public Charges for Services				
License publication fees	885	885	960	75
Other general government	37,150	37,150	32,727	(4,423)
Vending machine commissions	1,500	1,500	1,655	155
Copying	6,200	6,200	11,534	5,334
Animal pound	100	100	96	(4)
Fire service fees	-	-	2,047	2,047
Hazardous material disposal fee	2,000	2,000	4,975	2,975
Parking permits	3,000	3,000	3,623	623
Weed and nuisance control	3,300	3,300	2,577	(723)
Park and recreation fees	412,625	412,625	344,858	(67,767)
Planning review fees	3,000	3,000	1,952	(1,048)
Total Public Charges for Services	469,760	469,760	407,004	(62,756)
Intergovernmental Charges for Services				
Police service - CSO	5,500	5,500	8,333	2,833
Police service - radio	-	20,000	20,000	-
Police service - other	7,100	7,100	12,284	5,184
Police water patrol	2,200	2,200	2,877	677
Fire services	175,000	175,000	169,761	(5,239)
Non-resident sanitary district	311,500	311,500	315,674	4,174
Total Intergovernmental Charges for Services	501,300	521,300	528,929	7,629

(Continued)

CITY OF OCONOMOWOC, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Revenues and Other Financing Sources (Continued)

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Interdepartmental Charges for Services				
Police service - radio	\$ 45,000	\$ 45,000	\$ 45,010	\$ 10
Library plowing	3,625	3,625	3,625	-
Electric and Water Utility				
Copier	11,800	11,800	11,800	-
Attorney	4,680	4,680	4,680	-
Wastewater Utility				
Copier	4,100	4,100	4,100	-
Attorney	2,340	2,340	2,340	-
Total Interdepartmental Charges for Services	71,545	71,545	71,555	10
Miscellaneous				
Interest on investments	37,000	37,000	41,402	4,402
Rent of city buildings	64,925	64,925	65,114	189
Rent of city land	2,125	2,125	4,025	1,900
Sale of city property	21,500	21,500	46,693	25,193
Sale of promotional art work	-	-	35	35
Donations from individuals/organizations	50,100	75,835	72,895	(2,940)
Donations - youth baseball	6,000	6,000	3,250	(2,750)
Donations - athletic fields	15,000	15,000	14,400	(600)
Miscellaneous revenue	20,750	20,750	20,831	81
Total Miscellaneous	217,400	243,135	268,645	25,510
Total Revenues	10,262,302	10,327,142	10,671,495	344,353
Other Financing Sources				
Transfer from other funds	225,000	225,000	225,000	-
Transfer for Municipal Utility PILOT	1,220,000	1,220,000	1,316,232	96,232
Total Other Financing Sources	1,445,000	1,445,000	1,541,232	96,232
Total Revenue and Other Financing Sources	\$ 11,707,302	\$ 11,772,142	\$ 12,212,727	\$ 440,585

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

CITY OF OCONOMOWOC, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Expenditures and Other Financing Uses
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Council	\$ 94,961	\$ 34,961	\$ 25,937	\$ 9,024
Mayor	22,890	22,890	22,999	(109)
Legal	179,667	179,667	189,130	(9,463)
Codification of ordinances	4,500	4,500	2,224	2,276
City administrator	85,652	85,652	59,518	26,134
Clerk	175,318	175,318	173,133	2,185
Licenses and permits	19,914	19,914	19,832	82
Elections	50,805	50,805	51,019	(214)
General accounting	200,796	200,796	178,438	22,358
Payroll/human resources	55,387	59,132	56,196	2,936
Treasury	81,591	81,591	73,137	8,454
Property assessment	101,226	101,226	101,342	(116)
City buildings	195,435	197,599	184,531	13,068
Total General Government	1,268,142	1,214,051	1,137,436	76,615
Public Safety				
Police				
Administration	711,327	711,472	699,369	12,103
Dispatch	406,278	407,028	404,951	2,077
Operations	2,209,440	2,242,955	2,107,567	135,388
Training and travel	19,000	19,000	6,645	12,355
Water safety patrol	13,208	13,208	5,677	7,531
Fire				
Administration	238,360	238,360	249,298	(10,938)
Suppression/hydrants	951,075	969,269	975,832	(6,563)
Prevention	142,957	142,957	134,797	8,160
Training	91,978	112,628	102,691	9,937
Maintenance	153,689	153,689	149,222	4,467
Fire Station #1	18,655	24,755	23,878	877
Fire Station #2	27,790	27,790	28,119	(329)
Inspections	101,920	101,920	220,749	(118,829)
Sealer of weights and measures	6,400	6,400	6,400	-
Emergency government	630	630	1,086	(456)
Dam maintenance	21,521	22,021	12,765	9,256
Total Public Safety	5,114,228	5,194,082	5,129,046	65,036
Public Works				
Engineering administration	287,767	292,167	307,187	(15,020)
DPW administration	467,314	467,314	374,531	92,783
Municipal garage	70,528	70,528	81,941	(11,413)
Machine and equipment maintenance	167,294	167,294	173,429	(6,135)

(Continued)

CITY OF OCONOMOWOC, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Expenditures and Other Financing Uses (Continued)

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works (Continued)				
Street maintenance	\$ 208,794	\$ 208,794	\$ 174,878	\$ 33,916
Bridges and culverts	6,604	7,279	182	7,097
Curb and gutter	1,779	1,779	3,559	(1,780)
Street cleaning	108,077	108,077	103,725	4,352
Snow and ice removal	343,004	343,004	507,310	(164,306)
Street signs and marking	98,646	98,646	74,555	24,091
Tree and brush control	130,926	130,926	65,014	65,912
Traffic control	8,468	8,468	4,165	4,303
Street lighting	252,800	252,800	255,749	(2,949)
Sidewalks and crosswalks	23,131	23,131	15,738	7,393
Storm sewers	79,729	79,729	82,808	(3,079)
Parking lots	23,232	23,232	15,535	7,697
Total Public Works	2,278,093	2,283,168	2,240,306	42,862
Health and Human Services				
Animal pound	11,448	11,448	9,352	2,096
Elderly transportation	6,000	6,000	6,000	-
Cemetery	36,968	36,968	35,569	1,399
Miscellaneous donations	500	500	-	500
Total Health and Human Services	54,916	54,916	50,921	3,995
Culture and Recreation				
Library	1,083,627	1,122,587	1,047,201	75,386
Community center	58,794	58,794	50,057	8,737
Recreation center	11,265	11,265	9,169	2,096
Parks and playgrounds	524,572	531,136	542,947	(11,811)
Recreation administration	485,650	485,650	455,588	30,062
Public concerts	5,807	5,807	5,390	417
Recreation programs	323,007	323,902	274,306	49,596
Total Culture and Recreation	2,492,722	2,539,141	2,384,658	154,483
Conservation and Development				
Weed control	14,306	14,306	18,031	(3,725)
Lakes	42,137	45,137	48,423	(3,286)
Planning and zoning	231,212	231,212	190,668	40,544
Tourism and economic development	226,256	271,326	194,773	76,553
Total Conservation and Development	513,911	561,981	451,895	110,086
Total Expenditures	11,722,012	11,847,339	11,394,262	453,077
Other Financing Uses				
Transfer to other funds	23,100	196,436	173,336	23,100
Total Expenditures and Other Financing Uses	\$ 11,745,112	\$ 12,043,775	\$ 11,567,598	\$ 476,177

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

CITY OF OCONOMOWOC, WISCONSIN

Statement of Net Position

Proprietary Funds

December 31, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Wastewater Utility	Total	
ASSETS					
Current Assets					
Cash and investments	\$ 4,230,865	\$ 1,787,571	\$ 4,218,194	\$ 10,236,630	\$ 449,097
Accounts receivable	2,058,365	271,199	291,899	2,621,463	27,805
Special assessments receivable	-	104,790	147,340	252,130	-
Due from other funds	32,936	5,589	7,806	46,331	-
Accrued interest	-	-	14,828	14,828	-
Inventories and prepaid items	1,464,139	200,156	116,919	1,781,214	4,104
Current portion of advances	187,532	-	133,954	321,486	-
Restricted assets					
Cash and investments	994,003	252,314	7,169,199	8,415,516	-
Total Current Assets	8,967,840	2,621,619	12,100,139	23,689,598	481,006
Noncurrent Assets					
Advance to other funds	2,279,574	-	1,898,563	4,178,137	-
Impact fees	-	7,542	2,928,684	2,936,226	-
Other assets	-	17,038	-	17,038	-
Capital Assets					
Land	123,062	58,625	60,607	242,294	-
Construction in progress	65,088	202,242	60,658	327,988	-
Buildings	2,713,719	973,029	9,930,189	13,616,937	-
Machinery and equipment	14,944,142	7,071,056	9,990,547	32,005,745	153,269
Improvements other than buildings	32,823,440	27,712,991	33,923,765	94,460,196	-
Accumulated depreciation	(19,193,037)	(8,369,307)	(16,711,122)	(44,273,466)	(54,846)
Total Noncurrent Assets	33,755,988	27,673,216	42,081,891	103,511,095	98,423
TOTAL ASSETS	42,723,828	30,294,835	54,182,030	127,200,693	579,429
LIABILITIES					
Current Liabilities					
Accounts payable	1,760,408	106,126	201,827	2,068,361	52,535
Accrued payroll	51,087	19,410	22,122	92,619	4,698
Deposits	54,193	287,454	928	342,575	-
Accrued interest	46,673	1,145	8,221	56,039	-
Unearned revenue	86,250	-	118,097	204,347	-
General obligation debt - current	15,865	6,460	8,740	31,065	-
Revenue bonds - current	410,000	-	333,694	743,694	-
Promissory notes - current	-	-	-	-	3,400
Advances - current	-	281,210	-	281,210	-
Total Current Liabilities	2,424,476	701,805	693,629	3,819,910	60,633
Noncurrent Liabilities					
General obligation debt	196,225	79,900	108,100	384,225	-
Revenue bonds	3,935,000	-	1,059,714	4,994,714	-
Promissory notes	-	-	-	-	23,233
Advances	-	4,178,137	-	4,178,137	-
Total Noncurrent Liabilities	4,131,225	4,258,037	1,167,814	9,557,076	23,233
TOTAL LIABILITIES	6,555,701	4,959,842	1,861,443	13,376,986	83,866
NET POSITION					
Net investment in capital assets	27,131,414	27,648,636	35,861,236	90,641,286	71,790
Restricted for					
Plant replacement	-	-	295,227	295,227	-
Unrestricted (deficit)	9,036,713	(2,313,643)	16,164,124	22,887,194	423,773
TOTAL NET POSITION	\$ 36,168,127	\$ 25,334,993	\$ 52,320,587	\$ 113,823,707	\$ 495,563

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

CITY OF OCONOMOWOC, WISCONSIN
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Wastewater Utility	Total	
Operating Revenues					
Charges for services	\$ 23,952,827	3,222,203	3,070,358	\$ 30,245,388	\$ 1,232,832
Other	50,052	209,435	22,574	282,061	51,955
Total Operating Revenues	24,002,879	3,431,638	3,092,932	30,527,449	1,284,787
Operating Expenses					
Pumping	-	253,157	-	253,157	-
Purchased power	18,746,640	-	-	18,746,640	-
Water treatment	-	83,005	-	83,005	-
Collection	-	-	179,673	179,673	-
Treatment and disposal system	-	-	827,607	827,607	-
Transmission and distribution	1,052,628	491,927	-	1,544,555	-
Customer accounts	390,912	50,456	-	441,368	-
Sales	3,380	10,813	-	14,193	-
Administrative and general	1,081,955	535,056	783,577	2,400,588	1,176,752
Depreciation	1,540,097	636,936	1,033,393	3,210,426	22,412
Amortization	27,663	-	-	27,663	-
Taxes	175,098	26,290	-	201,388	-
Total Operating Expenses	23,018,373	2,087,640	2,824,250	27,930,263	1,199,164
Operating Income	984,506	1,343,998	268,682	2,597,186	85,623
Nonoperating Revenues (Expenses)					
Interest revenue	136,893	14,718	159,242	310,853	1,119
Sewer availability charge	-	-	424,062	424,062	-
Interest and fiscal charges	(184,767)	(201,190)	(72,603)	(458,560)	-
Merchandising and jobbing	54,696	1,742	-	56,438	-
Total Nonoperating Revenues (Expenses)	6,822	(184,730)	510,701	332,793	1,119
Income Before Contributions and Transfers	991,328	1,159,268	779,383	2,929,979	86,742
Capital contributions	11,225	264,520	-	275,745	-
Transfers in	-	-	-	-	5,000
Transfers out	(850,187)	(541,045)	(150,000)	(1,541,232)	-
Change in Net Position	152,366	882,743	629,383	1,664,492	91,742
Net Position - January 1	36,015,761	24,452,250	51,691,204	112,159,215	403,821
Net Position - December 31	\$ 36,168,127	\$ 25,334,993	\$ 52,320,587	\$ 113,823,707	\$ 495,563

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

CITY OF OCONOMOWOC, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Wastewater Utility	Total	
Cash Flows from Operating Activities					
Cash received from customers	\$ 24,039,532	\$ 3,418,781	\$ 3,071,433	\$ 30,529,746	\$ 1,232,832
Cash paid to suppliers	(19,649,489)	(469,717)	(1,420,488)	(21,539,694)	(930,589)
Cash paid to and on behalf of employees	(1,711,176)	(808,842)	(644,675)	(3,164,693)	(175,758)
Net Cash Provided by Operating Activities	2,678,867	2,140,222	1,006,270	5,825,359	126,485
Cash Flows from Non-Capital Financing Activities					
Repayment of advances to other funds	178,490	-	89,382	267,872	-
Principal paid on unfunded pension liability bonds	(223,858)	(91,152)	(123,323)	(438,333)	-
Interest paid on unfunded pension liability bonds	(11,753)	(4,786)	(6,474)	(23,013)	-
Interest on deposits	(110)	-	-	(110)	-
Proceeds of unfunded pension liability bonds	212,090	86,360	116,840	415,290	-
Transfers from municipality	-	-	-	-	5,000
Transfers to municipality	(850,187)	(541,045)	(150,000)	(1,541,232)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(695,328)	(550,623)	(73,575)	(1,319,526)	5,000
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(1,475,564)	(438,734)	(1,411,705)	(3,326,003)	(37,400)
Proceeds from sale of capital assets	40,577	-	-	40,577	-
Principal paid on long term debt	(395,000)	-	(324,375)	(719,375)	(3,400)
Interest paid on long term debt	(183,347)	-	(44,692)	(228,039)	-
Interest paid on advances	-	(199,049)	(26,566)	(225,615)	-
Repayment of advances from other funds	-	(267,872)	-	(267,872)	-
Capital contributions	11,225	55,241	528,693	595,159	-
Net Cash Used by Capital and Related Financing Activities	(2,002,109)	(850,414)	(1,278,645)	(4,131,168)	(40,800)
Cash Flows from Investing Activities					
Interest received on investments	140,708	14,718	164,861	320,287	1,119
Increase (Decrease) in Cash and Cash Equivalents	122,138	753,903	(181,089)	694,952	91,804
Cash and Cash Equivalents - January 1	5,102,730	1,285,982	11,568,482	17,957,194	357,293
Cash and Cash Equivalents - December 31	\$ 5,224,868	\$ 2,039,885	\$ 11,387,393	\$ 18,652,146	\$ 449,097
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	\$ 984,506	\$ 1,343,998	\$ 268,682	\$ 2,597,186	\$ 85,623
Adjustments to reconcile operating income to net cash provided by operations					
Depreciation and amortization	1,567,760	636,936	1,033,393	3,238,089	22,412
Depreciation charged directly to operating expenses	160,422	84,827	16,845	262,094	-
Merchandising and jobbing	54,696	1,742	-	56,438	-
Changes in assets and liabilities					
Accounts receivable	38,173	(12,352)	17,849	43,670	22,268
Due from other funds	4,310	2,649	38,045	45,004	-
Inventories and prepaid items	87,161	11,615	6,476	105,252	(1,363)
Other assets	-	(9,320)	-	(9,320)	-
Accounts payable	(210,955)	79,542	(378,472)	(509,885)	(6,798)
Accrued payroll	9,921	1,090	2,524	13,535	4,343
Unearned revenue	(15,607)	-	-	(15,607)	-
Deposits	(1,520)	(505)	928	(1,097)	-
Net Cash Provided by Operating Activities	\$ 2,678,867	\$ 2,140,222	\$ 1,006,270	\$ 5,825,359	\$ 126,485
Reconciliation of cash and cash equivalents to the statement of net position:					
Unrestricted cash and investments	\$ 4,230,865	\$ 1,787,571	\$ 4,218,194	\$ 10,236,630	\$ 449,097
Restricted cash and investments	994,003	252,314	7,169,199	8,415,516	-
Total Cash and Cash Equivalents	\$ 5,224,868	\$ 2,039,885	\$ 11,387,393	\$ 18,652,146	\$ 449,097
NONCASH CAPITAL ACTIVITIES					
Cost of Utility plant installed and/or financed by external parties	\$ 171,717	\$ 264,520	\$ -	\$ 436,237	\$ -

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

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The City of Oconomowoc is a municipal corporation governed by an elected eight-member council. Included in the City's operations (the primary government) are the City's electric, water and wastewater utilities. In accordance with GAAP, the basic financial statements are required to include the City (the primary government) and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise and internal service funds. 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

This is the City's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

DEBT SERVICE FUND

This fund is used to account for financial resources to be used for the payment of general obligation bonds and notes issued by the City.

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TID #3 CAPITAL PROJECTS FUND

This fund is used to account for transactions of Tax Increment District #3.

CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND

This fund is used to account for general City capital improvements transactions.

The City reports the following major enterprise funds:

ELECTRIC UTILITY

This fund accounts for the provision of electric service to residents, public authorities and business entities.

WATER UTILITY

This fund accounts for the provision of water service to residents, public authorities and business entities.

WASTEWATER UTILITY

This fund accounts for the provision of wastewater collection and treatment services to residents, public authorities, business entities and surrounding sanitary districts.

Additionally, the government reports the following fund type:

Internal service funds account for data processing services, risk management and fleet maintenance services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

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

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

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 City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined on the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of the investments in the Wisconsin Local Government Investment Pool are considered the same as the value of the pool shares. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable has been shown as net of allowance for uncollectible accounts of \$48,415.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are offset by nonspendable fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

	Governmental Activities	Business-type Activities
	Years	
<u>Assets</u>		
Land improvements	15 - 20	-
Buildings	30 - 40	12 - 47
Machinery and equipment	2 - 20	5 - 45
Improvements other than buildings	-	26 - 77
Infrastructure and other improvements	20 - 40	-

g. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. 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.

Employees earn vacation time after one year of continuous service to the City. Any amounts earned must be used by the employee's anniversary date. Sick leave is earned at the rate of one and one half days for each month of service and may be accumulated to a maximum of 90 days.

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The City also has one additional type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

i. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net position. Bond premiums and discounts, where material, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the City Council through the passage of a resolution. These constraints can only be removed or changed by the City Council using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of City management. The City Council has authorized the City Administrator and Finance Director to assign fund balance.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The City adopted a fund balance spend-down policy which addresses the order in which fund balance will be utilized. The policy indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

The City has adopted a minimum fund balance policy. The policy establishes the minimum general fund balance equal to 25% of the subsequent year's budgeted expenditures of the General Fund and the Capital Improvements Capital Projects Fund. The minimum fund balance at December 31, 2013 is \$3,469,579.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Amount of net position that are subject to restrictions that are imposed 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 - Net position that is neither classified as restricted nor as invested in capital assets, net of related debt.

k. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to September 15, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, special revenue, debt service and capital projects funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget amendments totaling \$1,784,491 were made during the year. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. The budget as enacted includes total expenditures at the function level. A function can be a department, fund, program or other activity. For example, the General Fund reports budget information by various departments, and programs and activities within some departments. Special revenue funds generally report budget information by program of the fund. Capital projects funds generally report budget information by activity. Expenditures cannot legally exceed appropriations at this level. The General Fund, Ambulance, Garbage and Refuse, Park Land Acquisition, Park Land Improvement, Transportation Impact Fees, Police Impact Fees, Fire & EMS Impact Fees, Park Facilities Impact Fees, Woodcreek Stormwater, Concert Series, and Community Development Special Revenue Funds, Debt Service Fund, and TID #3, TID #4, and Capital Improvements Capital Projects Funds have legally adopted budgets.
- d. Transfers from contingency or between functions require initial approval by management and are subsequently authorized by the City Council.
- e. During the year, formal budgetary integration is employed as a management control device for the general fund, certain special revenue funds, the debt service fund, and certain capital projects funds. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2013.

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the general, special revenue, capital projects, and debt service funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2013 as follows:

Fund	Excess Expenditures
General Fund	
General Government	
Mayor	\$ 109
Legal	9,463
Elections	214
Property assessment	116
Public Safety	
Fire administration	10,938
Suppression/hydrants	6,563
Fire station #2	329
Inspections	118,829
Emergency government	456
Public Works	
Engineering administration	15,020
Municipal garage	11,413
Machine and equipment maintenance	6,135
Curb and gutter	1,780
Snow and ice removal	164,306
Street lighting	2,949
Storm sewers	3,079
Culture and Recreation	
Parks and playgrounds	11,811
Conservation and Development	
Weed control	3,725
Lakes	3,286
Debt Service Fund	
Interest and fiscal charges	131,907
Woodcreek Stormwater Special Revenue Fund	
Public works	751
TID #3 Capital Projects Fund	
General government	34,392
Conservation and development	12,201
Interest and fiscal charges	443
TID #4 Capital Projects Fund	
Conservation and development	133,397

The above excess expenditures were funded using favorable revenue variances, available fund balance in the general, special revenue and capital projects funds, and expected future revenues of the debt service fund.

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements
December 31, 2013

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

3. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2013:

Fund	Deficit Fund Equity
Debt Service Fund	\$ 25,243
Fire & EMS Impact Fees Special Revenue Fund	151,270

The City anticipates funding the above deficits from future revenues and tax levies of the fund.

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the City's cash and investments totaled \$52,767,700 on December 31, 2013 as summarized below:

Petty cash and cash on hand	\$ 6,915
Deposits with financial institutions	11,045,839
Investments	41,714,946
	<u>\$ 52,767,700</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 44,352,184
Restricted cash and investments	8,415,516
	<u>\$ 52,767,700</u>

Deposits and investments of the City are subject to various risks. Presented below is a discussion of the specific risks and the City's policy related to the risk.

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. City policy requires that any deposits in excess of \$500,000 in any single financial institution be approved by the City Council.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2013, \$2,823,773 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The City does not have an additional credit risk policy. Presented below is the actual rating as of year end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Not Rated
Money Market Mutual Funds	\$ 539,549	\$ -	\$ -	\$ 539,549
Federal Home Loan Mortgage Corporation	262,141	-	262,141	-
Federal Home Loan Bank	294,663	-	294,663	-
Federal National Mortgage Association	1,567,012	-	1,567,012	-
Government National Mortgage Association	676,646	676,646	-	-
Small Business Administration	796,617	-	796,617	-
U.S. Treasury Notes	980,156	980,156	-	-
Wisconsin Local Government Investment Pool	36,598,162	-	-	36,598,162
Totals	\$ 41,714,946	\$ 1,656,802	\$ 2,920,433	\$ 37,137,711

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. The City did not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Money Market Mutual Funds	\$ 539,549	\$ 539,549	\$ -	\$ -	\$ -
Federal Home Loan Mortgage Corporation	262,141	-	-	-	262,141
Federal Home Loan Bank	294,663	-	-	294,663	-
Federal National Mortgage Association	1,567,012	-	-	200,986	1,366,026
Government National Mortgage Association	676,646	-	-	-	676,646
Small Business Administration	796,617	-	-	125,694	670,923
U.S. Treasury Notes	980,156	688,298	-	291,858	-
Wisconsin Local Government Investment Pool	36,598,162	36,598,162	-	-	-
Totals	\$ 41,714,946	\$ 37,826,009	\$ -	\$ 913,201	\$ 2,975,736

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$36,598,162 at year-end. 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, 2013, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in three equal installments on or before January 31, April 30 and July 31. Real estate taxes not paid by July 31 are purchased by the County as part of the August tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

The City bills and collects its own property taxes and also collects taxes levied by the Oconomowoc Area School District, Waukesha County, Waukesha County Area Technical College, Lac La Belle Management District, Fowler Lake Management District and the State of Wisconsin. All tax collections and remittances are accounted for in the general fund.

3. Restricted Assets

Restricted assets on December 31, 2013 totaled \$8,415,516 and consisted of cash and investments held for the following purposes:

Enterprise Funds

Electric Utility

Revenue bond reserve	\$ 939,810
Customer deposits	54,193

Water Utility

Expansion reserve	252,314
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Wastewater Utility

Expansion reserve	6,873,973
Replacement reserve	295,226

Total Enterprise Funds

<u>\$ 8,415,516</u>

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,982,625	\$ 1,595,698	\$ 968,162	\$ 12,610,161
Construction in progress	8,157,594	725,799	3,834,533	5,048,860
Total capital assets, not being depreciated	<u>20,140,219</u>	<u>2,321,497</u>	<u>4,802,695</u>	<u>17,659,021</u>
Capital assets, being depreciated:				
Land improvements	1,274,124	53,155	-	1,327,279
Buildings	14,563,787	451,662	-	15,015,449
Machinery and equipment	7,932,093	748,447	291,216	8,389,324
Infrastructure	55,184,783	3,796,815	-	58,981,598
Subtotals	<u>78,954,787</u>	<u>5,050,079</u>	<u>291,216</u>	<u>83,713,650</u>
Less accumulated depreciation for:				
Land improvements	953,819	28,198	-	982,017
Buildings	5,457,235	398,380	-	5,855,615
Machinery and equipment	4,943,900	571,974	290,685	5,225,189
Infrastructure	19,360,504	1,996,659	-	21,357,163
Subtotals	<u>30,715,458</u>	<u>2,995,211</u>	<u>290,685</u>	<u>33,419,984</u>
Total capital assets, being depreciated, net	<u>48,239,329</u>	<u>2,054,868</u>	531	<u>50,293,666</u>
Governmental activities capital assets, net	<u>\$ 68,379,548</u>	<u>\$ 4,376,365</u>	<u>\$ 4,803,226</u>	67,952,687
Less related long-term debt outstanding				<u>16,663,594</u>
Net investment in capital assets				<u>\$ 51,289,093</u>

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 242,294	\$ -	\$ -	\$ 242,294
Construction in progress	5,559,749	1,399,701	6,631,462	327,988
Total capital assets, not being depreciated	<u>5,802,043</u>	<u>1,399,701</u>	<u>6,631,462</u>	<u>570,282</u>
Capital assets, being depreciated:				
Buildings	11,618,837	1,998,100	-	13,616,937
Machinery and equipment	29,410,323	3,237,350	641,928	32,005,745
Improvements other than buildings	91,551,988	3,302,175	393,967	94,460,196
Subtotals	<u>132,581,148</u>	<u>8,537,625</u>	<u>1,035,895</u>	<u>140,082,878</u>
Less accumulated depreciation for:				
Buildings	6,067,457	314,430	-	6,381,887
Machinery and equipment	12,703,507	1,048,317	629,878	13,121,946
Improvements other than buildings	23,025,300	2,109,773	365,440	24,769,633
Subtotals	<u>41,796,264</u>	<u>3,472,520</u>	<u>995,318</u>	<u>44,273,466</u>
Total capital assets, being depreciated, net	<u>90,784,884</u>	<u>5,065,105</u>	<u>40,577</u>	<u>95,809,412</u>
Business-type activities capital assets, net	<u>\$ 96,586,927</u>	<u>\$ 6,464,806</u>	<u>\$ 6,672,039</u>	96,379,694
Less related long-term debt outstanding				<u>5,738,408</u>
Net investment in capital assets				<u>\$ 90,641,286</u>

Depreciation expense was charged to functions of the City as follows:

Governmental activities		
General government		\$ 44,049
Public safety		333,430
Public works		2,175,664
Culture and recreation		442,068
Total depreciation expense - governmental activities		<u>\$ 2,995,211</u>

	Depreciation Charged to Expense	Depreciation Charged to Operations	Total Depreciation
Business-type activities			
Electric utility	\$ 1,540,097	\$ 160,422	\$ 1,700,519
Water utility	636,936	84,827	721,763
Wastewater utility	1,033,393	16,845	1,050,238
Total depreciation expense - business-type activities	<u>\$ 3,210,426</u>	<u>\$ 262,094</u>	<u>\$ 3,472,520</u>

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2013 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds		
General Fund	\$ 1,487,500	\$ 7,835,444
Debt Service Fund	1,193,665	-
TID #3 Capital Projects Fund	3,556,237	-
Capital Improvements Capital Projects Fund	1,699,155	-
Nonmajor Governmental Funds	1,340,056	1,487,500
Subtotal	<u>9,276,613</u>	<u>9,322,944</u>
Enterprise Funds		
Electric utility	32,936	-
Water utility	5,589	-
Wastewater utility	7,806	-
Subtotal	<u>46,331</u>	<u>-</u>
Totals	<u><u>\$ 9,322,944</u></u>	<u><u>\$ 9,322,944</u></u>
Advances		
Electric utility	\$ 2,467,106	\$ -
Wastewater utility	2,032,517	-
Water utility	-	4,459,347
Debt service fund	-	40,276
	<u>\$ 4,499,623</u>	<u>\$ 4,499,623</u>

The outstanding balances between funds result mainly 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. The amount of advances scheduled to be collected in the subsequent year is \$321,486.

Interfund transfers for the year ended December 31, 2013 were as follows:

	Transfer to:					Totals
	General Fund	Debt Service Fund	TID #4 Capital Projects Fund	Capital Improvements Fund	Internal Service Fund - Fleet	
Transfers from:						
General Fund	\$ -	\$ -	\$ -	\$ 168,336	\$ 5,000	\$ 173,336
TID #3 Capital Projects Fund	-	12,891,193	3,000,000	-	-	15,891,193
TID #4 Capital Projects Fund	-	99,700	-	-	-	99,700
Electric Utility	850,187	-	-	-	-	850,187
Water Utility	541,045	-	-	-	-	541,045
Wastewater Utility	150,000	-	-	-	-	150,000
Totals	<u>\$ 1,541,232</u>	<u>\$ 12,990,893</u>	<u>\$ 3,000,000</u>	<u>\$ 168,336</u>	<u>\$ 5,000</u>	<u>\$ 17,705,461</u>

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2013:

	Outstanding 1/1/13	Issued	Retired	Outstanding 12/31/13	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 24,437,137	\$ 4,734,710	\$ 18,082,137	\$ 11,089,710	\$ 713,935
Notes	4,985,000	1,250,000	-	6,235,000	110,000
Total General Obligation Debt	29,422,137	5,984,710	18,082,137	17,324,710	823,935
WPPI Note Payable	30,033	-	3,400	26,633	3,400
Premium on Long-Term Debt	-	233,929	5,032	228,897	21,526
Governmental activities Long-term obligations	<u>\$ 29,452,170</u>	<u>\$ 6,218,639</u>	<u>\$ 18,090,569</u>	<u>\$ 17,580,240</u>	<u>\$ 848,861</u>
Business-type activities:					
General Obligation Debt					
Bonds	\$ 438,333	\$ 415,290	\$ 438,333	\$ 415,290	\$ 31,065
Revenue bonds					
Sewer mortgage	1,717,783	-	324,375	1,393,408	333,694
Electric mortgage	4,740,000	-	395,000	4,345,000	410,000
Business-type activities Long-term obligations	<u>\$ 6,896,116</u>	<u>\$ 415,290</u>	<u>\$ 1,157,708</u>	<u>\$ 6,153,698</u>	<u>\$ 774,759</u>

Total interest paid during the year on long-term debt totaled \$1,105,834.

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$2,525,000 street improvement bonds issued 7/7/11; \$135,000 to \$220,000 due annually through 2026; interest 1.50% to 3.75%	\$ 2,295,000
\$4,285,000 general obligation bonds issued 12/18/12; \$190,000 to \$275,000 due annually through 2031; interest 1.00% to 2.875%	4,060,000
\$1,270,000 general obligation bonds issued 8/21/13; \$95,000 to \$140,000 due annually through 2024; interest 3.00% to 4.50%	1,270,000
\$3,880,000 general obligation bonds issued 11/01/13; \$325,000 to \$400,000 due annually through 2024; interest 1.00% to 3.00%	<u>3,880,000</u>
Total Bonds	<u><u>11,505,000</u></u>

Notes

\$4,985,000 refunding notes issued 11/15/11; \$4,985,000 due in 2016; interest 2.0%	4,985,000
\$1,250,000 general obligation notes issued 8/21/13; \$110,000 to \$140,000 due annually through 2023; interest 1.50% to 3.00%	<u>1,250,000</u>
Total Notes	<u><u>6,235,000</u></u>

Total Outstanding General Obligation Debt \$ 17,740,000

Annual principal and interest maturities of the outstanding general obligation debt of \$17,740,000 on December 31, 2013 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 823,935	\$ 408,818	\$ 31,065	\$ 16,320	\$ 855,000	\$ 425,138
2015	842,300	396,981	32,700	13,685	875,000	410,666
2016	5,840,665	379,772	34,335	12,679	5,875,000	392,451
2017	870,665	261,223	34,335	11,651	905,000	272,874
2018	904,030	241,729	35,970	10,596	940,000	252,325
2019 - 2023	4,893,895	832,507	201,105	32,116	5,095,000	864,623
2024 - 2028	2,344,220	241,629	45,780	1,031	2,390,000	242,660
2029 - 2031	805,000	34,984	-	-	805,000	34,984
	<u>\$ 17,324,710</u>	<u>\$ 2,797,643</u>	<u>\$ 415,290</u>	<u>\$ 98,078</u>	<u>\$ 17,740,000</u>	<u>\$ 2,895,721</u>

Current Refunding

On August 21, 2013, the City issued \$1,270,000 of taxable general obligation refunding bonds to refinance the outstanding balance of the 2004 State Trust Fund loan. The refinancing was undertaken to reduce total debt service payments by \$163,316 and to obtain an economic gain (difference between the present value of the of the debt service payments of the refunded and refunding debt) of \$128,695.

On November 1, 2013, the City issued \$3,880,000 general obligation refunding bonds to refinance the outstanding balance of the 2009 general obligation Build America Bonds (BAB). The refinancing was undertaken to reduce total debt service payments by \$711,274 (or \$266,296 if the BAB subsidy remained in effect) and to obtain an economic gain (difference between the present value of the of the debt service payments of the refunded and refunding debt) of \$613,431 (or \$231,511 if the BAB subsidy remained in effect).

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2013 was \$72,259,030 as follows:

Equalized valuation of the City	\$ 1,799,980,600
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	89,999,030
Total outstanding general obligation debt applicable to debt limitation	<u>17,740,000</u>
Legal Margin for New Debt	<u><u>\$ 72,259,030</u></u>

WPPI Note Payable

The City entered into a loan agreement with WPPI Energy, a Wisconsin municipal electric company to upgrade the City's accounting software. The loan was recorded in the Data Processing Services internal service fund. The loan is payable monthly in the amount of \$283 with no interest being charged. The annual principal payments are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2014	\$ 3,400	\$ -	\$ 3,400
2015	3,400	-	3,400
2016	3,400	-	3,400
2017	3,400	-	3,400
2018	3,400	-	3,400
2019-2021	9,633	-	9,633
	<u>\$ 26,633</u>	<u>\$ -</u>	<u>\$ 26,633</u>

Revenue Bonds

Revenue bonds outstanding on December 31, 2013 totaled \$5,738,408 and were composed of the following:

\$5,449,057 State of Wisconsin Clean Water Fund Loan issued 6/25/97; \$333,694 to \$363,289 due annually through 2017; interest 2.873%	\$ 1,393,408
\$6,165,000 Electric system mortgage revenue bonds issued 12/27/07; \$410,000 to \$565,000 due annually through 2022; interest 4.0% to 4.15%	<u>4,345,000</u>
Total Revenue Bonds	<u><u>\$ 5,738,408</u></u>

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding revenue bonds on December 31, 2013 are as detailed below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2014	\$ 743,694	\$ 202,487	\$ 946,181
2015	768,281	176,062	944,343
2016	798,144	148,658	946,802
2017	823,289	120,266	943,555
2018	480,000	96,248	576,248
2019 - 2022	2,125,000	179,006	2,304,006
	<u>\$ 5,738,408</u>	<u>\$ 922,727</u>	<u>\$ 6,661,135</u>

The City has issued mortgage revenue bonds, the proceeds of which were used to provide financing for the construction or acquisition capital assets used by the electric and wastewater enterprise funds. The City has pledged future net customer revenues, (generally defined as operating income plus depreciation expense), to repay the wastewater and electric system revenue bonds. The net customer revenues pledged would be 125% of the annual debt service requirements. The bonds are payable solely from customer net revenues.

The total principal and interest remaining to be paid on the wastewater bonds is \$1,474,891 and annual net customer revenues have been pledged through 2017. Principal and interest paid for the current year and total customer net revenues for the wastewater bonds were \$369,067 and \$1,461,317, respectively.

The total principal and interest to be paid on the electric bonds is \$5,186,244 and annual customer net revenues have been pledged through 2022. Principal and interest paid for the current year and total customer net revenues for the electric bonds were \$578,348 and \$2,689,159, respectively.

7. Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2013 there were seven Industrial Revenue Bond issues outstanding with an aggregate principal amount payable of \$15,723,677.

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire, are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2013	
	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives & Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for City employees covered by the WRS for the year ended December 31, 2013 was \$7,445,148; the employer's total payroll was \$7,560,027. The total required contribution for the year ended December 31, 2013 was \$1,058,737, which consisted of \$563,544 or 7.57% of covered payroll from the employer, and \$495,193, or 6.65% of covered payroll from employees. Total contributions for the years ended December 31, 2012 and 2011 were \$943,224 and \$917,386, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin 53707-7931.

2. Risk Management

The City has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; or acts of God. The cost of insurance premiums is recorded as an expenditure or expense in various funds of the City. Settlements have not exceeded insurance coverage for each of the past three years. There have also been no significant changes in insurance coverage from the prior year.

CITY OF OCONOMOWOC, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

3. Tax Incremental Districts

The City has established separate capital project funds for Tax Incremental Districts No. 3 (TID 3) and No. 4 (TID 4) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within the District was "frozen" and increment taxes resulting from increases to the property tax base is used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements.

Since creation of the above Districts, the City has provided various financing sources. Detail of the amounts recoverable by the City as of December 31, 2013 from future excess tax increment revenues follows:

	TID No. 3	TID No. 4
Eligible recoverable project costs financed and recorded in capital projects fund	\$ -	\$ 3,617,766

The intent of the City is to recover the above amount from future TID tax increments, if any, prior to termination of the District. TID 3 has a statutory termination year of 2024, but the City terminated the District in 2014. TID 4 has a statutory termination year of 2030.

4. WPPI Energy Contract (WPPI)

The City of Oconomowoc Utilities purchases its electric requirements from WPPI Energy (WPPI). WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act, Sec. 66.0825 of the Wisconsin Statutes (the Act). WPPI's purposes include providing an adequate, economical and reliable supply of electric energy to its members.

The City of Oconomowoc Utilities is one of 51 members of WPPI located throughout the State of Wisconsin and Upper Michigan and Iowa. On December 31, 1989, each of WPPI's members, including the City of Oconomowoc, commenced purchasing electric service from WPPI under a new Long-term Power Supply Contract for Participating Members (the Long-term Contract) under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term. The contract was amended during 2002 to extend the term of the contract through 2037.

Under the Long-term Contract, the City of Oconomowoc Utilities and the other members of WPPI are required to pay for all power and energy requirements supplied or made available by WPPI at rates sufficient to cover all of WPPI's revenue requirement which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPPI's subsequent year's rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality.

The City of Oconomowoc Utilities has agreed to charge rates to the retail ratepayers of its electric system sufficient to meet its obligations to WPPI. The Long-term Contract provides that all payments to WPPI under the Contract constitute operating expenses of the City of Oconomowoc Utilities electric system payable from any operating and maintenance fund established by the City of Oconomowoc Utilities.

The Long-term Contract may be terminated by either party upon five years prior written notice effective at the end of the initial thirty-five year term, or at any other time thereafter, provided that no WPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

Total purchases under this arrangement amounted to \$18,746,640 in 2013.

CITY OF OCONOMOWOC, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

5. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2013 and 2014 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2013 budget was 0.945%. The actual limit for the City for the 2014 budget was 0.617%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

6. Contingencies

From time to time, the City is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and 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.

APPENDIX B

**PROPOSED FORM OF LEGAL OPINION
FOR THE NOTES**

LEGAL OPINION

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

December 16, 2014

Re: City of Oconomowoc, Wisconsin ("Issuer")
\$1,150,000 General Obligation Promissory Notes,
dated December 16, 2014 ("Notes")

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

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

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2015	\$110,000	1.50%
2016	105,000	1.50
2017	105,000	2.00
2018	110,000	2.00
2019	110,000	2.00
2020	115,000	2.00
2021	120,000	2.50
2022	120,000	2.50
2023	125,000	2.50
2024	130,000	2.50

Interest is payable semi-annually on April 1 and October 1 of each year commencing on April 1, 2015.

The Notes maturing on April 1, 2023 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on April 1, 2022 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

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

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

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

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

3. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Notes is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

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

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

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

QUARLES & BRADY LLP

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APPENDIX C

**CONTINUING DISCLOSURE CERTIFICATE
FOR THE NOTES**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Oconomowoc, Waukesha County, Wisconsin (the "Issuer") in connection with the issuance of \$1,150,000 General Obligation Promissory Notes, dated December 16, 2014 (the "Securities"). The Securities are being issued pursuant to a Resolution adopted by the Governing Body of the Issuer on December 2, 2014 (the "Resolution") and delivered to UMB Bank N.A. (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

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

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

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

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

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

"Final Official Statement" means the Final Official Statement dated December 2, 2014 delivered in connection with the Securities, which is available from the MSRB.

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

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

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

"Issuer Contact" means the Finance Director of the Issuer who can be contacted at City Hall, 174 East Wisconsin Avenue, P.O. Box 27, Oconomowoc, WI 53066, phone (262) 569-2186, fax (262) 569-3238.

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

"MSRB" means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

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

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

"SEC" means the Securities and Exchange Commission.

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

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ends December 31, 2014, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

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

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

1. Outstanding Debt Summary
2. Debt Ratios (including Equalized Value)

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

Section 5. Reporting of Material Events.

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

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

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent

or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

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

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

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

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

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to the MSRB an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to the MSRB of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with 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 Material 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 Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

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

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

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

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 16th day of December, 2014.

James Daley
Mayor

(SEAL)

Diane Coenen
City Clerk