

FINAL OFFICIAL STATEMENT DATED NOVEMBER 17, 2015

NEW ISSUES (BOOK ENTRY ONLY)
NOT BANK QUALIFIED

INVESTMENT RATING: "Aaa"
MOODY'S INVESTORS SERVICE, INC.

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 Series 2015B Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "LEGAL MATTERS - Tax Exemption - Series 2015B Bonds" herein for a more detailed discussion of some of the federal income tax consequences of owning the Series 2015B Bonds. The interest on the Series 2015B Bonds is not exempt from present Wisconsin income or franchise taxes. The Series 2015B Bonds will not be designated by the City as "Qualified Tax Exempt Obligations" for purposes of Section 265(b)(3) of the Code.

In the opinion of Quarles & Brady LLP, Bond Counsel, under existing law interest on the Series 2015C Bonds is included in gross income for federal income tax purposes. See "LEGAL MATTERS - Tax Status - Series 2015C Bonds" herein. The interest on the Series 2015C Bonds is not exempt from present Wisconsin income or franchise taxes.

**CITY OF WAUWATOSA
MILWAUKEE COUNTY, WISCONSIN**

\$26,375,000 General Obligation Corporate Purpose Bonds, Series 2015B

Dated: December 1, 2015

Due: December 1, 2016 - 2030
As Shown Herein

The General Obligation Corporate Purpose Bonds, Series 2015B (the "Series 2015B Bonds") are being issued pursuant to Chapter 67 of the Wisconsin Statutes. The Series 2015B Bonds will be general obligations of the City of Wauwatosa, Wisconsin (the "City") for which its full faith, credit and resources are pledged. The Series 2015B Bonds will be issued for the public purpose of paying the cost of storm sewer and sanitary sewer improvements, providing financial assistance to community development projects under Section 66.1105, Wisconsin Statutes, by paying project costs of the City's Tax Incremental District No. 6 ("TID No. 6"), Tax Incremental District No. 7 ("TID No. 7") and Tax Incremental District No. 9 ("TID No. 9"), street improvement projects, fire department facilities and equipment, park projects and parking lot projects (collectively, the "Series 2015B Bond Projects"); and refunding the City's Taxable General Obligation Refunding and Street Improvement Bonds, Series 2010B (Build America Bonds – Direct Payment) dated October 25, 2010 (the "2010B Bonds") as a result of their extraordinary redemption on December 21, 2015. See "THE SERIES 2015B BONDS - Purpose" for a discussion of the Extraordinary Redemption, "THE SERIES 2015B BONDS - Obligations to be Refunded" and "THE SERIES 2015B BONDS - Authority for Issuance" for a list of the Series 2015B Bond Projects herein.

Principal of the Series 2015B Bonds, payable annually each December 1, commencing December 1, 2016 and interest, payable each June 1 and December 1, commencing June 1, 2016, will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Series 2015B Bonds as described herein.

At the option of the City, the Series 2015B Bonds maturing on December 1, 2026 and thereafter are subject to redemption prior to maturity in whole or in part on December 1, 2025 or on any date thereafter at par plus accrued interest to the date of redemption.

\$7,400,000 Taxable General Obligation Community Development Bonds, Series 2015C

Dated: December 1, 2015

Due: December 1, 2016 - 2030
As Shown Herein

The Taxable General Obligation Community Development Bonds, Series 2015C (the "Series 2015C Bonds") are being issued pursuant to Chapter 67 of the Wisconsin Statutes. The Series 2015C Bonds will be general obligations of the City for which its full faith, credit and resources are pledged. The Series 2015C Bonds are being issued for the public purpose of providing financial assistance to community development projects under Section 66.1105, Wisconsin Statutes, by paying project costs of the City's TID No. 6 and TID No. 7 (the "Series 2015C Bond Projects").

Principal of the Series 2015C Bonds, payable annually each December 1, commencing December 1, 2016 and interest, payable each June 1 and December 1, commencing June 1, 2016, will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Series 2015C Bonds as described herein.

At the option of the City, the Series 2015C Bonds maturing on December 1, 2026 and thereafter are subject to redemption prior to maturity in whole or in part on December 1, 2025 or on any date thereafter at par plus accrued interest to the date of redemption.

The Series 2015B Bonds and the Series 2015C Bonds (collectively, the "Securities") will be issued as fully registered obligations without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Securities. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Securities purchased.

The rates shown herein are the interest rates payable by the City resulting from the bids for the Securities on November 17, 2015, by the successful bidder(s). All information concerning the terms of the reoffering of the Securities, including yields or prices, should be obtained from the successful bidder(s) and not from the City. See "MISCELLANEOUS - Underwriting" herein.

The Securities are offered when, as and if issued, subject to the receipt of the approving opinions of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. The Securities will be available for delivery on or about December 1, 2015, 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 THESE ISSUES. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

Piper Jaffray & Co.
Series 2015C Bonds Underwriter

Hutchinson, Shockey, Erley & Co.

Financial Advisor to the Issuer

**CITY OF WAUWATOSA
MILWAUKEE COUNTY, WISCONSIN**

**\$26,375,000 General Obligation Corporate Purpose Bonds, Series 2015B
Dated: December 1, 2015**

The Series 2015B Bonds will mature December 1, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Price/ Yield</u>	<u>CUSIP No.¹</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Price/ Yield</u>	<u>CUSIP No.¹</u>
2016	\$ 2,300,000	2.00%	0.40%	9435043R9	2024	\$ 2,425,000	2.50%	2.32%	9435043Z1
2017	2,100,000	2.00	0.83	9435043S7	2025	2,200,000	2.75	2.46	9435044A5
2018	1,750,000	2.00	1.00	9435043T5	2026	950,000	3.00	2.65	9435044B3
2019	2,000,000	2.00	1.20	9435043U2	2027	1,075,000	3.50	2.79	9435044C1
2020	1,750,000	2.00	1.45	9435043V0	2028	1,100,000	3.00	2.90	9435044D9
2021	1,275,000	2.00	1.70	9435043W8	2029	1,150,000	3.00	2.95	9435044E7
2022	1,650,000	4.00	1.90	9435043X6	2030	1,175,000	3.00	100	9435044F4
2023	3,475,000	2.25	2.17	9435043Y4					

Principal of the Series 2015B Bonds, payable annually each December 1, commencing December 1, 2016 and interest, payable each June 1 and December 1, commencing June 1, 2016, will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Series 2015B Bonds as described herein.

At the option of the City, the Series 2015B Bonds maturing on December 1, 2026 and thereafter are subject to redemption prior to maturity in whole or in part on December 1, 2025 or on any date thereafter at par plus accrued interest to the date of redemption.

**\$7,400,000 Taxable General Obligation Community Development Bonds, Series 2015C
Dated: December 1, 2015**

The Series 2015C Bonds will mature December 1, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Price/ Yield</u>	<u>CUSIP No.¹</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Price/ Yield</u>	<u>CUSIP No.¹</u>
2016	\$ 150,000	2.25%	0.70%	9435044G2	2024	\$ 725,000	2.75%	100	9435044Q0
2017	475,000	2.25	1.00	9435044H0	2025	750,000	2.95	100	9435044R8
2018	525,000	2.25	1.40	9435044J6	2026	300,000	3.10	100	9435044S6
2019	575,000	2.25	1.65	9435044K3	2027	300,000	3.25	100	9435044T4
2020	625,000	2.25	1.90	9435044L1	2028	300,000	3.40	100	9435044U1
2021	650,000	2.25	2.10	9435044M9	2029	300,000	3.50	100	9435044V9
2022	700,000	2.35	100	9435044N7	2030	325,000	3.65	100	9435044W7
2023	700,000	2.55	100	9435044P2					

Principal of the Series 2015C Bonds, payable annually each December 1, commencing December 1, 2016 and interest, payable each June 1 and December 1, commencing June 1, 2016, will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Series 2015C Bonds as described herein.

At the option of the City, the Series 2015C Bonds maturing on December 1, 2026 and thereafter are subject to redemption prior to maturity in whole or in part on December 1, 2025 or on any date thereafter at par plus accrued interest to the date of redemption.

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 Securities 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 Securities 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 Securities 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 WAUWATOSA
MILWAUKEE COUNTY, WISCONSIN**

Kathleen Ehley
Mayor
(Term Expires April 2016)

COMMON COUNCIL

<u>Name</u>	<u>Aldermanic District</u>	<u>Term Expiration</u>
James Moldenhauer	1	April, 2016
Matt Stippich	1	April, 2018
Kathleen Causier	2	April, 2018
John J. Dubinski	2	April, 2016
Tim J. Hanson	3	April, 2018
Gregory Walz-Chojnacki	3	April, 2016
Dennis R. McBride (President)	4	April, 2016
Michael G. Walsh	4	April, 2018
Bobby Pantuso	5	April, 2018
Joel Tilleson	5	April, 2016
Allison L. Bryne	6	April, 2018
Jeffrey J. Roznowski	6	April, 2016
Cheryl Berdan	7	April, 2016
Jason Kofroth	7	April, 2018
Jason G. Wilke	8	April, 2016
Craig Wilson	8	April, 2018

ADMINISTRATIVE STAFF

James Archambo City Administrator
John Ruggini Finance Director
Carla A. Ledesma..... City Clerk
Alan R. Kesner City Attorney

BOND COUNSEL

Quarles & Brady LLP
Milwaukee, Wisconsin

UNDERWRITERS

Series 2015B Bonds
Morgan Stanley & Co. LLC
New York, New York

Series 2015C Bonds
Piper Jaffray & Co.
Minneapolis, Minnesota

FINANCIAL ADVISOR

Hutchinson, Shockey, Erley & Co.
Milwaukee, Wisconsin
Chicago, Illinois

REGISTRAR AND FISCAL AGENT

Officers of the City
City of Wauwatosa, Wisconsin *

* The contact person for fiscal agent matters is John Ruggini, Finance Director.

SUMMARY – SERIES 2015C BONDS

This is not a summary of the entire 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 the Series 2015C Bonds to potential investors is made only by means of the entire Official Statement and all such documents.

Issuer	City of Wauwatosa, Milwaukee County, Wisconsin		
Issue	\$7,400,000 Taxable General Obligation Community Development Bonds, Series 2015C		
Dated Date	December 1, 2015		
Principal Due	December 1, 2016 through 2030		
Interest Payment Date	Commencing June 1, 2016 and on each June 1 and December 1 thereafter. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.		
Redemption Provision	At the option of the City, the Series 2015C Bonds maturing on December 1, 2026 and thereafter are subject to redemption prior to maturity in whole or in part on December 1, 2025 or on any date thereafter at par plus accrued interest to the date of redemption. (See "THE SERIES 2015C BONDS – Redemption Provisions" herein.)		
Purpose	The Series 2015C Bonds will be issued for the public purpose of paying the cost of the Series 2015C Bond Projects.		
Security	The City pledges its full faith, credit and resources and there will be levied on all the taxable property in the City a direct, annual, irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Series 2015C Bonds.		
Authority	The Series 2015C Bonds are being issued pursuant to Chapter 67 of the Wisconsin Statutes, an initial resolution adopted by the Common Council on October 20, 2015, and an award resolution adopted by the Common Council on November 17, 2015.		
Tax Status	Interest on the Series 2015C Bonds is included in gross income for federal income tax purposes. (See "LEGAL MATTERS - Tax Status – Series 2015C Bonds" herein.)		
Credit Rating	The Series 2015C Bonds have been rated "Aaa" by Moody's Investors Service, Inc.		
Underwriter	Piper Jaffray & Co., Minneapolis, Minnesota		
Registrar and Fiscal Agent	Officers of the City of Wauwatosa, Wisconsin		
Record Date	The 15 th day of the month preceding an interest payment date.		
Delivery Date and Place	On or about December 1, 2015 through the facilities of DTC in New York, New York.		
Denominations	The Series 2015C Bonds will be issued in denominations of \$5,000 each and integral multiples thereof.		
Bond Years	56,400.00	Average Life	7.622 years
Continuing Disclosure	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 E herein.)		

OFFICIAL STATEMENT

CITY OF WAUWATOSA MILWAUKEE COUNTY, WISCONSIN

\$26,375,000 General Obligation Corporate Purpose Bonds, Series 2015B **\$7,400,000 Taxable General Obligation Community Development Bonds, Series 2015C**

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 \$26,375,000 General Obligation Corporate Purpose Bonds, Series 2015B dated December 1, 2015 and \$7,400,000 Taxable General Obligation Community Development Bonds, Series 2015C dated December 1, 2015 of the City of Wauwatosa, Wisconsin.

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, including the City's prior years' financial statements, is available on the City's website at www.wauwatosa.net or upon request and upon payment to the City of a charge for any copying, mailing and handling if required, from Ms. Jean Plass, Office of the Finance Director, City of Wauwatosa, 7725 W. North Avenue, Wauwatosa, Wisconsin 53213-0068, telephone (414) 479-8922; jplass@wauwatosa.net, or from Hutchinson, Shockey, Erley & Co. at (414) 298-9898.

THE SERIES 2015B BONDS

Purpose

The Series 2015B Bonds will be issued for the public purpose of paying the cost of the Series 2015B Bond Projects and refunding the 2010B Bonds as a result of the City exercising the Extraordinary Redemption provisions for the 2010B Bonds as discussed below. The 2010B Bonds are to be called on December 21, 2015 and refunded with a portion of the Series 2015B Bond proceeds. (See "THE SERIES 2015B BONDS – Obligations to be Refunded" herein.)

The City issued the 2010B Bonds subject to extraordinary redemption in the event that an Extraordinary Event occurs. An "Extraordinary Event" will have occurred if either (a) Section 54AA or 6431 of the Code is repealed, amended or modified in a manner which results in a reduction or elimination of the City's 35% cash subsidy payment from the United States Treasury or (b) the United States Treasury fails to make a cash subsidy payment to which the City is entitled and such failure is not caused by any action or inaction by the City.

The City received notice from the Department of the Treasury which stated, in part: "Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions take place as of March 1, 2013. These required reductions include a reduction to refundable credits under Internal Revenue Code section 6431 applicable to certain qualified bonds."

The City has received reduced subsidy payments and is exercising the extraordinary redemption provisions for the 2010B Bonds. The 2010B Bonds will be called on December 21, 2015.

Authority for Issuance

The Series 2015B Bonds are being issued pursuant to Chapter 67, Wisconsin Statutes, initial resolutions authorizing general obligation bonds, in a total amount not to exceed \$26,375,000 (the "Initial Series 2015B Resolutions") adopted by the Common Council on October 20, 2015, and a Resolution Awarding the Sale of \$26,375,000 General Obligation Corporate Purpose Bonds, Series 2015B (the "Series 2015B Resolution") adopted by the Common Council on November 17, 2015.

The initial resolutions for the Series 2015B Bond Projects, which are subject to referendum, are for the following public purposes and in the following not to exceed amounts:

- \$2,415,000 for the public purpose of paying the cost of sewerage projects, consisting of storm sewer improvements;
- \$4,075,000 for the public purpose of paying the cost of sewerage projects, consisting of sanitary sewer improvements;
- \$6,075,000 for the public purpose of paying the cost of providing financial assistance to community development projects under Section 66.1105, Wisconsin Statutes, by paying project costs of the City's Tax Incremental District Nos. 6, 7 and 9;
- \$4,890,000 for the public purpose of paying the cost of street improvement projects;
- \$370,000 for the public purpose of paying the cost of fire department facilities and equipment;
- \$175,000 for the public purpose of paying the cost of park projects;
- \$550,000 for the public purpose of paying the cost of parking lot projects.

The initial resolution for the refunding of the 2010B Bonds, which is not subject to referendum, is as follows:

- \$7,825,000 for the public purpose of refunding obligations of the City.

Award Conditional The award of the Series 2015B Bonds will be made subject to expiration of the petition period provided for under Section 67.05, Wisconsin Statutes, without the filing of a sufficient petition for a referendum with respect to the Initial Series 2015B Resolutions authorizing the Series 2015B Bond Projects.

The petition period will expire on November 19, 2015.

Description

The Series 2015B Bonds will be dated December 1, 2015 and will bear interest from their dated date to their respective maturities. Principal of the Series 2015B Bonds will be payable annually on each December 1, commencing December 1, 2016. Interest will be payable each June 1 and December 1, commencing June 1, 2016.

Sources and Applications of Funds

Sources of Funds

Par Amount of Series 2015B Bonds	\$ 26,375,000.00
Premium	<u>639,163.61</u>
Total	<u>\$ 27,014,163.61</u>

Applications of Funds

Cost of the Series 2015B Bond Projects	\$ 18,550,000.00
Cost of refunding the 2010B Bonds	7,825,000.00
Deposit to the Debt Service Account	<u>639,163.61</u>
Total	<u>\$ 27,014,163.61</u>

Obligations to be Refunded

The outstanding obligations to be refunded to their extraordinary redemption date of December 21, 2015 with a portion of the Series 2015B Bond proceeds are as follows:

2010B Bonds

Issue: \$10,200,000 Taxable General Obligation Refunding and Street Improvement Bonds, Series 2010B
(Build America Bonds – Direct Payment)
Dated: October 25, 2010
Call Date: Extraordinary Redemption on December 21, 2015
Call Price: 100%

<u>Year</u>	<u>Principal Amount of 2010B Bonds to be Refunded</u>	<u>Interest Rate</u>
2016	\$ 425,000	1.90%
2017	450,000	2.35
2018	450,000	2.65
2019	450,000	3.05
2020	475,000	3.25
2021	475,000	3.50
2022	500,000	3.70
2023	525,000	3.90
2024	525,000	4.10
2025	550,000	4.30
2026	550,000	4.50
2027	575,000	4.65
2028	600,000	4.75
2029	625,000	4.85
2030	<u>650,000</u>	5.00
	\$ 7,825,000	

Sources of Payment for the Series 2015B Bonds

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 may be necessary to pay the Series 2015B Bonds and the interest thereon.

Security for the Series 2015B Bonds

As security for the Series 2015B Bonds, the City pledges its full faith, credit and resources and there will be levied on all of the taxable property in the City a direct, annual irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Series 2015B Bonds. The tax will be levied under the Series 2015B Resolution for collection in each of the years 2016 through 2030.

The Series 2015B Resolution provides that the tax will be, from year to year, carried onto the tax rolls of the City and collected as other taxes are collected and that the City shall not repeal such levy or obstruct the collection of the tax. Provision is made for reducing the amount of tax carried onto the tax rolls by the amount of any surplus money in the Debt Service Account for the Series 2015B Bonds.

Redemption Provisions

At the option of the City, the Series 2015B Bonds maturing on December 1, 2026 and thereafter shall be subject to redemption prior to maturity on December 1, 2025 or on any date thereafter. Said Series 2015B Bonds 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 Series 2015B Bonds of a maturity are to be redeemed, selection of the Series 2015B Bonds 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 transmission, certified or registered mail, overnight express delivery, electronic transmission or in any other manner required by DTC to DTC or its nominee as the registered owner of the Series 2015B Bonds. Such notice shall be sent not less

than 30 days nor more than 60 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.

THE SERIES 2015B RESOLUTIONS

The Initial Series 2015B Resolutions and the Series 2015B Resolution are adopted by the Common Council pursuant to the procedures prescribed by State Statutes. Reference is made to the Initial Series 2015B Resolutions and the Series 2015B Resolution for a complete recital of their terms.

The Initial 2015B Resolutions authorize the issuance of the Series 2015B Bonds. The Series 2015B Resolution awards the Series 2015B Bonds to the Underwriter and establishes the form and terms of the Series 2015B Bonds, including the dating, maturity schedule, interest payment dates and redemption provisions, as shown in this Official Statement, and approves the interest rates to be borne by the Series 2015B Bonds. Pursuant to the Series 2015B Resolution, the City pledges its full faith, credit and resources and there will be levied on all of the taxable property in the City a direct, annual irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Series 2015B Bonds. The Series 2015B Resolution establishes, separate and distinct from all other funds of the City, a debt service fund with respect to payment of principal and interest on the Series 2015B Bonds.

THE SERIES 2015C BONDS

Purpose

The Series 2015C Bonds will be issued for the public purpose of paying the cost of the Series 2015C Bond Projects.

Authority for Issuance

The Series 2015C Bonds are being issued pursuant to Chapter 67, Wisconsin Statutes, an Initial Resolution Authorizing Taxable General Obligation Bonds in an Amount Not to Exceed \$7,400,000 for Community Development Projects in Tax Incremental District Nos. 6 and 7 (the "Initial Series 2015C Resolution") adopted by the Common Council on October 20, 2015, and a Resolution Awarding the Sale of \$7,400,000 Taxable General Obligation Community Development Bonds, Series 2015C (the "Series 2015C Resolution") adopted by the Common Council on November 17, 2015.

Award Conditional The award of the Series 2015C Bonds will be made subject to expiration of the petition period provided for under Section 67.05, Wisconsin Statutes, without the filing of a sufficient petition for a referendum with respect to the Initial Series 2015C Resolution authorizing the Series 2015C Bonds.

The petition period will expire on November 19, 2015.

Description

The Series 2015C Bonds will be dated December 1, 2015 and will bear interest from their dated date to their respective maturities. Principal of the Series 2015C Bonds will be payable annually on each December 1, commencing December 1, 2016. Interest will be payable each June 1 and December 1, commencing June 1, 2016.

Sources and Applications of Funds

Sources of Funds

Par Amount of Series 2015C Bonds	\$ 7,400,000.00
Premium	11,848.75
Total	<u>\$ 7,411,848.75</u>

Applications of Funds

Cost of the Series 2015C Bond Projects	\$ 7,400,000.00
Deposit to Debt Service Account	11,848.75
Total	<u>\$ 7,411,848.75</u>

Sources of Payment for the Series 2015C Bonds

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 may be necessary to pay the Series 2015C Bonds and the interest thereon.

Security for the Series 2015C Bonds

As security for the Series 2015C Bonds, the City pledges its full faith, credit and resources and there will be levied on all of the taxable property in the City a direct, annual irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Series 2015C Bonds. The tax will be levied under the Series 2015C Resolution for collection in each of the years 2016 through 2030.

The Series 2015C Resolution provides that the tax will be, from year to year, carried onto the tax rolls of the City and collected as other taxes are collected and that the City shall not repeal such levy or obstruct the collection of the tax. Provision is made for reducing the amount of tax carried onto the tax rolls by the amount of any surplus money in the Debt Service Account for the Series 2015C Bonds.

Redemption Provisions

At the option of the City, the Series 2015C Bonds maturing on December 1, 2026 and thereafter shall be subject to redemption prior to maturity on December 1, 2025 or on any date thereafter. Said Series 2015C Bonds 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 Series 2015C Bonds of a maturity are to be redeemed, selection of the Series 2015C Bonds 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 transmission, certified or registered mail, overnight express delivery, electronic transmission or in any other manner required by DTC to DTC or its nominee as the registered owner of the Series 2015C Bonds. Such notice shall be sent not less than 30 days nor more than 60 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.

THE SERIES 2015C RESOLUTIONS

The Initial Series 2015C Resolution and the Series 2015C Resolution are adopted by the Common Council pursuant to the procedures prescribed by State Statutes. Reference is made to the Initial Series 2015C Resolution and the Series 2015C Resolution for a complete recital of their terms.

The Initial Series 2015C Resolution authorizes the issuance of the Series 2015C Bonds. The Series 2015C Resolution awards the Series 2015C Bonds to the Underwriter and establishes the form and terms of the Series 2015C Bonds, including the dating, maturity schedule, interest payment dates and redemption provisions, as shown in this Official Statement, and approves the interest rates to be borne by the Series 2015C Bonds. Pursuant to the Series 2015C Resolution, the City pledges its full faith, credit and resources and there will be levied on all of the taxable property in the City a direct, annual irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Series 2015C Bonds. The Series 2015C Resolution establishes, separate and distinct from all other funds of the City, a debt service fund with respect to payment of principal and interest on the Series 2015C Bonds.

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 securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each 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 depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instrument 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 computer-

ized 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 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 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 the 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 [Tender/Remarketing] Agent, and shall effect delivery of such securities by causing the Direct Participants to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender of a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities 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.

Registrar and Fiscal Agent

Officers of the City will act as the registrar and fiscal agent for the Securities.

CUSIP INFORMATION

CUSIP is a registered trademark of the American Bankers Association. CUSIP data 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 Underwriter take no responsibility for the accuracy of such data.

THE CITY

Introduction

The City is adjacent to the City of Milwaukee in Milwaukee County. The City has been a municipal corporation since 1897. It encompasses 13.07 square miles and has a 2015 population estimate of 46,947.

The City has 429.86 full-time equivalent ("FTE") employees. City Aldermen are not included in this number.

Transportation

The City is located along two interstate highways, three U.S. highways, and several state highways. The City is also served by passenger and freight railroads and General Mitchell International Airport in the City of Milwaukee.

Common Council

The City has a mayor/alderman form of government with the 16 members of the Common Council elected to serve alternating four-year terms. The Council President is elected to that position by the Council members. The Mayor is also elected for a four-year term and is responsible for conducting the Council meetings.

Board of Public Debt Commissioners

The City created a board of public debt commissioners (the "Board") in May 1938. The Board consists of three resident citizens, the City Finance Director and Assistant Finance Director three of whom shall constitute a quorum. The Mayor appoints, subject to the approval of a majority of the Common Council, one member each for a term of one, two and three years, respectively. The members receive no compensation and the Board maintains its own records of proceedings, makes its own rules and provides for its own meetings, except when ordered by the Mayor. The Board oversees the issuance and retirement of municipal bonds issued by the City.

The current Board members are:

John Ruggini, Finance Director
Derik Summerfield, Assistant Finance Director
Marlyn Spear
Steve Kreklow
Vacant position

Administrative Organization

The policies of the City of Wauwatosa are set by a 16-member Council.

The City Administrator has the responsibility of administering the day-to-day operations of the City and executing the policy decisions of the Council.

The Finance Director is responsible for the financial operations of the City and has responsibility for the formulation and enforcement of the budget for all departments.

Services

The City of Wauwatosa provides the full range of municipal services, including police and fire protection, parks, public works operations, parking, water and sewer utilities, community development, and general administrative services.

Public Safety

The City has a police force of 118.54 FTE positions providing public safety and protection for the City's residents and a fire department of 103 FTEs providing fire protection and ambulance service.

Employee Relations and Collective Bargaining

The following two bargaining units represent the respective number of City employees:

<u>Union/Association</u>	<u>Contract Term</u>	<u>Number of Members</u>
Wauwatosa Professional Firefighter's Association	1/1/14 – 12/31/16	92
Wauwatosa Peace Officers Association	1/1/14 – 12/31/15	68

According to the City, relations between the City and the bargaining units are termed satisfactory.

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.

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, Demographics Services Center has estimated the population trends to be as shown in the table below. The City's 2010 Census population is 46,396.

	<u>Estimated 2015</u>	<u>Estimated 2014</u>	<u>Estimated 2013</u>	<u>Estimated 2012</u>	<u>Estimated 2011</u>
City of Wauwatosa	46,947	46,766	46,705	46,320	46,380
Milwaukee County	949,795	949,741	950,410	948,322	948,369
State of Wisconsin	5,753,324	5,732,981	5,717,110	5,703,525	5,694,236

Median Age

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

	<u>Years</u>
City of Wauwatosa	39.8
Milwaukee County	33.6
State of Wisconsin	38.5

Source: U.S. Census Bureau

Income

Adjusted Gross Income per tax return for the City, County and State are presented in the following table:

<u>Year</u>	<u>City of Wauwatosa</u>	<u>Milwaukee County</u>	<u>State of Wisconsin</u>
2014	\$ 72,920	\$ 45,980	\$ 52,050
2013	71,210	45,620	50,670
2012	68,860	44,460	49,900
2011	66,020	42,830	47,640
2010	64,160	41,932	46,958

Source: Wisconsin Department of Revenue, Division of Research & Policy

Economic Information

Construction

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

<u>Year</u>	<u>Construction Value of Building Permits</u>
2015 Thru 9/30/15	\$ 99,309,252
2014	191,029,545
2013	111,071,060
2012	41,927,585
2011	56,801,548
2010	28,066,090

Source: City of Wauwatosa

Employment

The Wisconsin Department of Workforce Development, Workforce Policy and Information Bureau has estimated the percentage of unemployment to be as follows:

	<u>Sept. 2015</u>	<u>2014 Average</u>	<u>2013 Average</u>	<u>2012 Average</u>	<u>2011 Average</u>	<u>2010 Average</u>
City of Wauwatosa	3.1%	4.2%	5.2%	5.4%	5.7%	6.4%
Milwaukee County	4.9	7.0	8.4	8.6	9.3	10.0
State of Wisconsin	3.6	5.5	6.8	7.0	7.8	8.7

Average Annual Employment

The table below presents average annual employment by selected categories within Milwaukee County for the last five available years.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
ALL INDUSTRIES	476,466	474,718	469,191	468,725	465,103
Construction	9,920	9,266	8,889	9,546	10,594
Education & Health Services	132,254	129,552	125,546	126,238	127,239
Financial Activities	31,384	32,056	32,855	33,812	34,686
Information	*	*	*	*	*
Leisure & Hospitality	47,569	47,093	46,040	44,420	43,556
Manufacturing	52,042	52,891	53,646	53,202	52,141
Other Services	17,187	17,758	18,986	18,468	16,719
Professional & Business Services	77,736	77,626	74,539	73,065	69,880
Public Administration	20,484	21,009	21,446	21,457	21,965
Trade, Transportation, Utilities	78,622	78,095	77,634	78,597	78,609
Unclassified	*	*	*	*	*

* Data suppressed.

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

Major Employers

The following table lists the major commercial, industrial and institutional establishments in the City by employment:

<u>Employer</u>	<u>Product/Business</u>	<u>Approximate Employment</u>
Milwaukee Regional Medical Center	Medical facilities	16,000
Bell Marquette I LLC, (formerly, GE Medical Systems, Inc.)	IT, ultrasound & e-commerce functions	1,400 ¹
Briggs & Stratton Corp.	Small engine manufacturer	1,265
Harley Davidson Inc.	Motorcycle manufacturer	850
Wauwatosa Unified School District	Education	800 FTE
J.C. Penney Company	Warehouse; call center	630
St. Camillus Health System	Nursing homes, assisted living	550
Lutheran Home of the Aging, Inc.	Nursing home; assisted living	500 ²
UnitedHealth Care	Insurance	465 ¹
City of Wauwatosa	Municipal government	430 FTE
ABB	Industrial drives and controls	300 ²
Bostik Findley	Adhesives	247
Penzeys Spices	Corporate headquarters; store	235 ²
		+ 32 contract employees

¹ As of May 2013.

² As of October 2014.

Source: Employer survey, October 2015.

Tax Levies and Collections

Real estate and personal property taxes are levied in December by the Common Council in conjunction with the adoption of the annual budget for the ensuing fiscal year beginning January 1. Levies are based on assessed property values certified on January 1 of the prior year and become a lien on the property at the beginning of the fiscal year. Real estate taxes are payable in full by January 31, or in three installments on January 31, March 31, and May 31. Personal property taxes must be paid in full by January 31. The City Treasurer is responsible for collection of taxes for all taxing purposes on properties within the City through May. On January 15 and February 15 and on the 15th of each month following a month in which an installment payment is due, settlements are made with all taxing entities. On or before August 20, the County pays the City in full for all outstanding real estate taxes due, and assumes responsibility for remaining balances. The City retains responsibility for collection of personal property taxes.

City tax levies for the past five calendar years were as follows:

<u>Year of Collection</u>	<u>City Tax Levies</u>	<u>Levy Rate Per \$1000 of Assessed Valuation</u>
2015	\$39,050,136	\$ 7.79
2014	37,949,568	7.69
2013	37,030,421	7.13
2012	36,555,123	7.00
2011	36,555,123	6.93

The City experiences no real estate tax delinquencies since Milwaukee County is required by State Statute to settle in full with the City on or before August 20 of each year.

Mill Rates

The following are the mill rates per \$1,000 of assessed value for the City for the last five collection years.

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
State	\$ 0.17	\$ 0.16	\$ 0.15	\$ 0.16	\$ 0.17
County	6.22	5.75	5.51	5.52	5.39
Sewer District	1.74	1.60	1.47	1.45	1.42
Technical College District	1.29	2.00	1.92	1.87	1.89
School District	8.55	8.81	8.72	8.18	8.31
City	7.79	7.69	7.13	7.00	6.92
School and County Tax Credits	<u>(2.37)</u>	<u>(2.26)</u>	<u>(2.20)</u>	<u>(2.27)</u>	<u>(2.26)</u>
Net Tax Rate	\$ 23.39	\$ 23.74	\$ 22.70	\$ 21.91	\$ 21.84
Ratio of Assessed to Equalized	98.62%	106.4%	110.27%	104.23%	101.57%

Equalized Valuations

The City has experienced 5.72% change in equalized value (Tax Increment Value included) over the past five years. This trend is outlined in the table below.

	<u>Including Tax Increment Value</u>	<u>% Change</u>	<u>Excluding Tax Increment Value</u>	<u>% Change</u>
2015	\$5,543,348,500	3.60%	\$5,435,690,500	6.77%
2014	5,350,627,100	8.47	5,091,255,900	9.70
2013	4,932,992,500	(0.62)	4,641,119,800	(1.46)
2012	4,963,918,700	(5.33)	4,709,725,000	(5.90)
2011	5,243,279,500	(4.01)	5,004,833,100	(3.87)

The equalized value by class of property for 2015 is as follows:

Real Estate	
Residential	\$ 3,375,982,300
Commercial	1,826,906,300
Manufacturing	<u>134,297,300</u>
Total Real Estate	5,337,185,900
Total Personal Property	<u>206,162,600</u>
Total	<u>\$ 5,543,348,500</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Real Estate					
Residential	60.90%	61.63%	63.92%	63.47%	63.98%
Commercial	32.96	31.79	29.14	29.52	29.24
Manufacturing	2.42	2.50	2.73	2.75	2.62
Personal Property	<u>3.72</u>	<u>4.07</u>	<u>4.20</u>	<u>4.26</u>	<u>4.16</u>
	100.00%	100.00%	100.00%	100.00%	100.00%
Total Equalized					
Value (billions)	\$5.543	\$5.351	\$4.933	\$4.964	\$5.243

Largest Taxpayers for 2014

The table below shows the City's larger taxpayers for 2014.

<u>Name</u>	<u>Type of Business</u>	<u>2014 Assessed Valuation</u>	<u>Net Taxes Due in 2015</u>
Mayfair Property Inc. (Mayfair Mall)	Shopping center and office tower	\$ 401,007,700	\$ 9,380,230
Bell Marquette I LLC, (formerly, GE Healthcare)	IT, ultrasound & e-commerce functions	57,116,600	1,336,004
H-D Capitol Drive LLC	Harley Davidson motorcycles	43,412,000	1,015,375
Covenant Healthcare System Inc	Healthcare provider	38,601,600	902,687
Burleigh Mayfair LLC (Mayfair Collection Retail Stores)	Shopping center	34,690,100	811,080
J.C. Penney Properties Inc.	Warehouse; catalog sales; store	29,198,200	682,943
Bonstores Realty One LLC	Boston Store	28,402,900	664,340
Innovation Partners LLC	Office building	26,186,800	612,556
Briggs & Stratton Corp.	Small engine manufacturer	26,101,000	610,440
North Mayfair 8	Office buildings	<u>23,950,200</u>	<u>560,128</u>
		<u>\$ 708,667,100</u>	<u>\$ 16,575,783</u>

CITY DEBT STRUCTURE

Total Outstanding General Obligation Debt Summary (As of December 1, 2015)

<u>Type of Obligation</u>	<u>Date of Issue</u>	<u>Original Amount Issued</u>	<u>Maturity Date</u>	<u>Current Amount Outstanding</u>
G.O. Prom. Notes, Series 2007	4/15/07	\$ 3,500,000	12/01/16	\$ 675,000
G.O. Prom. Notes, Series 2008	5/01/08	6,200,000	12/01/17	2,000,000
Taxable G.O. Refunding Bonds, Series 2010A	8/03/10	8,450,000	3/01/24	5,955,000
Taxable G.O. Ref & Street Imp. Bonds, Series 2010B (Build America Bonds – Direct Payment)	10/25/10	10,200,000	10/01/30	7,825,000 ¹
G.O. Prom. Notes, Series 2011	11/29/11	12,500,000	11/01/21	9,900,000
G.O. Prom. Notes, Series 2012	8/21/12	12,400,000	6/01/22	9,950,000
G.O. Prom. Notes, Series 2013	8/20/13	6,250,000	6/01/23	4,700,000
G.O. Refunding Bonds, Series 2013	8/20/13	3,315,000	12/01/18	1,965,000
G.O. Sewerage Bonds, Series 2013	11/19/13	9,475,000	11/01/33	9,175,000
G.O. Prom. Notes, Series 2014A	12/02/14	16,370,000	12/01/24	14,650,000
Taxable G.O. Prom. Notes, Series 2014B	12/02/14	5,240,000	12/01/24	5,025,000
G.O. Cmnty. Dev. Bonds, Series 2015A	4/01/15	6,200,000	4/01/35	6,200,000
G.O. Corporate Purpose Bonds, Series 2015B	12/01/15	26,375,000	12/01/30	26,375,000 ²
Taxable G.O. Cmnty. Dev. Bonds, Series 2015C	12/01/15	7,400,000	12/01/30	<u>7,400,000 ²</u>
				Total General Obligation Debt 111,795,000
				Less Refunding of 2010B Bonds (7,825,000)
				Less Remaining 2015 Principal Payments (-)
				<u>Net General Obligation Debt \$ 103,970,000</u>

¹ The 2016 – 2030 maturities are to be refunded on the Extraordinary Redemption date of December 21, 2015 with a portion of the Series 2015B Bonds.

² New issue.

General Obligation Debt Service Schedules

	\$3,500,000 G O Notes Series 2007 - 4/15/07		\$6,200,000 G O Notes Series 2008 - 5/01/08		\$8,450,000 Taxable G O Ref Bonds, Ser 2010A - 8/03/10	
	Principal 12/01	Interest	Principal 12/01	Interest	Principal 3/01	Interest
2015	\$ 625,000	\$ 52,000	\$ 1,000,000	\$ 102,500	\$ 530,000	\$ 271,398
2016	675,000	27,000	1,000,000	68,750	550,000	253,847
2017			1,000,000	35,000	575,000	234,129
2018					600,000	211,348
2019					625,000	186,066
2020					650,000	158,160
2021					685,000	127,438
2022					720,000	94,420
2023					755,000	58,625
2024					<u>795,000</u>	<u>19,875</u>
	<u>1,300,000</u>	<u>79,000</u>	<u>3,000,000</u>	<u>206,250</u>	<u>6,485,000</u>	<u>1,615,306</u>
Less 2015 Payments	<u>625,000</u>	<u>52,000</u>	<u>1,000,000</u>	<u>102,500</u>	<u>530,000</u>	<u>271,398</u>
	<u>\$ 675,000</u>	<u>\$ 27,000</u>	<u>\$ 2,000,000</u>	<u>\$ 103,750</u>	<u>\$ 5,955,000</u>	<u>\$ 1,343,908</u>

General Obligation Debt Service Schedules continued

	<u>\$12,500,000 G O Notes, Ser 2011 - 11/29/11</u>		<u>\$12,400,000 G O Notes, Ser 2012 - 8/21/12</u>		<u>\$6,250,000 G.O. Notes, Ser 2013 - 8/20/13</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	<u>11/01</u>		<u>6/01</u>		<u>6/01</u>	
2015	\$ 900,000	\$ 246,500	\$ 800,000	\$ 210,688	\$ 575,000	\$ 120,500
2016	1,100,000	228,500	900,000	193,687	525,000	109,500
2017	1,200,000	206,500	1,275,000	171,938	625,000	98,000
2018	1,500,000	182,500	1,550,000	143,687	725,000	84,500
2019	2,000,000	152,500	1,500,000	113,188	750,000	69,750
2020	2,000,000	102,500	1,575,000	82,437	525,000	54,375
2021	2,100,000	52,500	1,675,000	49,937	500,000	39,000
2022			1,475,000	16,594	525,000	23,625
2023					525,000	7,875
	<u>10,800,000</u>	<u>1,171,500</u>	<u>10,750,000</u>	<u>982,156</u>	<u>5,275,000</u>	<u>607,125</u>
Less 2015 Payments	<u>900,000</u>	<u>246,500</u>	<u>800,000</u>	<u>210,688</u>	<u>575,000</u>	<u>120,500</u>
	\$ 9,900,000	\$ 925,000	\$ 9,950,000	\$ 771,468	\$ 4,700,000	\$ 486,625

	<u>\$3,315,000 G O Ref Bonds, Ser 2013 - 8/20/13</u>		<u>\$9,475,000 G O Sewerage Bonds, Ser 2013 - 11/19/13</u>		<u>\$16,370,000 G O Notes, Ser 2014A - 12/02/14</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	<u>12/01</u>		<u>11/01</u>		<u>12/01</u>	
2015	\$ 675,000	\$ 79,200	\$ 150,000	\$ 340,687	\$ 1,720,000	\$ 355,958
2016	650,000	58,950	175,000	336,938	925,000	339,750
2017	650,000	39,450	200,000	332,562	1,050,000	330,500
2018	665,000	19,950	250,000	326,563	1,050,000	309,500
2019			250,000	319,062	1,425,000	288,500
2020			275,000	311,563	1,250,000	260,000
2021			325,000	303,312	1,925,000	235,000
2022			375,000	293,563	2,850,000	196,500
2023			350,000	282,312	2,200,000	125,250
2024			625,000	271,813	1,975,000	59,250
2025			625,000	253,062		
2026			675,000	232,750		
2027			675,000	205,750		
2028			700,000	178,750		
2029			725,000	150,750		
2030			725,000	121,750		
2031			725,000	92,750		
2032			750,000	63,750		
2033			750,000	31,875		
	<u>2,640,000</u>	<u>197,550</u>	<u>9,325,000</u>	<u>4,449,562</u>	<u>16,370,000</u>	<u>2,500,208</u>
Less 2015 Payments	<u>675,000</u>	<u>79,200</u>	<u>150,000</u>	<u>340,687</u>	<u>1,720,000</u>	<u>355,958</u>
	\$ 1,965,000	\$ 118,350	\$ 9,175,000	\$ 4,108,875	\$ 14,650,000	\$ 2,144,250

General Obligation Debt Service Schedules continued

	\$5,240,000 Taxable G O Notes, Ser 2014B - 12/02/14		\$6,200,000 G O Cmnty Dev Bonds, Ser 2015A - 4/01/15		\$26,375,000 G O Corp. Purp. Bonds, Ser 2015B - 12/1/15 ¹	
	Principal		Principal		Principal	
	<u>12/01</u>	<u>Interest</u>	<u>4/01</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest</u>
2015	\$ 215,000	\$ 125,937				
2016	450,000	121,987	\$ 50,000	\$ 320,953	\$ 2,300,000	\$ 657,687
2017	450,000	112,988	150,000	210,719	2,100,000	611,688
2018	450,000	103,987	175,000	205,844	1,750,000	569,687
2019	475,000	94,988	175,000	200,594	2,000,000	534,688
2020	475,000	85,487	175,000	195,344	1,750,000	494,687
2021	475,000	75,513	200,000	188,718	1,275,000	459,688
2022	525,000	64,350	200,000	180,719	1,650,000	434,187
2023	525,000	50,700	200,000	171,719	3,475,000	368,188
2024	1,200,000	36,000	200,000	161,719	2,425,000	290,000
2025			350,000	149,719	2,200,000	229,375
2026			375,000	135,218	950,000	168,875
2027			400,000	119,719	1,075,000	140,375
2028			400,000	103,719	1,100,000	102,750
2029			400,000	89,718	1,150,000	69,750
2030			425,000	77,344	1,175,000	35,250
2031			425,000	64,594		
2032			450,000	51,469		
2033			475,000	37,593		
2034			475,000	23,047		
2035			500,000	7,812		
	5,240,000	871,937	6,200,000	2,696,281	26,375,000	5,166,875
Less 2015 Payments	215,000	125,937	-	-	-	-
	\$ 5,025,000	\$ 746,000	\$ 6,200,000	\$ 2,696,281	\$ 26,375,000	\$ 5,166,875

¹ New Issue.

	\$7,400,000 Tax. G O Cmnty. Dev. Bonds, Ser 2015C - 12/1/15 ¹	
	Principal	
	<u>12/01</u>	<u>Interest</u>
2015		
2016	\$ 150,000	\$ 195,475
2017	475,000	192,100
2018	525,000	181,412
2019	575,000	169,600
2020	625,000	156,663
2021	650,000	142,600
2022	700,000	127,975
2023	700,000	111,525
2024	725,000	93,675
2025	750,000	73,737
2026	300,000	51,613
2027	300,000	42,312
2028	300,000	32,563
2029	300,000	22,362
2030	325,000	11,863
	7,400,000	1,605,475
Less 2015 Payments	-	-
	\$ 7,400,000	\$ 1,605,475

¹ New Issue.

Total General Obligation Debt

	Total <u>Principal</u>	Total <u>Interest</u>	Total <u>Debt Service</u>	Less <u>Offsetting Revenues</u> ¹	Net <u>Total Debt Service</u>
2015 ²	\$ 7,615,000	\$ 2,282,883	\$ 9,897,883	\$ 5,251,127	\$ 4,646,756
2016	9,450,000	2,913,024	12,363,024	7,134,799	5,228,225
2017	9,750,000	2,575,574	12,325,574	7,562,806	4,762,768
2018	9,240,000	2,338,978	11,578,978	7,301,043	4,277,935
2019	9,775,000	2,128,936	11,903,936	7,403,242	4,500,694
2020	9,300,000	1,901,216	11,201,216	7,393,474	3,807,742
2021	9,810,000	1,673,706	11,483,706	7,465,975	4,017,731
2022	9,020,000	1,431,933	10,451,933	7,187,242	3,264,691
2023	8,730,000	1,176,194	9,906,194	6,249,345	3,656,849
2024	7,945,000	932,332	8,877,332	6,034,370	2,842,962
2025	3,925,000	705,893	4,630,893	3,253,645	1,377,249
2026	2,300,000	588,456	2,888,456	2,245,580	642,876
2027	2,450,000	508,156	2,958,156	2,306,782	651,374
2028	2,500,000	417,782	2,917,782	2,261,531	656,251
2029	2,575,000	332,580	2,907,580	2,244,331	663,249
2030	2,650,000	246,207	2,896,207	2,226,706	669,501
2031	1,150,000	157,344	1,307,344	1,307,344	-
2032	1,200,000	115,219	1,315,219	1,315,219	-
2033	1,225,000	69,468	1,294,468	1,294,468	-
2034	475,000	23,047	498,047	498,047	-
2035	<u>500,000</u>	<u>7,812</u>	<u>507,812</u>	<u>507,812</u>	<u>-</u>
	111,585,000	22,526,740	134,111,740	88,444,888	45,666,852
Less 2015 Payments	<u>7,615,000</u>	<u>2,282,883</u>	<u>9,897,883</u>	<u>5,251,127</u>	<u>4,646,756</u>
	\$ 103,970,000	\$ 20,243,857	\$ 124,213,857	\$ 83,193,761	\$ 41,020,096

¹ Offsetting revenues includes storm sewer, sanitary sewer and Tax Incremental Districts revenues.

² Total debt service for 2015 includes \$425,000 of principal and \$377,515 of interest paid in 2015 on the 2010B Bonds.

Total Outstanding Revenue Debt Summary (As of December 1, 2015)

Waterworks System

Type of <u>Obligation</u>	Date <u>of Issue</u>	Original <u>Amount</u>	Maturity <u>Dates</u>	Current <u>Amount Outstanding</u>
Revenue Bonds, Series 2010	10/25/10	\$ 7,750,000	01/01/29	\$ 6,650,000
Revenue Bonds, Series 2011	11/29/11	2,400,000	01/01/22	1,775,000
Revenue Bonds, Series 2013	11/19/13	4,575,000	01/01/34	<u>4,400,000</u>
		Total Waterworks System Revenue Debt		12,825,000
		Less Remaining 2015 Principal Payments		(-)
		Net Waterworks System Revenue Debt		<u>\$ 12,825,000</u>

Revenue Debt Service Schedules (For Fiscal Year Ending January 1)

	<u>\$7,750,000 Waterworks System Rev Bonds, Series 2010 - 10/25/10</u>		<u>\$2,400,000 Waterworks System Rev Ref Bonds, Series 2011 - 11/29/11</u>		<u>\$4,575,000 Waterworks System Rev Bonds, Series 2013 - 11/19/13</u>	
	Principal		Principal		Principal	
	<u>01/01</u>	<u>Interest</u>	<u>01/01</u>	<u>Interest</u>	<u>01/01</u>	<u>Interest</u>
2015	\$ 225,000	\$ 248,938	\$ 225,000	\$ 48,875	\$ 175,000	\$ 177,536 ¹
2016	225,000	242,187	225,000	44,375	200,000	153,738
2017	250,000	235,438	225,000	39,875	200,000	147,737
2018	250,000	227,937	250,000	35,375	175,000	141,738
2019	275,000	217,938	250,000	29,750	175,000	136,487
2020	275,000	206,937	250,000	23,500	200,000	131,238
2021	275,000	195,938	275,000	17,250	200,000	125,237
2022	275,000	187,687	300,000	9,000	200,000	119,238
2023	600,000	176,688			200,000	113,237
2024	625,000	157,188			200,000	107,238
2025	650,000	136,875			200,000	101,237
2026	700,000	110,875			175,000	95,238
2027	725,000	86,375			175,000	89,550
2028	750,000	61,000			200,000	83,644
2029	775,000	31,000			200,000	76,644
2030					300,000	68,644
2031					325,000	56,644
2032					350,000	43,643
2033					350,000	29,644
2034					<u>375,000</u>	<u>15,468</u>
	<u>6,875,000</u>	<u>2,523,001</u>	<u>2,000,000</u>	<u>248,000</u>	<u>4,575,000</u>	<u>2,013,780</u>
Less 2015 Payments	<u>225,000</u>	<u>248,938</u>	<u>225,000</u>	<u>48,875</u>	<u>175,000</u>	<u>177,536</u>
	\$ 6,650,000	\$ 2,274,063	\$ 1,775,000	\$ 199,125	\$ 4,400,000	\$ 1,836,244

¹ Includes \$98,042 paid July 1, 2014.

Total Waterworks System Revenue Debt and Coverage Ratio

	Total <u>Principal</u>	Total <u>Interest</u>	Total <u>Debt Service</u>	Coverage <u>Ratio</u> ¹
2015	\$ 625,000	\$ 475,349	\$ 1,100,349	1.32
2016	650,000	440,300	1,090,300	1.33
2017	675,000	423,050	1,098,050	1.32
2018	675,000	405,050	1,080,050	1.34
2019	700,000	384,175	1,084,175	1.34
2020	725,000	361,675	1,086,675	1.33
2021	750,000	338,425	1,088,425	1.33
2022	775,000	315,925	1,090,925	1.33
2023	800,000	289,925	1,089,925	1.33
2024	825,000	264,426	1,089,426	1.33
2025	850,000	238,112	1,088,112	1.33
2026	875,000	206,113	1,081,113	1.34
2027	900,000	175,925	1,075,925	1.35
2028	950,000	144,644	1,094,644	1.32
2029	975,000	107,644	1,082,644	1.34
2030	300,000	68,644	368,644	3.93
2031	325,000	56,644	381,644	3.80
2032	350,000	43,643	393,643	3.68
2033	350,000	29,644	379,644	3.82
2034	<u>375,000</u>	<u>15,468</u>	<u>390,468</u>	<u>3.71</u>
	<u>13,450,000</u>	<u>4,784,781</u>	<u>18,234,781</u>	
Less 2015 Payments	<u>625,000</u>	<u>475,349</u>	<u>1,100,349</u>	
	\$ 12,825,000	\$ 4,309,432	\$ 17,134,432	

¹ Coverage based on audited 2014 net revenues of \$1,449,282.

Debt Ratios

Outstanding general obligation direct debt as a percentage of equalized value and on a per capita basis for the current year as of December 1, 2015, after refunding, and for the past five years ended December 31 follows:

Ratios of General Obligation Debt to Equalized Valuation and Population

<u>Year</u>	<u>Outstanding General Obligation Debt</u>	<u>Equalized Valuation</u>	<u>Percent of Equalized Value</u>	<u>Population</u> ¹	<u>Per Capita</u>
2015	\$ 103,970,000 ²	\$ 5,543,348,500	1.88%	46,947	\$ 2,214.63
2014	84,685,000	5,350,627,100	1.58	46,766	1,810.82
2013	69,115,000	4,932,992,500	1.40	46,705	1,479.82
2012	60,205,000	4,963,918,700	1.21	46,320	1,299.76
2011	52,957,932	5,243,279,500	1.01	46,380	1,141.83
2010	40,935,983	5,462,436,300	0.75	46,396	882.32

¹ Estimated by the Wisconsin Department of Administration. 2010 is per the 2010 U.S. Census.

² Unaudited.

Indirect Debt

The indirect general obligation debt of the City as of October 30, 2015 is listed below.

<u>Governmental Unit</u>	<u>Outstanding Debt as of October 30, 2015 (Less: 2015 Sinking Funds)</u>	<u>Percent of Debt Within City</u>	<u>Amount of Debt Within City</u>
Wauwatosa School District	\$ - 0 -	100.00%	\$ - 0 -
Milwaukee County	662,419,246	9.70	64,254,667
Milwaukee Metro Sewerage District ¹	949,505,006	9.88	93,811,095
Milwaukee Area Technical College District ²	105,825,000	7.78	8,233,185
			<u>\$ 166,298,947</u>

¹ As of August 15, 2015. The Sewerage District expects to draw approximately \$1.7 million in Clean Water Fund Loans ("CWF Loans") in December 2015. The CWF Loans are supported by the full faith and credit of the Sewerage District.

² The District is anticipating the issuance of \$39.0 million in 2015-16. The amount is subject to change.

Total Indirect Debt	\$ 166,298,947
Indirect Debt Per Capita	\$ 3,542.27
Indirect Debt as a % of Equalized Value	3.00%
Total Direct Debt	\$ 103,970,000
Direct Debt Per Capita	\$ 2,214.63
Direct Debt as a % of Equalized Value	1.88%
Total Direct and Indirect Debt	\$ 270,268,947
Total Direct and Indirect Debt Per Capita	\$ 5,756.90
Total Direct and Indirect Debt as a % of Equalized Value	4.88%

Short Term Debt

The City does not issue short-term debt for operational purposes.

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 2015		\$ 5,543,348,500
Total General Obligation Debt Outstanding as of December 1, 2015, After refunding of 2010B Bonds	\$ 103,970,000	
Less: Remaining 2015 Principal Payments	(_____)	
Net General Obligation Debt Outstanding		\$ 103,970,000
Legal Debt Capacity (5% of Equalized Value)		\$ 277,167,425
Unused Margin of Indebtedness		\$ 173,197,425
Unused Legal Debt Capacity		62.49%

No Default on City Indebtedness

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

Future Financings

The City does not anticipate issuing additional general obligation debt in 2015.

FINANCIAL INFORMATION

Annual Financial Statements

The City is audited annually by an independent public accounting firm. Copies of the City's audited Comprehensive Annual Financial Report (CAFR) for the Year Ended December 31, 2014 are available from the Office of the Finance Director or on the City's website at www.wauwatosa.net.

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This is the third consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

Annual Budgets

Development of the annual budget begins in May. Developmental budget requests are submitted to the City Administrator and Finance Director in early August. After review by the Mayor and City Administrator, the budget is finalized and submitted to the Budget Committee by the end of August. The Budget Committee completes its review by mid-October and recommends a proposed budget to the Common Council.

In November of each year the Common Council, after conducting public hearings on the budget proposals at which time any resident or taxpayer of the City has an opportunity to be heard, adopts a final budget for the succeeding year and levies taxes for proposed budget purposes. The amounts of taxes so levied, the amounts of the various appropriations and the purposes for such appropriations stated in the final budget (after any alterations made pursuant to the public hearing) may not be changed unless authorized by a vote of two-thirds of the entire membership of the Common Council. Notice of any changes made in the foregoing manner must be published within 10 days thereafter. Failure to give such notice precludes any changes in the budget.

Summaries of the Adopted 2014 Budget and 2015 Budget are shown on following page. A more detailed budget can be found on the City's website at www.wauwatosa.net.

City of Wauwatosa General Fund Budgets

	2014 Adopted <u>Budget</u>	2015 Adopted <u>Budget</u>	Percent of Total
REVENUES			
General Property Tax Levy	\$ 35,574,842	\$ 36,679,025	70.03%
Other Taxes	1,450,561	1,451,403	2.77
Special Charges	20,900	19,100	0.04
State Shared Revenues	2,296,100	2,458,346	4.69
State Grants and Aids	2,074,006	2,262,031	4.32
Federal Shared Revenues/Grants	348,019	252,154	0.48
Licenses & Permits	1,340,100	1,341,070	2.56
Fines, Forfeits & Penalties	1,269,000	1,269,000	2.42
Public Charges for Services	3,179,038	3,122,846	5.96
Intergovernmental Charges	1,634,181	1,575,462	3.01
Miscellaneous Revenue	557,500	481,000	0.92
Transfers from Other Funds & Use of Equity			
Transfer from Amortization Fund	500,000	500,000	0.95
Transfer from Water Utility	848,000	936,447	1.79
Transfer from T.I.F.	25,000	25,000	0.05
Appropriated Surplus Applied	<u>242,849</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 51,360,096</u>	<u>\$ 52,372,884</u>	<u>100.00%</u>
EXPENDITURES			
General Government	\$ 5,261,751	\$ 5,186,503	9.90%
Public Safety	29,028,358	29,235,558	55.82
Transportation – General	4,941,595	4,891,541	9.34
Sanitation	2,118,749	2,142,295	4.09
Health	1,432,522	1,485,071	2.84
Leisure Activities	1,675,638	1,691,846	3.23
Non-Departmental & General	972,544	951,500	1.82
Transfers to Other Funds & Equity Use:			
Amortization Fund	620,000	532,000	1.02
Debt Service Fund	3,493,931	3,968,080	7.58
Parks Reserve	932,008	1,047,544	2.00
Other Funds	950,000	1,090,946	2.08
Insurance Reserve Funds	<u>(67,000)</u>	<u>150,000</u>	<u>0.29</u>
TOTAL	<u>\$ 51,360,096</u>	<u>\$ 52,372,884</u>	<u>100.00%</u>

Summary of Operations

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUES:			
Taxes	\$ 33,660,827	\$ 33,466,592	\$ 33,663,169
Intergovernmental revenues	4,667,455	4,609,449	4,662,550
Licenses and permits	2,068,477	1,719,500	1,371,438
Penalties and forfeitures	994,421	1,080,323	1,024,231
Public improvement revenues	34,622	35,045	9,929
Public charges for services	2,496,843	3,039,890	2,696,966
Intergovernmental charges for services	1,596,756	1,568,660	1,475,747
Commercial revenues	<u>1,135,292</u>	<u>251,134</u>	<u>1,098,060</u>
Total Revenues	46,654,693	45,770,593	46,002,090
EXPENDITURES:			
Current			
General government	5,823,484	4,785,158	4,607,161
Protection of persons and property	28,361,225	29,143,209	29,282,911
Health and sanitation	3,627,241	3,741,837	3,950,891
Highway and transportation	4,920,058	5,383,042	4,809,421
Education and recreation	46,355	49,736	52,006
Conservation and development	1,523,209	1,406,508	1,307,821
Unclassified	383,261	392,257	390,931
Capital outlay	<u>281,180</u>	<u>156,122</u>	<u>-</u>
Total Expenditures	44,966,013	45,057,869	44,401,142
Excess of Revenues Over (Under) Expenditures	1,688,680	712,724	1,600,948
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	-	-
Proceeds from sale of capital assets	26,572	-	74,449
Operating transfers in	944,360	902,692	792,975
Operating transfers out	<u>(1,799,854)</u>	<u>(1,574,650)</u>	<u>(3,103,336)</u>
Net change in fund balances	859,758	40,766	(634,964)
FUND BALANCES – BEGINNING OF YEAR	<u>19,066,233</u>	<u>19,025,467</u>	<u>19,660,431</u>
FUND BALANCES - END OF YEAR	<u>\$ 19,925,991</u>	<u>\$ 19,066,233</u>	<u>\$ 19,025,467</u>
FUND BALANCES			
Nonspendable	\$ 5,608,760	\$ 5,621,848	\$ 334,387
Committed	\$ -	\$ 242,849	\$ 500,000
Assigned	\$ 2,284,846	\$ 2,302,959	\$ 2,351,424
Unassigned	\$ 12,032,385	\$ 10,898,577	\$ 15,839,656

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUES:			
Taxes	\$ 47,232,813	\$ 45,185,474	\$ 43,775,220
Intergovernmental revenues	8,879,865	9,137,594	6,764,477
Licenses and permits	2,068,477	1,719,500	1,371,438
Penalties and forfeitures	994,421	1,080,323	1,024,231
Public improvement revenues	687,535	405,240	466,471
Public charges for services	3,263,154	3,790,087	3,496,318
Intergovernmental charges for services	1,596,756	1,568,660	1,475,747
Commercial revenues	<u>1,362,185</u>	<u>527,909</u>	<u>1,474,619</u>
 Total Revenues	 66,085,206	 63,414,787	 59,848,521
EXPENDITURES:			
General government	5,823,484	4,785,158	4,607,161
Protection of persons and property	28,361,225	29,143,209	29,282,911
Health and sanitation	3,627,241	3,741,837	3,950,891
Highway and transportation	4,920,058	5,383,042	4,809,421
Education and recreation	3,746,824	4,166,067	3,689,289
Conservation and development	6,322,366	7,556,660	2,993,522
Unclassified	383,261	392,257	390,931
Debt service			
Principal	8,137,991	8,054,402	11,518,306
Interest	2,014,970	2,230,080	2,086,725
Capital outlay	<u>7,896,609</u>	<u>17,318,171</u>	<u>9,357,602</u>
 Total Expenditures	 71,234,029	 82,770,883	 72,686,759
 Excess of Revenues Over (Under) Expenditures	 (5,148,823)	 (19,356,096)	 (12,838,238)
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	14,170,000	7,446,280	6,675,000
Premium on long term debt	149,888	308,530	248,000
Proceeds from sale of capital assets	26,572	-	74,449
Operating transfers in	9,536,964	20,182,405	15,023,200
Operating transfers out	<u>(7,575,856)</u>	<u>(18,302,131)</u>	<u>(13,071,513)</u>
 Net change in fund balances	 11,158,745	 (9,721,012)	 (3,889,102)
 FUND BALANCES - BEGINNING OF YEAR	 <u>37,720,519</u>	 <u>47,441,531</u>	 <u>51,330,633</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 48,879,264</u>	 <u>\$ 37,720,519</u>	 <u>\$ 47,441,531</u>
FUND BALANCES			
Nonspendable	\$ 5,610,560	\$ 5,681,477	\$ 2,394,016
Restricted	\$ 27,811,038	\$ 17,596,944	\$ 24,885,738
Committed	\$ -	\$ 242,849	\$ 500,000
Assigned	\$ 3,425,281	\$ 3,300,672	\$ 3,822,121
Unassigned	\$ 12,032,385	\$ 10,898,577	\$ 15,839,656

Pension Plan

All eligible City employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the System. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the System.

Covered employees are required to contribution one-half of the actuarially determined contribution rate for general category employees, and executives and elected officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2014 are as follows:

	<u>Employee</u>	<u>Employer</u>
General	7.00%	7.00%
Executives & Elected Officials	7.75%	7.75%
Protective with Social Security	7.00%	7.00%
Protective without Social Security	7.00%	13.70%

The payroll for City employees covered by the System for the year ended December 31, 2014 was \$28,350,192; the employer's total payroll was \$29,260,290. The total required contribution for the year ended December 31, 2014 was \$4,770,997. This amount consisted of \$2,785,635 or 9.52% of payroll from the employer and \$1,985,362 or 6.79% of payroll from employees. Total contributions for the years ending December 31, 2014 and 2013 were \$5,267,429 and \$4,747,322, respectively, equal to the required contribution for each year.

See Note 5-A of the City's Financial Statements for the Year Ended December 31, 2014 attached as Appendix A for more detailed information on the City's retirement plan.

The City has no pension related debt as of December 31, 2013.

Other Post-Employment Benefits

The City provides other post-employment benefits ("OPEB") to its retirees for health insurance.

See Note 5-C of the City's Financial Statements for the Year Ended December 31, 2014 attached as Appendix A for more detailed information.

LEGAL MATTERS

Pending Litigation

The City certifies that there is no pending litigation or threatened litigation, which would restrain or enjoin the issuance, sale, execution or delivery of the Securities or in any way contest or affect the validity of the Securities or of any proceedings of the City taken with respect to the issuance and sale of the Securities.

The City is currently involved in property tax litigation with General Growth Properties, the owner of Mayfair Mall. The matter is titled as Mayfair Mall LLC v. City of Wauwatosa, Milwaukee County Circuit Court Case No. 14-CV-003776. The case involves a dispute in the taxable value of the City's largest taxpayer, Mayfair Mall, and involves a difference of opinion approximating \$100,000,000. The matter is in its early stages, so no decision is expected in the next twelve months. The City is comfortable that its position in this matter is well-supported and that the chances of losing the litigation are minimal, but the potential size of the litigation requires its disclosure.

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%.

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

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

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

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

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

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

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

Approval of Legal Proceedings

Certain legal matters incident to the authorization and issuance of the Securities are subject to the approval of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, whose approving legal opinions will be available at the time of the delivery of the Securities. The proposed forms of such opinions are attached hereto as Appendix B "Proposed Form of Legal Opinion for the Series 2015B Bonds" and Appendix C "Proposed Form of Legal Opinion for the Series 2015C Bonds".

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 - Series 2015B Bonds", "LEGAL MATTERS - Tax Status - Series 2015C Bonds", Appendix B "Proposed Form of Legal Opinion for the Series 2015B Bonds" and Appendix C "Proposed Form of Legal Opinion for the Series 2015C Bonds" and has not performed any investigation as to its accuracy, completeness or sufficiency.

Tax Exemption – Series 2015B Bonds

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 Series 2015B Bonds under existing law substantially in the following form:

"The interest on the Series 2015B Bonds is excludable for federal income tax purposes from the gross income of the owners of the Series 2015B Bonds. The interest on the Series 2015B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Series 2015B Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Series 2015B Bonds in order for interest on the Series 2015B Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Series 2015B Bonds to be included in gross income retroactively to the date of issuance of the Series 2015B Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2015B Bonds."

The interest on the Series 2015B Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Series 2015B Bonds should be aware that ownership of the Series 2015B Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2015B Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2015B Bonds. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Series 2015B Bonds may be enacted. Prospective purchasers of the Series 2015B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

See Appendix B "Proposed Form of Legal Opinion for the Series 2015B Bonds".

Original Issue Discount – Series 2015B Bonds

To the extent that the initial public offering price of certain of the Series 2015B Bonds is less than the principal amount payable at maturity, such Series 2015B Bonds ("Series 2015B Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Series 2015B Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Series 2015B Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Series 2015B Discounted Bond in the initial public offering at the issue price and who holds such Series 2015B Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Series 2015B Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Series 2015B Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Series 2015B Discounted Bond, on days that are determined by reference to the maturity date of such Series 2015B Discounted Bond. The amount treated as original issue discount on a Series 2015B Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Series 2015B Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Series 2015B Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Series 2015B Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Series 2015B Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Series 2015B Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Series 2015B Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Series 2015B Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Series 2015B Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Series 2015B Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Series 2015B Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's

particular tax status and other items of income or deduction. In the case of corporate owners of Series 2015B Discounted Bonds, 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 Series 2015B Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Series 2015B Discounted Bonds 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 Series 2015B Discounted Bonds at a price other than the issue price or who purchase such Series 2015B Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Series 2015B Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Series 2015B Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Series 2015B Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Series 2015B Discounted Bonds.

Bond Premium – Series 2015B Bonds

To the extent that the initial offering price of certain of the Series 2015B Bonds is more than the principal amount payable at maturity, such Series 2015B Bonds ("Series 2015B Premium Bonds") will be considered to have bond premium.

Any Series 2015B Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Series 2015B Premium Bond is calculated on a daily basis from the issue date of such Series 2015B Premium Bond 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 Series 2015B Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Series 2015B Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Series 2015B Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Series 2015B Premium Bond. The adjusted tax basis in a Series 2015B Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Series 2015B Premium Bond.

Owners of Series 2015B Premium Bonds who did not purchase such Series 2015B Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Series 2015B Premium Bonds. Owners of Series 2015B Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Series 2015B Premium Bonds.

Not Designated As Qualified Tax-Exempt Obligations – Series 2015B Bonds

The City will not designate the Series 2015B Bonds as "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.

Tax Status – Series 2015C Bonds

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion stating that under existing law, interest on the Series 2015C Bonds is included in gross income for present Federal income tax purposes.

The interest on the Series 2015C Bonds is not exempt from present Wisconsin income or franchise taxes.

See Appendix C "Proposed Form of Legal Opinion for the Series 2015C Bonds".

Original Issue Discount – Series 2015C Bonds

To the extent that the initial public offering price of certain of the Series 2015C Bonds is less than the stated principal amount payable at maturity, such Series 2015C Bonds will be considered to be issued with original issue discount unless the amount of original issue discount is "de minimis". The amount of original issue discount with respect to the Series 2015C Bonds will be "de minimis" if the amount of discount is less than one-fourth of 1% of the principal amount payable at maturity multiplied by the number of complete years from the issue date until the maturity date.

If the amount of discount with respect to the Series 2015C Bonds is considered "de minimis", then the amount of original issue discount with respect to the Series 2015C Bonds will be zero. In that case, owners of those Series 2015C Bonds will not be required to include any amount of original issue discount in income until the principal amount is repaid, at which time the owner will recognize capital gain (assuming the Series 2015C Bonds is held as a capital asset) equal to the excess of the amount received at maturity over the issue price.

If the amount of discount with respect to the Series 2015C Bonds is more than “de minimis”, then such Series 2015C Bonds will contain original issue discount and owners of the Series 2015C Bonds will be required to include original issue discount in income. The Internal Revenue Code of 1986, as amended (the “Code”) contains a number of very complex provisions requiring owners of debt instruments with original issue discount to include such original issue discount in income as it accrues economically over the life of the debt instrument. In the case of the Series 2015C Bonds, the owner may be required to include the original issue discount in income before the owner receives the associated cash payment, regardless of the owner’s regular method of accounting for tax purposes. Any such original issue discount that is included in income is treated in the same manner as interest. Any original issue discount that is included in income by an owner with respect to the Series 2015C Bonds will increase the owner’s tax basis in the Series 2015C Bonds.

The Code contains certain provisions relating to the accrual of original issue discount (including de minimis original issue discount) in the case of subsequent purchasers of obligations such as the Series 2015C Bonds. Owners who do not purchase Series 2015C Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the acquisition and ownership of Series 2015C Bonds.

Owners who purchase Series 2015C Bonds in the initial public offering but at a price different than the initial offering price at which a substantial amount of that maturity of the Series 2015C Bonds was sold to the public should consult their own tax advisors with respect to the tax consequences of the acquisition and ownership of the Series 2015C Bonds. Owners of the Series 2015C Bonds should consult their own tax advisors with respect to the state and local consequences of owning the Series 2015C Bonds.

Bond Premium – Series 2015C Bonds

To the extent that the initial offering price of certain of the Series 2015C Bonds is more than the principal amount payable at maturity, the Series 2015C Bonds (the “Series 2015C Premium Bonds”) will be considered to have “bond premium” equal to the difference between the issue price and the stated redemption price at maturity.

Any Series 2015C Premium Bond purchased in the initial offering at the issue price will have “amortizable bond premium” within the meaning of Section 171 of the Code. Owners of Series 2015C Premium Bonds, the interest on which is subject to tax, may make an election to amortize the bond premium and to offset the Series 2015C Premium Bonds interest income with the amortizable bond premium for the year. Any amortizable bond premium that reduces the amount of interest income also reduces the owner’s adjusted tax basis in the Series 2015C Premium Bonds by a corresponding amount. The adjusted tax basis in a Series 2015C Premium Bond will be used to determine Series 2015C Premium Bonds gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of such Series 2015C Premium Bonds. If the election is made, it is effective for all Series 2015C Premium Bonds acquired during that year and all future years unless the taxpayer receives permission from the IRS to revoke the election. Owners of Series 2015C Premium Bonds should consult with their tax advisors regarding the calculation and treatment of bond premium for federal income tax purposes, as well as the manner of making the election.

Owners of the Series 2015C Premium Bonds who do not purchase such Series 2015C Premium Bonds in the initial offering at the issue price should consult with their tax advisors regarding the tax consequences of owning the Series 2015C Premium Bonds.

Owners of Series 2015C Premium Bonds should consult with their tax advisors regarding the state and local tax consequences of owning such Series 2015C Premium Bonds.

Exemption From Securities Registration

Wisconsin Statutes, Section 551.201, provides that securities issued by a political subdivision of a state, including the Securities, are exempt from registration with the Wisconsin Department of Financial Institutions Division of Securities.

Other Covenants of the City – Series 2015B Bonds

No Arbitrage. The City covenants that no investment will be made which would cause the Series 2015B Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Compliance With Federal Tax Laws. The City represents and covenants that the Series 2015B Projects and refunding financed by the Series 2015B Bonds will not cause the Series 2015B Bonds to be “private activity bonds” and that it will comply with the provisions of the Internal Revenue Code of 1986, as amended, including the arbitrage rebate requirements of the Code, to the extent necessary to maintain the tax-exempt status of the Series 2015B Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the “Bankruptcy Code”). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the

Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be “specifically authorized” under State law to file for relief under Chapter 9. For these purposes, “State law” may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State’s executive branch.

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

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

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

MISCELLANEOUS

Rating

The Securities have been rated “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”), New York, New York.

Concurrently, Moody’s also maintains the “Aaa” 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 the rating agency, if, in their judgment, circumstances so warrant.

Continuing Disclosure

Undertaking to Provide Continuing Disclosure. In order to assist an Underwriter which will reoffer the Securities 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 Series 2015B Resolution and the Series 2015C Resolution adopted by the Common Council to enter into an undertaking (the “Undertaking”) for the benefit of holders including beneficial holders of the Securities to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the “MSRB”), and to provide notices 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 Certificates to be executed and delivered by the City at the time the Securities are delivered. Such Certificates will be in substantially the form attached hereto as Appendices D and E. A failure by the City to comply with the Undertaking will not constitute an event of default on the Securities (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 Securities in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Securities and their market price.

In the past five years, the City 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.

The City will 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 Series 2015B Bonds and Series 2015C Bonds were purchased by competitive bidding conducted on November 17, 2015.

The award of the Series 2015B Bonds was made to a syndicate with Morgan Stanley & Co. LLC as senior manager (the "Series 2015B Underwriter"). The public reoffering price or yield of the Series 2015B Bonds may be obtained from the successful Series 2015B Underwriter.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2015B Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015B Bonds.

The award of the Series 2015C Bonds was made to Piper Jaffray & Co. (the "Series 2015C Underwriter"). The public reoffering price or yield of the Series 2015C Bonds may be obtained from the successful Series 2015C 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 Securities on November 17, 2015.

CERTIFICATES CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Securities, the Mayor and the Clerk of the City will deliver to the purchaser of the Securities 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 Securities, 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 the
City of Wauwatosa
For the Year Ended December 31, 2014**

The Comprehensive Annual Financial Report for the City of Wauwatosa for the Year Ended December 31, 2014, including the Auditor's Opinion Letter is available upon request to the City's Finance Director or from the City's website at www.wauwatosa.net.

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CITY OF WAUWATOSA, WISCONSIN
Milwaukee County, Wisconsin

Prepared by:

City of Wauwatosa, Wisconsin Finance Department
John Ruggini, Finance Director

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Management Discussion and Analysis

This section of the City of Wauwatosa's comprehensive annual financial report provides the reader with management's narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, and (4) identify any changes in the City's financial plan (approved budget). The financial discussion and analysis presented in the section is intended to be used in conjunction with the accompanying financial statements. Additional information is provided in the transmittal letter which can be found on pages 1-3 of this report.

Financial Highlights

- ◆ The assets of the City of Wauwatosa exceeded its liabilities by \$153,467,363 (net position) as of December 31, 2014.
- ◆ As of December 31, 2014, the City of Wauwatosa's governmental funds reported combined ending fund balances of \$48,879,264. Of this balance, \$12,032,385 is available for spending at the government's discretion (unassigned fund balance)
- ◆ At the end of the current fiscal year, \$12,032,385 of unassigned fund balance for the general fund is equal to 25.7% of general fund expenditures and transfers out.
- ◆ The City's net Other Post Employment Benefit (OPEB) obligation increased \$844,456 to \$21,533,139.
- ◆ Total primary government debt increased \$6,032,007 to \$56,650,433 while business-type debt increased \$5,356,436 to \$53,362,545. Government debt increased due to general obligation debt issued for Tax Increment District financing and business-type debt increased as part of a planned enhanced capital improvement plan to address end-of-life infrastructure as well as street and basement flooding.
- ◆ The City maintained a Aaa rating from Moody's

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Wauwatosa's basic financial statements. The City of Wauwatosa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 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 of Wauwatosa's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the City of Wauwatosa'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 of Wauwatosa is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City of Wauwatosa that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Wauwatosa include general government, public safety, public works, health and sanitation, and culture and recreation. The business-type activities of the City of Wauwatosa include the Water Utility, Redevelopment Authority, Sanitary and Storm Water Management.

The government-wide financial statements include the activities of the City of Wauwatosa itself (known as the *primary government*). The Water Utility, although legally separate, functions for all practical purposes as a department of the City of Wauwatosa, and therefore has been included as an integral part of the primary government.

The Government-wide financial statements can be found on pages 25-26.

Fund Financial Statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wauwatosa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Wauwatosa can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide 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 the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented for *governmental funds* with similar

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

The City of Wauwatosa maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects General Obligation Debt Issue Fund, and the Tax Incremental Fund, which are considered to be major funds. Data from the other seven funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City has also presented budgetary comparison information for the General Fund and major Special Revenue Funds in the basic financial statements.

The basic governmental fund financial statements can be found on pages 27-31.

Proprietary funds.

The City of Wauwatosa maintains ten proprietary funds. *Enterprise funds* are used to report the same function presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Wauwatosa's various functions. The City of Wauwatosa uses enterprise funds to account for its Water Utility, Storm Water Management and Sanitary Sewer Funds and the Redevelopment Authority. The City of Wauwatosa uses internal service funds to account for its fleet of vehicles, rental of space in the Municipal Complex, information systems, rental of occupied space in the public works garage, and four self insured insurance programs (health, dental, general liability, workers compensation). The City of Wauwatosa reports the health, dental and workers compensation as one fund for financial statement purposes. In the government-wide financial statements, these services have been allocated between the *governmental activities* and *business-type activities* based on cost drivers associated with the services provided.

The basic proprietary fund financial statements can be found on pages 32-35.

Fiduciary Funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Wauwatosa's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 36-37.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-87.

Other information.

In addition to the basic financial statements and accompanying notes, this report also presents certain additional supplementary information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements. A detailed budgetary comparison schedule for the General Fund is presented to demonstrate compliance with the budget. The City has also presented cumulative information related to its Tax Increment Districts and included a statistical section with 10 years of comparative financial, demographic and operational data.

The supplementary information can be found on pages 88-140.

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 of Wauwatosa assets exceeded liabilities by \$153,467,363 at the close of 2014 as shown below in Figure 1.

The largest portion of the City of Wauwatosa's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding). Although the City of Wauwatosa's 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 most of the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Wauwatosa's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the city's ongoing obligations to citizens and creditors.

Figure 1
CITY OF WAUWATOSA NET POSITION
December 31, 2014

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Other assets	\$ 113,015,488	\$ 102,316,215	\$ 19,950,956	\$ 20,198,575	\$ 132,966,444	\$ 122,514,790
Capital assets	88,942,837	87,103,065	123,840,649	114,952,953	212,783,486	202,056,018
Total assets	201,958,325	189,419,280	143,791,605	135,151,528	345,749,930	324,570,808
Liabilities and deferred inflows of resources						
Current liabilities	\$ 9,547,164	\$ 72,283,259	\$ 3,044,420	\$ 2,474,847	\$ 12,591,584	\$ 74,758,106
Noncurrent liabilities	81,210,183	12,854,297	53,136,313	47,822,598	134,346,496	60,676,895
Deferred inflows of resources	45,344,487	45,711,202	-	-	45,344,487	45,711,202
Total liabilities and deferred inflows of resources	136,101,834	130,848,758	56,180,733	50,297,445	192,282,567	181,146,203
Net position						
Net investment in capital assets	\$ 57,512,246	\$ 64,419,399	\$ 79,309,166	\$ 71,559,243	\$ 136,821,412	\$ 135,978,642
Restricted	27,481,090	17,395,491	621,020	440,543	28,102,110	17,836,034
Unrestricted	(19,136,845)	(23,244,368)	7,680,686	12,854,297	(11,456,159)	(10,390,071)
Total net position	65,856,491	58,570,522	87,610,872	84,854,083	153,467,363	143,424,605

Change in Net Position

Net position of the City of Wauwatosa increased by \$10,042,758 (7.0%) in 2014 as both governmental and business-type activities' net position increased. See details below. Net position of the City's governmental activities totaled \$65,856,491 as of December 31, 2014, an increase of \$7,285,969. The City's unrestricted net position for governmental activities is negative due development incentives associated with TIF 2 and TIF 6 that resulted in a liability without an associated asset. As the debt is repaid and when the TIF closes, this negative amount will be reduced. The net position of business-type activities totaled \$87,610,872, an increase of \$2,756,789. Following is a summary of the changes in net position for the City of Wauwatosa.

Governmental Activities

Governmental activities for 2014 increased the City's net position by \$7,285,969 as detailed above. Some of the significant changes in revenues and expenses as shown in Figure 2 that contributed to that change were as follows:

Revenues

- ◆ Operating grants decreased \$618,372 The most significant decrease was the result of a FEMA grant of \$238,520 received in 2013 that was not received in 2014.
- ◆ Property tax revenue increased \$2,041,991. This was the result of a 2.48% property tax levy increase which raised \$919,152. Tax Increment revenue also increased \$1,057,133. The increase in tax increment revenue was largely generated by Tax Increment Districts 2 and 3 whose value increased.

- ◆ Other taxes increased \$401,226 due in part to an increase in special assessment revenue as the volume of street and sidewalk projects assessed to the homeowner increased.
- ◆ Intergovernmental grants not restricted to specific programs as a result of an increase in exempt computer aid related to the TIF districts.
- ◆ Investment revenue increased \$943,303 due in large part to the investment rate environment in 2013. The 2013 mark-to-market was a negative \$651,788. As the City resets its portfolio value each year, this resulted in a significant swing in the other direction for 2014. In addition, the City temporarily financed improvements within TIF 6 which provided additional interest earnings.

Expenses

- ◆ General government increased due to an increase attorney related expenses.
- ◆ Protection of persons and property decreased in a large part due to a high number of vacancies in the police and fire departments which resulted in over \$800,000 in savings.
- ◆ Highway and transportation expenditures decreased \$1,174,735 as result of a more accurate methodology for charging time to capital projects. This decrease is offset by by an increase in the transfer from the General Fund to the Capital Projects Fund of \$450,000 which is categorized under transfers.
- ◆ Education and recreation spending decreased \$578,532 due largely to a one-time transfer of \$500,000 to the Library Foundation in 2013.
- ◆ Conservation and Development decreased \$2,599,396 largely due to Tax Incremental District related expenditures. \$1,671,000 less in federal grants were disbursed to the University of Wisconsin – Milwaukee Real Estate Foundation through the City to finance the construction of the business accelerator building. In addition, \$1,355,101 was spent to construct the ABB parking structure in 2013 but only \$621,016 was spent in 2014. As this asset will not be owned by the City of Wauwatosa but by the developer of the project, this expense was not capitalized.
- ◆ Transfers increased over \$4.1 million in 2014 due almost entirely to the nearly \$3.5 million reduction in fixed assets that that were transferred from the governmental to the proprietary funds. The majority of these fixed assets were purchased by the Tax Incremental District special revenue fund as part of the Discovery Parkway project.

Figure 2
CHANGE IN NET POSITION- GOVERNMENTAL ACTIVITIES
For The Years Ended December 31, 2013 and 2012

	2014	Governmental Activities 2013	Variance
Revenues:			
Program Revenues:			
Charges for services	\$ 6,380,195	\$ 6,465,885	(85,690)
Operating grants	3,503,698	4,122,070	(618,372)
Capital grants/ contributions	4,528,057	4,552,526	(24,469)
General Revenues:			
Property taxes	45,752,956	43,710,965	2,041,991
Other taxes	1,875,735	1,474,509	401,226
Grants not restricted to specific programs	3,392,712	2,617,256	775,456
Investments	1,047,731	104,428	943,303
Gain -sales/disposal of capital assets	26,572	-	26,572
Total revenues	\$ 66,507,656	\$ 63,047,639	3,460,017
Expenses:			
General government	\$ 6,859,099	\$ 5,248,071	1,611,028
Protection of persons and property	29,206,942	32,087,476	(2,880,534)
Health and sanitation	3,631,064	3,919,856	(288,792)
Highway and transportation	7,504,667	8,679,402	(1,174,735)
Education and recreation	4,237,835	4,816,367	(578,532)
Conservation and development	6,641,624	9,241,020	(2,599,396)
Interest and fiscal charges	1,979,079	1,891,502	87,577
Total gov't activities expense	\$ 60,060,310	\$ 65,883,694	(5,823,384)
Increase (decrease) in net assets before transfers	\$ 6,447,346	\$ (2,836,055)	9,283,401
Net Transfers	838,623	(3,282,005)	4,120,628
Change in net position	\$ 7,285,969	\$ (6,118,060)	13,404,029
Net position- beginning	58,570,522	64,688,582	(6,118,060)
Net position- ending	\$ 65,856,491	\$ 58,570,522	7,285,969

Business Activities

Business activities for 2014 increased the City's net position by \$2,756,789 as detailed above. Some of the significant changes in revenues and expenses as shown in Figure 3 that contributed to that change were as follows:

Revenues

- ◆ Higher charges for service are due to water, sanitary and storm rate increases necessary to fund increasing capital improvement costs associated with aging infrastructure. Water rates increased 3.65%, sanitary rates increased 6.8% and storm rates increased 17.0%.

Expenses

- ◆ Water expenses increased 13.0% largely due the first year of a five-year amortization of the painting of the Glenview Water Tower as well the severe winter which caused a record number of water main breaks which were repaired in part by private contractors. In addition, interest expense increased resulting from the 2013 debt issuance.
- ◆ Sanitary expenses increased 11.6% as interest costs rose \$237,831 due to increased debt, an additional \$244,165 was spent on the private lateral pilot project and an additional \$312,626 was spent conducting analysis on reducing inflow and expanding capacity of the sanitary sewer system.
- ◆ Transfers decreased \$4.1 million due largely to the approximate \$3.5 million decrease in fixed assets that that were transferred from the governmental to the proprietary funds in 2013 as compared to 2014. The majority of these fixed assets were purchased by the Tax Incremental District special revenue fund as part of the Discovery Parkway project.

Figure 3
CHANGE IN NET POSITION- BUSINESS ACTIVITIES
For The Years Ended December 31, 2013 and 2013

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 18,606,929	\$ 17,103,940	1,502,989
Capital grants/ contributions	216,219	225,813	(9,594)
General Revenues:			
Investments	9,865	25,137	(15,272)
Total revenues	<u>\$ 18,833,013</u>	<u>\$ 17,354,890</u>	<u>1,478,123</u>
Expenses:			
Water Utility	\$ 7,075,139	\$ 6,262,927	812,212
Sanitary sewer	6,040,772	5,412,934	627,838
Storm water management	2,121,690	2,111,893	9,797
Total business activities expense	<u>\$ 15,237,601</u>	<u>\$ 13,787,754</u>	<u>1,449,847</u>
Increase (decrease) in net assets			
before transfers	\$ 3,595,412	\$ 3,567,136	28,276
Net Transfers	<u>(838,623)</u>	<u>3,282,005</u>	<u>(4,120,628)</u>
Change in net position	\$ 2,756,789	\$ 6,849,141	(4,092,352)
Net position- beginning	<u>84,854,083</u>	<u>78,004,942</u>	<u>6,849,141</u>
Net position- ending	<u>\$ 87,610,872</u>	<u>\$ 84,854,083</u>	<u>2,756,789</u>

Fund Financial Analysis

As noted earlier, the City of Wauwatosa uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Fund financial reporting focuses on short-term spendable resources and balances of spendable resources available at year-end.

Governmental Funds

As of December 31, 2014, the City of Wauwatosa's governmental funds reported combined ending balances of \$48,879,264, an increase of \$11,158,745 from the prior year. This increase is due to several factors described below and presented in Figure 4.

- The increase is almost entirely due to an increase in the Tax Incremental District fund balance of \$8.8 million due to the completion of the Discovery Parkway project resulting in a large surplus in Tax Increment District 2 as incremental revenue exceed project expenses by \$2.6 million. It was also temporarily boosted as \$5.2 million in debt was

issued for Tax Increment District 7 but the project expenses were not incurred until 2015.

- The General Fund balance increased \$859,758 to \$19,925,991. This was largely the result of a continued high level of building activity producing permit revenue surplus, salary savings due to vacancies in public safety and engineering and a significant swing in the mark-to-market from 2013. It is important to note that the non-spendable balance nearly entirely is represented by an internal advance to Tax Increment District Six in lieu of a note-anticipation general obligation bond. This was refinanced in early 2015. Of the \$12,032,385 in the Unassigned Fund Balance, \$7,594,102 is held in the Amortization Fund but considered unassigned.
- The \$2,212,545 in Debt Service fund balance is made up of \$2,000,000 of an advance to TIF 6 that was repaid in 2014 as well as capitalized interest on that debt and bond premium.
- The Parks Fund increased by \$81,406 due in part by \$95,000 in asset replacement costs which is budgeted annually so as to build up fund balance in order to cash finance the replacement of the Hart Park stadium turf in 2018 and track in 2028.
- The Capital Projects General Obligation Debt Issue fund balance grew by \$1,444,935 due largely to unspent bond proceeds.

Figure 4
CHANGE IN GOVERNMENTAL FUND BALANCES

	General Fund	TIF	Debt Service	Library	Parks	Redevelopment Lease	Information Systems Equipment	Community Development Block Grant	Capital Projects	Total
Beginning year balance	\$ 19,066,233	\$ 9,897,014	\$ 2,316,145	\$ 190,259	\$ 703,480	\$ 27	\$ 103,974	\$ -	\$ 5,443,387	\$ 37,720,519
Current Year Activity	\$ 859,758	\$ 8,814,884	\$ (103,600)	\$ 2,071	\$ 81,406	\$ (27)	\$ 59,245	\$ 73	\$ 1,444,935	\$ 11,158,745
End of Year Balance	\$ 19,925,991	\$ 18,711,898	\$ 2,212,545	\$ 192,330	\$ 784,886	\$ -	\$ 163,219	\$ 73	\$ 6,888,322	\$ 48,879,264
Non-spendable	\$ 5,608,760	\$ 1,800								\$ 5,610,560
Restricted		\$ 18,710,098	\$ 2,212,545					\$ 73	\$ 6,888,322	\$ 27,811,038
Committed	\$ -									\$ -
Assigned	\$ 2,284,846			\$ 192,330	\$ 784,886		\$ 163,219			\$ 3,425,281
Unassigned	\$ 12,032,385									\$ 12,032,385

Proprietary Funds

Revenue and Expenditure highlights related to Water, Sanitary and Storm water funds are discussed above. Internal Service Funds showed a small decrease in net position of \$61,267 as surpluses in the funds nearly offset the increase in the net Other Post Employment Benefit (OPEB) obligation by \$844,456 to a total of \$21,533,139 in the Health/Life Fund. The annual OPEB cost was \$3,821,514 representing 66.73% of the net OPEB obligation. The unfunded actuarial accrued liability (UAAL) is \$47,952,213. The nearly \$14 million decrease from 2013 is largely due changes in the benefits provided to retirees that have reduced the future expected costs of health care associated with retirees.

General Fund Budgetary Highlights

Differences between actual revenues and expenses and the final amended budget resulted in a positive revenue variance of \$20,038 (0.04% of total) and a positive expenditure variance of \$1,477,246 (3.2% of total). The following explains these variances:

Revenues

- ◆ Taxes increased \$171,513 over budget due to chargeback revenue from other jurisdiction as a result of successful property tax appeals by several corporations.
- ◆ Intergovernmental revenues was down \$228,296 compared to budget as a state and federal grant which were awarded in 2014 were not drawn down as the project expenses were not incurred. Both grants are available in 2015.
- ◆ Licenses and permits was \$448,419 over budget due to a very strong construction year in which multiple large projects and increased construction overall drove revenue higher than budget. Building permit revenue exceeded \$1,400,000 and was derived from \$191 million in construction value.
- ◆ Fines, penalties and forfeitures was \$214,579 under the original budget due largely to parking violation revenue and court penalties. A continued slow-down in parking violation revenue resulted in a loss of nearly \$85,000 as compared to the revised budget. Court penalties also continued to slow resulting in a \$134,646 deficit. Both revenues are attributed to vacancies in the police department. Of the 119.5 FTE budgeted for 2014, the police maintained 112.7 FTE which resulted in an estimated 12,500 unfilled productive hours. It is important to note that while this reduced revenues, it also resulted in salary surpluses.
- ◆ Public charges for services was \$541,615 under budget as the City had to write-off \$250,000 in ambulance bills greater than 120 days past due from the prior billing company. In addition, it appears this revenue has been budgeted too high.
- ◆ Commercial revenues were \$411,286 over budget due to a mark to market adjustment in 2013 of a negative \$651,788 which resulted in a corresponding swing in 2014 as discussed above. Due to uncertainty of where the market would end up on 12/31/14, the budget was not adjusted for the mark-to-market changes.

Expenditures

- ◆ General Government expenditures were \$311,998 less than budget due largely savings in the City Planning function.
- ◆ \$1,009,706 of savings compared to the budget for the Protection of Persons and Property is due largely to vacancies related to higher-than-average retirements in the police and fire department.
- ◆ Highway and transportation had a surplus of \$124,380 due to a surplus of \$117,518 in contractual savings related to lower tonnage of disposed solid waste by the City's private hauler from the transfer station as budgeted.

Capital Assets and Debt Administration

Capital Assets

The City of Wauwatosa investments in capital assets for its governmental and business-type activities as of December 31, 2014 increased \$10,727,468 to \$212,783,486 net of accumulated depreciation. This investment in capital assets includes land, buildings, sewer and water main improvements, machinery and equipment, parks facilities, roads and bridges. The increase in the City of Wauwatosa's investment in capital assets for the current fiscal year was 2.1% for governmental and 7.7% for business-type functions. This increase reflects the continuation of the City's enhanced capital improvement plan to replace infrastructure (largely roads, bridges and sewer mains) that are past-their useful life or of insufficient capacity.

Major capital assets improvements during 2014 included the following:

- ◆ 15,344 linear feet of reconstructed and resurfaced streets.
- ◆ 41,500 linear feet of replaced or relined sanitary sewer mains
- ◆ 8,666 linear feet of replaced or relined storm sewer mains
- ◆ 3,400 linear feet of replaced water mains
- ◆ \$1,230,745 in public building upgrades including the construction of the Hart Park comfort station, the replacement of the City fueling station, an upgrade of the City Hall Emergency Backup Generator, interior lighting replacement at the public works garage and a boiler replacement at the Hart Park Office.

Additional information on the City of Wauwatosa's capital assets can be found on pages 61-62.

Debt Administration

At the end of the current fiscal year, the City of Wauwatosa had total bonded debt outstanding of \$107,685,021. Of this amount \$84,685,021 is backed by the full faith and credit of the City. The City of Wauwatosa issued \$21,610,000 for street and sewer improvements as well as Tax Increment District projects. The City maintains an "Aaa" rating from Moody's for its general obligation debt.

State Statutes limit the amount of general obligation debt a government entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Wauwatosa is

\$267,531,355 of which the City has utilized 31.66% for its current outstanding general obligation debt.

The remainder of the City of Wauwatosa's debt represents bonds secured solely by specific revenue sources. The Wauwatosa Water Utility has outstanding debt of \$13,450,000 and maintains a Aa2 rating from Moody's. The balance of \$9,550,000 are bonds issued by the Wauwatosa Redevelopment Authority that are payable only out of revenues derived from a lease agreement between the City and the Authority.

Additional information on the City of Wauwatosa's long-term debt can be found in note G on pages 65-72 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Wauwatosa is an inner ring suburban community located in Milwaukee County. Wauwatosa is strategically located at the center of the Milwaukee metropolitan area with excellent transportation access. It is the home of a number of regionally significant institutions and companies – including the Milwaukee County Grounds, the County Medical Center, Research Park, Harley-Davidson, GE Health Care and Briggs and Stratton – and is second only to downtown Milwaukee as a regional employment center. The City of Wauwatosa features diverse neighborhoods, an excellent variety of housing stock, a thriving Village business district, and a key regional shopping center; the City is noted for its level of municipal services, excellent schools, the civic engagement of its citizens, and its high quality of life.

Other key economic factors include:

- ◆ The City's equalized property valuation has increased from \$5.14 billion in 2005 to \$5.35 billion in 2014.
- ◆ The unemployment rate for the City of Wauwatosa is currently 4.2% annually for 2014. This compares favorably to the state's average of 7.0% and Milwaukee County's average rate of 8.0%.
- ◆ The City maintains a Aaa bond rating from Moody's Investors Service, based in part on the relatively strong economic climate of the City.

The City adopts operating budgets for its governmental funds (General, Special Revenue, Debt Service, Capital Projects) and enterprise funds (Water and Sewer Utilities). The 2015 fiscal year operating budget for the General Fund includes \$55,128,666 in projected revenues and expenditures. The budget includes the use of \$400,000 in assigned fund balance from the general fund parks reserve for the construction of the Hart Park comfort station. This was a planned one-time use of fund balance.

Funding for the operating budget of the City is provided from many sources, including property taxes, room taxes, grants and aids from the State and County, user fees, permits and licenses, fines, and other miscellaneous revenues. Several revenue sources are more sensitive to economic factors, in particular building permits, room taxes and investment earnings. Building permit and room tax revenue show positive growth due to local economic recovery and modest

increases are budgeted. However, beginning in 2016, the state has imposed additional limits on the use of room tax revenue. Property tax limitations put in place by the State of Wisconsin and flat or declining state and federal revenues will continue to put pressure on the City's operating budget.

Total compensation increases have been moderated in 2015 due to a health plan redesign. This was made possible by changes in state legislation in 2011 that made design of the healthcare plan a non-negotiable item.

No significant new programs were added to the 2015 operating budget given the current economic climate and revenue pressures. Accompanying the revenue challenges noted above will be the need to examine program expenditures and service levels for modifications.

Rate increases for sanitary and stormwater are planned for 2015 due largely to increases in debt service associated with enhanced capital spending. The increases in capital spending are predominately related to replacing infrastructure at the end of its useful life as well as expanding capacity of the storm and sanitary sewer system to address surface and basement flooding that has been experienced in recent years.

BASIC FINANCIAL STATEMENTS

**CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and investments	\$ 60,816,301	\$ 4,690,046	\$ 65,506,347
Receivables (net of allowance for uncollectible accounts)	50,048,486	4,633,918	54,682,404
Internal balances	1,057,593	(1,057,593)	-
Inventories	124,489	126,420	250,909
Prepaid items	4,113	7,700	11,813
Investment in Cities and Villages Mutual Insurance Company	964,506	-	964,506
Restricted assets - cash and investments	-	2,762,586	2,762,586
Designated assets - cash and cash equivalents	-	7,739,235	7,739,235
Unamortized maintenance costs	-	1,045,960	1,045,960
Non-utility property	-	2,684	2,684
Capital assets, not being depreciated	23,884,708	3,554,404	27,439,112
Capital assets, being depreciated, net of accumulated depreciation	<u>65,058,129</u>	<u>120,286,245</u>	<u>185,344,374</u>
Total assets	<u>201,958,325</u>	<u>143,791,605</u>	<u>345,749,930</u>
LIABILITIES			
Accounts payable and other current liabilities	9,120,990	1,388,561	10,509,551
Accrued interest payable	330,506	136,464	466,970
Deposits	87,936	6,507	94,443
Unearned revenue	7,732	-	7,732
Liabilities payable from restricted assets	-	1,512,888	1,512,888
Noncurrent liabilities:			
Due within one year	8,925,485	4,022,204	12,947,689
Due in more than one year	50,751,559	49,114,109	99,865,668
Accrued net other postemployment benefits obligation	<u>21,533,139</u>	<u>-</u>	<u>21,533,139</u>
Total liabilities	<u>90,757,347</u>	<u>56,180,733</u>	<u>146,938,080</u>
DEFERRED INFLOWS OF RESOURCES			
Subsequent year tax levy	<u>45,344,487</u>	<u>-</u>	<u>45,344,487</u>
NET POSITION			
Net investment in capital assets	57,512,246	79,309,166	136,821,412
Restricted for debt service	27,481,090	621,020	28,102,110
Unrestricted (deficit)	<u>(19,136,845)</u>	<u>7,680,686</u>	<u>(11,456,159)</u>
TOTAL NET POSITION	<u>\$ 65,856,491</u>	<u>\$ 87,610,872</u>	<u>\$ 153,467,363</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
General government	\$ 6,859,099	\$ 1,220,034	\$ 80,817	\$ -	\$ (5,558,248)	\$ -	\$ (5,558,248)
Protection of persons and property	29,206,942	4,150,664	1,777,385	24,727	(23,254,166)	-	(23,254,166)
Health and sanitation	3,631,064	191,998	379,409	28,847	(3,030,810)	-	(3,030,810)
Highway and transportation	7,504,667	249,716	-	4,474,483	(2,780,468)	-	(2,780,468)
Education and recreation	4,237,835	520,639	306,119	-	(3,411,077)	-	(3,411,077)
Conservation and development	6,641,624	47,144	959,968	-	(5,634,512)	-	(5,634,512)
Interest and fiscal charges	1,979,079	-	-	-	(1,979,079)	-	(1,979,079)
Total governmental activities	60,060,310	6,380,195	3,503,698	4,528,057	(45,648,360)	-	(45,648,360)
Business-type activities:							
Water Utility	7,075,139	7,232,570	-	313,144	-	470,575	470,575
Sanitary Sewer	6,040,772	8,001,660	-	(172,316)	-	1,788,572	1,788,572
Storm Water Management	2,121,690	3,372,699	-	75,391	-	1,326,400	1,326,400
Total business-type activities	15,237,601	18,606,929	-	216,219	-	3,585,547	3,585,547
Total	\$ 75,297,911	\$ 24,987,124	\$ 3,503,698	\$ 4,744,276	(45,648,360)	3,585,547	(42,062,813)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					34,522,989	-	34,522,989
Property taxes, levied for debt service					3,493,931	-	3,493,931
Property taxes, levied for TIF					7,736,036	-	7,736,036
Other taxes					1,875,735	-	1,875,735
Gain on sale of capital assets					26,572	-	26,572
Intergovernmental revenues not restricted to specific programs					3,392,712	-	3,392,712
Investment income					1,047,731	9,865	1,057,596
Total general revenues					52,095,706	9,865	52,105,571
Transfers					838,623	(838,623)	-
Change in net position					7,285,969	2,756,789	10,042,758
NET POSITION - BEGINNING OF YEAR					58,570,522	84,854,083	143,424,605
NET POSITION - END OF YEAR					\$ 65,856,491	\$ 87,610,872	\$ 153,467,363

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

			<u>Capital Projects</u>		
	General Fund	Special Revenue Fund Tax Incremental District Fund	General Obligation Debt Issue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 16,602,981	\$ 24,282,383	\$ 9,238,051	\$ 3,372,584	\$ 53,495,999
Taxes receivable	35,551,111	6,269,469	-	4,083,786	45,904,366
Delinquent personal property taxes	79,969	-	-	-	79,969
Special assessments receivable:					
Due in installments	365	-	-	504,138	504,503
Deferred	-	-	-	18,175	18,175
Accounts receivable, net	1,045,383	-	-	-	1,045,383
Accrued investment income receivable	126,696	-	-	-	126,696
Note receivable	87,707	-	-	-	87,707
Other accrued receivables	627,698	1,385,725	85,424	83,140	2,181,987
Due from other funds	1,027,904	-	-	-	1,027,904
Prepayments	2,313	1,800	-	-	4,113
Inventories	478	-	-	-	478
Advance to other funds	5,526,000	-	-	-	5,526,000
TOTAL ASSETS	\$ 60,678,605	\$ 31,939,377	\$ 9,323,475	\$ 8,061,823	\$ 110,003,280
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,295,519	\$ 1,402,010	\$ 2,312,038	\$ 59,094	\$ 7,068,661
Accrued payroll	1,143,458	-	-	-	1,143,458
Unearned revenues	-	30,000	37,691	20,245	87,936
Due to other governments	7,732	-	-	-	7,732
Due to other funds	889,128	-	-	139,038	1,028,166
Advance from other funds	-	5,526,000	-	-	5,526,000
Total liabilities	<u>5,335,837</u>	<u>6,958,010</u>	<u>2,349,729</u>	<u>218,377</u>	<u>14,861,953</u>
DEFERRED INFLOWS OF RESOURCES					
Subsequent year tax levy	35,106,938	6,269,469	-	3,968,080	45,344,487
Special assessments	-	-	-	522,313	522,313
Long-term note receivable	87,707	-	-	-	87,707
Other accounts receivable	222,132	-	85,424	-	307,556
	<u>35,416,777</u>	<u>6,269,469</u>	<u>85,424</u>	<u>4,490,393</u>	<u>46,262,063</u>
FUND BALANCES					
Nonspendable	5,608,760	1,800	-	-	5,610,560
Restricted	-	18,710,098	6,888,322	2,212,618	27,811,038
Assigned	2,284,846	-	-	1,140,435	3,425,281
Unassigned	12,032,385	-	-	-	12,032,385
Total fund balances	<u>19,925,991</u>	<u>18,711,898</u>	<u>6,888,322</u>	<u>3,353,053</u>	<u>48,879,264</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 60,678,605	\$ 31,939,377	\$ 9,323,475	\$ 8,061,823	

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	84,617,176
Internal service funds net position	(8,640,812)
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Special assessments	522,313
Loan receivable	87,707
Other accounts receivable	307,556
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	<u>(59,916,713)</u>
	\$ 65,856,491

The accompanying notes are an integral part of the financial statements.

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Special Revenue Fund Tax Incremental District Fund	Capital Projects		Total Governmental Funds
			General Obligation Debt Issue Fund	Nonmajor Governmental Funds	
REVENUES					
Taxes	\$ 33,660,827	\$ 7,736,036	\$ -	\$ 5,835,950	\$ 47,232,813
Intergovernmental revenues	4,667,455	3,273,786	4,989	933,635	8,879,865
Licenses and permits	2,068,477	-	-	-	2,068,477
Penalties and forfeitures	994,421	-	-	-	994,421
Public improvement revenues	34,622	-	-	652,913	687,535
Public charges for services	2,496,843	-	-	766,311	3,263,154
Intergovernmental charges for services	1,596,756	-	-	-	1,596,756
Commercial revenues	1,135,292	36,276	7,325	183,292	1,362,185
Total revenues	46,654,693	11,046,098	12,314	8,372,101	66,085,206
EXPENDITURES					
Current					
General government	5,823,484	-	-	-	5,823,484
Protection of persons and property	28,361,225	-	-	-	28,361,225
Health and sanitation	3,627,241	-	-	-	3,627,241
Highway and transportation	4,920,058	-	-	-	4,920,058
Education and recreation	46,355	-	-	3,700,469	3,746,824
Conservation and development	1,523,209	3,865,595	-	933,562	6,322,366
Unclassified	383,261	-	-	-	383,261
Debt service					
Principal	-	2,156,593	-	5,981,398	8,137,991
Interest and other fiscal charges	-	217,531	-	1,797,439	2,014,970
Capital outlay	281,180	-	7,550,422	65,007	7,896,609
Total expenditures	44,966,013	6,239,719	7,550,422	12,477,875	71,234,029
Excess of revenues over (under) expenditures	1,688,680	4,806,379	(7,538,108)	(4,105,774)	(5,148,823)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	8,780,000	5,390,000	-	14,170,000
Premium on long term debt	-	42,088	-	107,800	149,888
Proceeds from the sale of capital assets	26,572	-	-	-	26,572
Transfers in	944,360	-	3,653,231	4,939,373	9,536,964
Transfers out	(1,799,854)	(4,813,583)	(60,188)	(902,231)	(7,575,856)
Net change in fund balances	859,758	8,814,884	1,444,935	39,168	11,158,745
FUND BALANCES - BEGINNING OF YEAR	19,066,233	9,897,014	5,443,387	3,313,885	37,720,519
FUND BALANCES - END OF YEAR	\$ 19,925,991	\$ 18,711,898	\$ 6,888,322	\$ 3,353,053	\$ 48,879,264

The accompanying notes are an integral part of the financial statements.

CITY OF WAUWATOSA, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Net change in fund balances - total governmental funds \$ 11,158,745

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

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

Capital outlay is reported as an expenditure in the fund financial statements, but is capitalized in the government-wide financial statements.	7,896,609
Some items reported as capital outlay were not capitalized.	(1,120,931)
Capital assets purchased by the governmental funds are reported as capital outlay on the fund financial statements and capital contributions on the internal service fund statements, but are eliminated on the government-wide statements	(854,959)
Depreciation is reported in the government-wide financial statements	(3,882,928)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds (\$14,170,000) were less than the repayments (\$8,572,752).

(6,032,009)

Governmental funds report debt premiums, discounts, as other financing sources (uses) or expenditures. However, in the statement of net assets, these are deferred and reported as other assets or adjustments to long-term debt. They are amortized over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Premium on debt issued	(149,888)
Amortization of debt premium	105,342

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

395,878

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the decrease in accrued interest payable (\$69,451), and the increase in accrued vacation payable (\$98,222).

(167,673)

Some expenses in the governmental funds are recorded as a reduction in long-term liabilities in the statement of net assets. This amount represents payments on landfill closure obligation.

6,835

The net revenue (expense) of internal service funds is reported with governmental activities.

(69,052)

Change in net assets of governmental activities \$ 7,285,969

The accompanying notes are an integral part of the financial statements.

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 33,531,472	\$ 33,489,314	\$ 33,660,827	\$ 171,513
Intergovernmental revenues	4,718,125	4,895,751	4,667,455	(228,296)
Licenses and permits	1,340,100	1,620,058	2,068,477	448,419
Fines, penalties and forfeitures	1,269,000	1,209,000	994,421	(214,579)
Public improvement revenues	20,900	22,000	34,622	12,622
Public charges for services	3,069,038	3,038,458	2,496,843	(541,615)
Intergovernmental charges for services	1,634,181	1,636,068	1,596,756	(39,312)
Commercial revenues	667,500	724,006	1,135,292	411,286
Total revenues	<u>46,250,316</u>	<u>46,634,655</u>	<u>46,654,693</u>	<u>20,038</u>
EXPENDITURES				
General government	5,480,253	6,135,482	5,823,484	311,998
Protection of persons and property	29,325,223	29,370,931	28,361,225	1,009,706
Health and sanitation	3,551,271	3,634,828	3,627,241	7,587
Highway and transportation	4,836,686	5,044,438	4,920,058	124,380
Education and recreation	43,789	43,789	46,355	(2,566)
Conservation and development	1,496,163	1,553,280	1,523,209	30,071
Unclassified	529,736	533,011	383,261	149,750
Capital outlay	100,000	127,500	281,180	(153,680)
Total expenditures	<u>45,363,121</u>	<u>46,443,259</u>	<u>44,966,013</u>	<u>1,477,246</u>
Excess of revenues over (under) expenditures	887,195	191,396	1,688,680	1,497,284
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	26,572	26,572
Transfers in	940,000	975,471	944,360	(31,111)
Transfers out	<u>(1,882,008)</u>	<u>(1,402,288)</u>	<u>(1,799,854)</u>	<u>(397,566)</u>
Net change in fund balances	<u>\$ (54,813)</u>	<u>\$ (235,421)</u>	859,758	<u>\$ 1,095,179</u>
FUND BALANCES - BEGINNING OF YEAR			<u>19,066,233</u>	
FUND BALANCES - END OF YEAR			<u>\$ 19,925,991</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND TAX INCREMENTAL DISTRICT FUND
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 7,668,913	\$ 7,736,036	\$ 7,736,036	\$ -
Intergovernmental revenues	597,429	4,429,143	3,273,786	(1,155,357)
Commercial revenues	9,600	37,672	36,276	(1,396)
Total revenues	<u>8,275,942</u>	<u>12,202,851</u>	<u>11,046,098</u>	<u>(1,156,753)</u>
EXPENDITURES				
Conservation and development	507,261	3,682,832	3,865,595	(182,763)
Debt service				
Principal	493,450	1,942,002	2,156,593	(214,591)
Interest and other fiscal charges	76,550	276,550	217,531	59,019
Total expenditures	<u>1,077,261</u>	<u>5,901,384</u>	<u>6,239,719</u>	<u>(338,335)</u>
Excess of revenues over expenditures	7,198,681	6,301,467	4,806,379	(1,495,088)
OTHER FINANCING SOURCES (USES)				
Premium on long-term debt	-	-	42,088	
Long-term debt issued	-	-	8,780,000	8,780,000
Transfers out	<u>(4,563,430)</u>	<u>(10,737,718)</u>	<u>(4,813,583)</u>	<u>5,924,135</u>
Net change in fund balance	<u>\$ 2,635,251</u>	<u>\$ (4,436,251)</u>	8,814,884	<u>\$ 13,209,047</u>
FUND BALANCE - BEGINNING OF YEAR			<u>9,897,014</u>	
FUND BALANCE - END OF YEAR			<u>\$ 18,711,898</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014**

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
ASSETS						
CURRENT ASSETS						
Cash, cash equivalents and temporary investments	\$ 1,509,776	\$ 302,087	\$ 2,124,321	\$ 753,862	\$ 4,690,046	\$ 7,320,302
Receivables, net	2,047,508	2,119,637	466,773	-	4,633,918	99,700
Due from other funds	435,184	387,292	125,211	-	947,687	-
Inventories	126,420	-	-	-	126,420	124,011
Restricted assets - special redemption fund - bond principal and interest fund	853,400	-	-	-	853,400	-
Prepayments	7,700	-	-	-	7,700	-
Total current assets	4,979,988	2,809,016	2,716,305	753,862	11,259,171	7,544,013
NONCURRENT ASSETS						
Restricted assets:						
Special redemption fund - reserve fund	1,100,349	-	-	-	1,100,349	-
Water system improvement funds	808,837	-	-	-	808,837	-
Designated cash - system improvement	-	3,359,159	4,380,076	-	7,739,235	-
Unamortized maintenance costs	1,045,960	-	-	-	1,045,960	-
Non-Utility property	2,684	-	-	-	2,684	-
Investment in Cities and Villages Mutual Insurance Company	-	-	-	-	-	964,506
Capital assets:						
Land	81,405	-	-	-	81,405	22,617
Buildings	789,794	-	-	-	789,794	1,429,843
Improvements other than buildings	49,931,348	66,366,673	47,162,888	-	163,460,909	-
Machinery and equipment	1,605,403	1,144,930	-	-	2,750,333	12,231,027
Construction in progress	766,783	1,418,890	1,287,326	-	3,472,999	-
Less: Accumulated depreciation	<u>(14,540,688)</u>	<u>(21,404,978)</u>	<u>(10,769,125)</u>	<u>-</u>	<u>(46,714,791)</u>	<u>(9,357,826)</u>
Total capital assets, net	<u>38,634,045</u>	<u>47,525,515</u>	<u>37,681,089</u>	<u>-</u>	<u>123,840,649</u>	<u>4,325,661</u>
Total noncurrent assets	41,591,875	50,884,674	42,061,165	-	134,537,714	5,290,167
Total assets	46,571,863	53,693,690	44,777,470	753,862	145,796,885	12,834,180
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	482,688	758,438	-	-	1,241,126	908,871
Accrued payroll	59,922	-	-	-	59,922	-
Due to other funds	904,600	42,825	-	-	947,425	-
Customer deposits	6,507	-	-	-	6,507	-
Current portion of long-term debt	-	1,685,640	2,304,162	-	3,989,802	-
Current portion of refunding bond	22,602	3,726	6,074	-	32,402	-
Accrued interest payable	-	76,629	59,835	-	136,464	-
Other accrued liabilities	87,513	-	-	-	87,513	90,837
Liabilities payable from restricted assets:						
Accounts payable - construction account	541,992	-	113,516	-	655,508	-
Current portion of long-term debt	625,000	-	-	-	625,000	-
Accrued interest payable	<u>232,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,380</u>	<u>-</u>
Total current liabilities	2,963,204	2,567,258	2,483,587	-	8,014,049	999,708
NONCURRENT LIABILITIES						
Bonds payable	12,902,081	17,352,102	18,495,851	-	48,750,034	-
Refunding bond	253,957	41,868	68,250	-	364,075	-
Accrued net other postemployment benefits obligation	-	-	-	-	-	21,533,139
Total non-current liabilities	13,156,038	17,393,970	18,564,101	-	49,114,109	21,533,139
Total liabilities	16,119,242	19,961,228	21,047,688	-	57,128,158	22,532,847
NET POSITION						
Net investment in capital assets	25,992,882	32,018,337	21,297,947	-	79,309,166	4,325,661
Restricted for debt service	621,020	-	-	-	621,020	-
Unrestricted	<u>3,838,719</u>	<u>1,714,125</u>	<u>2,431,835</u>	<u>753,862</u>	<u>8,738,541</u>	<u>(14,024,328)</u>
Total net position	\$ 30,452,621	\$ 33,732,462	\$ 23,729,782	\$ 753,862	88,668,727	\$ (9,698,667)

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.

Net position of business-type activities

(1,057,855)
\$ 87,610,872

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014**

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services and sales	\$ 6,880,864	\$ 8,001,660	\$ 3,372,699	\$ -	\$ 18,255,223	\$ 15,451,704
Other operating revenues	351,706	-	-	-	351,706	1,247,572
Total operating revenues	<u>7,232,570</u>	<u>8,001,660</u>	<u>3,372,699</u>	<u>-</u>	<u>18,606,929</u>	<u>16,699,276</u>
OPERATING EXPENSES						
Operation and maintenance	5,696,363	4,604,038	1,085,131	-	11,385,532	15,228,118
Depreciation	831,429	913,144	613,118	-	2,357,691	1,028,505
Taxes	93,738	-	-	-	93,738	-
Total operating expenses	<u>6,621,530</u>	<u>5,517,182</u>	<u>1,698,249</u>	<u>-</u>	<u>13,836,961</u>	<u>16,256,623</u>
Operating income (loss)	<u>611,040</u>	<u>2,484,478</u>	<u>1,674,450</u>	<u>-</u>	<u>4,769,968</u>	<u>442,653</u>
NON-OPERATING REVENUES (EXPENSES)						
Dividend income	-	-	-	-	-	63,007
Investment income	6,813	1,510	929	613	9,865	(359,561)
Gain on sale or trade of assets	-	-	-	-	-	60,160
Interest on long-term debt	(457,252)	(525,441)	(425,732)	-	(1,408,425)	-
Total non-operating revenues (expenses)	<u>(450,439)</u>	<u>(523,931)</u>	<u>(424,803)</u>	<u>613</u>	<u>(1,398,560)</u>	<u>(236,394)</u>
Income (loss) before capital contributions and transfers	160,601	1,960,547	1,249,647	613	3,371,408	206,259
CAPITAL CONTRIBUTIONS	313,144	(172,316)	75,391	-	216,219	854,959
TRANSFERS IN	7,491	-	-	-	7,491	-
TRANSFERS OUT	<u>(823,915)</u>	<u>(14,708)</u>	<u>(7,491)</u>	<u>-</u>	<u>(846,114)</u>	<u>(1,122,485)</u>
Change in net assets	(342,679)	1,773,523	1,317,547	613	2,749,004	(61,267)
NET POSITION - BEGINNING OF YEAR - RESTATED	<u>30,795,300</u>	<u>31,958,939</u>	<u>22,412,235</u>	<u>753,249</u>		<u>(9,637,400)</u>
NET POSITION - END OF YEAR	<u>\$ 30,452,621</u>	<u>\$ 33,732,462</u>	<u>\$ 23,729,782</u>	<u>\$ 753,862</u>		<u>\$ (9,698,667)</u>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in net position of business-type activities

7,785
\$ 2,756,789

The accompanying notes are an integral part of the financial statements.

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Business-type Activities Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Funds
	Water	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 7,090,503	\$ 7,912,312	\$ 3,239,156	\$ -	\$ 18,241,971	\$ 1,247,572
Payments from other funds	-	-	-	-	-	15,641,875
Payments to suppliers	(5,214,047)	(4,472,430)	(836,610)	-	(10,523,087)	(12,854,673)
Payments to employees	(1,328,216)	(169,137)	(411,825)	-	(1,909,178)	(1,874,044)
Net cash provided by operating activities	<u>548,240</u>	<u>3,270,745</u>	<u>1,990,721</u>	<u>-</u>	<u>5,809,706</u>	<u>2,160,730</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Principal paid on noncapital debt	(21,963)	-	-	-	(21,963)	-
Interest paid on noncapital debt	(12,026)	(201)	-	-	(12,227)	-
Payments from other funds	(53,529)	(35,196)	(24,303)	-	(113,028)	-
Payments to other funds	(858,075)	2,830	-	-	(855,245)	(1,122,485)
Net cash provided by (used in) noncapital financing activities	<u>(945,593)</u>	<u>(32,567)</u>	<u>(24,303)</u>	<u>-</u>	<u>(1,002,463)</u>	<u>(1,122,485)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from long-term debt	-	2,750,000	6,190,000	-	8,940,000	-
Premium from issuance of long-term debt	-	55,000	123,800	-	178,800	-
Acquisition and construction of capital assets	(2,056,544)	(7,032,997)	(1,669,087)	-	(10,758,628)	(173,002)
Proceeds from the sale of property, plant and equipment	1,940	-	-	-	1,940	257,635
Grant funds received	-	-	-	-	-	-
Transferred from (to) other funds	7,491	-	(7,491)	-	-	-
Principal paid on capital debt	(425,000)	(1,341,315)	(1,795,292)	-	(3,561,607)	-
Interest paid on capital debt	(401,399)	(533,190)	(422,998)	-	(1,357,587)	-
Net cash provided by (used in) capital and related financing activities	<u>(2,873,512)</u>	<u>(6,102,502)</u>	<u>2,418,932</u>	<u>-</u>	<u>(6,557,082)</u>	<u>84,633</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	6,813	1,510	929	613	9,865	68,092
Net cash provided by investing activities	<u>6,813</u>	<u>1,510</u>	<u>929</u>	<u>613</u>	<u>9,865</u>	<u>68,092</u>
Net increase (decrease) in cash and cash equivalents	(3,264,052)	(2,862,814)	4,386,279	613	(1,739,974)	1,190,970
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,536,414</u>	<u>6,524,060</u>	<u>2,118,118</u>	<u>753,249</u>	<u>16,931,841</u>	<u>6,129,332</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,272,362</u>	<u>\$ 3,661,246</u>	<u>\$ 6,504,397</u>	<u>\$ 753,862</u>	<u>\$ 15,191,867</u>	<u>\$ 7,320,302</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Concluded)
For the Year Ended December 31, 2014

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 611,040	\$ 2,484,478	\$ 1,674,450	\$ -	\$ 4,769,968	\$ 442,653
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	831,429	913,144	613,118	-	2,357,691	1,028,505
Depreciation charged to other accounts	52,544	-	-	-	52,544	-
Tax equivalent charged to sewer utility	-	-	-	-	-	-
Amortization of maintenance costs	122,200	-	-	-	122,200	-
Loss on disposal of capital assets	-	-	-	-	-	-
(Increase) Decrease:						
Accounts receivable	(142,067)	(89,348)	(133,543)	-	(364,958)	190,171
Due from other funds	-	-	-	-	-	-
Inventories	(5,858)	-	-	-	(5,858)	(13,286)
Prepaid items	(689)	-	-	-	(689)	-
Unamortized maintenance	(1,102,931)	-	-	-	(1,102,931)	-
Increase (Decrease):						
Accounts payable	199,334	(37,529)	(163,304)	-	(1,499)	(332,763)
Accrued payroll	(7,533)	-	-	-	(7,533)	-
Customer deposits	-	-	-	-	-	-
Other accrued liabilities	(9,229)	-	-	-	(9,229)	845,450
Due to other funds	-	-	-	-	-	-
Total adjustments	<u>(62,800)</u>	<u>786,267</u>	<u>316,271</u>	<u>-</u>	<u>1,039,738</u>	<u>1,718,077</u>
Net cash provided by operating activities	<u>\$ 548,240</u>	<u>\$ 3,270,745</u>	<u>\$ 1,990,721</u>	<u>\$ -</u>	<u>\$ 5,809,706</u>	<u>\$ 2,160,730</u>
Noncash investing, capital and financing activities						
Capital additions contributed						
City of Wauwatosa	\$ 313,144	\$ (172,316)	\$ 75,391	\$ -	\$ 216,219	\$ 88,689
Sanitary Sewer	-	-	-	-	-	-
Developers	-	-	-	-	-	-
	<u>\$ 313,144</u>	<u>\$ (172,316)</u>	<u>\$ 75,391</u>	<u>\$ -</u>	<u>\$ 216,219</u>	<u>\$ 88,689</u>
Reconciliation of cash and cash equivalents to the statement of net assets - proprietary funds						
Unrestricted cash and cash equivalents	\$ 1,509,776	\$ 302,087	\$ 2,124,321	\$ 753,862	\$ 4,690,046	\$ 7,320,302
Restricted cash and cash equivalents						
Special redemption funds						
Bond reserve fund	1,100,349	-	-	-	1,100,349	-
Bond principal and interest fund	853,400	-	-	-	853,400	-
Waterworks system improvement fund	808,837	-	-	-	808,837	-
Designated cash - system improvement	-	3,359,159	4,380,076	-	7,739,235	-
Cash and cash equivalents end of year	<u>\$ 4,272,362</u>	<u>\$ 3,661,246</u>	<u>\$ 6,504,397</u>	<u>\$ 753,862</u>	<u>\$ 15,191,867</u>	<u>\$ 7,320,302</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	Private Purpose Trust Funds	Agency Funds
	<u>Total</u>	<u>Total</u>
ASSETS		
Cash and investments	\$ 210,285	\$ 59,601,505
Taxes receivable	<u>-</u>	<u>25,510,586</u>
Total assets	<u>210,285</u>	<u>85,112,091</u>
LIABILITIES		
Special deposits	-	111,535
Due to other taxing units	<u>-</u>	<u>85,000,556</u>
Total liabilities	<u>-</u>	<u>\$ 85,112,091</u>
NET POSITION - RESTRICTED	<u>\$ 210,285</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2014

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 58,337
Investment income	<u>65</u>
Total additions	58,402
 DEDUCTIONS	 <u>3,387</u>
Changes in net assets	<u>55,015</u>
 NET POSITION - BEGINNING OF YEAR	 <u>155,270</u>
 NET POSITION - END OF YEAR	 <u>\$ 210,285</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Wauwatosa, Wisconsin (the City) conform to generally accepted accounting principles as applicable to governmental units.

A. Reporting Entity

This report includes all of the funds of the City of Wauwatosa, Wisconsin. The reporting entity for the City consists of a) the primary government, b) organizations for which the primary government is financially, accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; 3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The Wauwatosa Redevelopment Authority is reported as a blended component unit. The Authority serves the City and is governed by a seven member board appointed by the Mayor and approved by the Common Council, and provides services almost entirely to the primary government by managing certain TID development projects for the benefit of the City. The Authority does not issue separate financial statements.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

Government-wide Financial Statements (continued)

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

Fund Financial Statements

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

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

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

The City reports the following major governmental funds:

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

Special Revenue Fund Tax Incremental District Fund - accounts for the City's five Tax Incremental Districts.

Capital Projects Fund General Obligation Debt Issue Fund - accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

The City reports the following major enterprise funds:

Water Utility - accounts for operations of the water system.

Sanitary Sewer - accounts for operations of the sewer system.

Storm Water Management - accounts for operations of the storm water management system.

The City reports the following nonmajor governmental and enterprise funds:

Nonmajor Governmental Funds

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

Special Assessments

Community Development Block Grant

Public Library

Parks

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

Capital Projects Funds - used to account for resources to be used for capital improvement projects.

Redevelopment Authority Lease Revenue Bond Fund

Information Systems Equipment

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

Nonmajor Enterprise Funds

Redevelopment Authority Reserve Fund - used to account for funds set aside for the construction of a parking lot and other redevelopment activities in a specific area of the City.

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. Funds included are *Fleet Maintenance, Public Works Building, Risk Management, Information Systems* and *Municipal Building Complex*.

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. Funds included are the *Firemen's Special Endowment, Bachman Flag Account, Land Conservation Account* and *Automated License Plate Reader Association Fund*.

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. Funds included are *Special Deposits* and the *Subsequent Year's Tax Roll Collections*.

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

Government-wide Financial Statements

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-wide Financial Statements (continued)

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

Fund Financial Statements

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

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

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

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

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues are reported for grants and contributions that are received and intended for general operational purposes. Grants received that are restricted to capital purchases are reported as capital contributions.

All Financial Statements

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

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

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

Investment of library trust funds is regulated by Chapter 112 of the Wisconsin Statutes, which gives broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2014, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

2. Receivables

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

Property tax calendar - 2014 tax roll:

Lien date and levy date	December 2014
Tax bills mailed	December 2014
Payment in full, or	January 31, 2015
First installment due	January 31, 2015
Second installment due	March 31, 2015
Third installment due	May 31, 2015
Personal property taxes in full	January 31, 2015

Tax deed - 2014 delinquent real estate taxes	October 2017
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Accounts receivable have been shown net of an allowance for doubtful accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made in the accompanying enterprise fund financial statements because the utilities have the right by law to place delinquent bills on the tax roll.

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

In the governmental fund financial statements, advances to other funds are offset equally by nonspendable fund balance to demonstrate that a portion of fund balance is not available for appropriation.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. Restricted net position represents cash and investments restricted for debt service.

5. Capital Assets

Government-wide Statements

In the government-wide financial statements, capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$10,000 for infrastructure assets, and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

5. Capital Assets (continued)

***Government-wide Statements* (continued)**

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

Buildings	20-40 Years
Land improvements other than building	20-30 Years
Machinery and equipment	2-23 Years
Utility system (improvements other than buildings)	18-77 Years
Infrastructure	15-40 Years

Fund Financial Statements

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

6. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only vacation benefits considered to be vested are disclosed in these statements. All vested vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources. Payments for vacation will be made at rates in effect when the benefits are used. Historically, the balance of the compensated absences have been used in the subsequent year through use by active employees. As such, the ending balance has been classified as due within one year.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

6. *Compensated Absences* (continued)

Accumulated vacation liabilities at December 31, 2014 are determined on the basis of current salary rates and include salary related payments. Employees hired after January 1, 2008 that meet certain length of service or age requirements upon retirement, will receive their accumulated sick days paid into a retiree health savings plan at the rate of pay in effect upon retirement. The liability for the accrued sick leave is recorded in the government-wide and proprietary financial statements to the extent that it is probable that the City will compensate the employees for the benefits through cash payments at the time of the employees' retirement rather than be taken as absences. The City has not estimated the probability of cash payments on accumulated sick leave, as the total accumulated sick leave earned by employees hired after January 1, 2008 is immaterial to the financial statements. Based on historical trends all compensated absences accrued at the end of the year are anticipated to be used within the next fiscal year. As such all absences are reported as current liabilities.

7. *Long-Term Obligations/Conduit Debt*

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

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

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$17.49 million, made up of one issue.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

8. Claims and Judgments

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

9. Net Position and Fund Balance Classifications

Government-wide Statements

Net Position is classified in three components:

- a. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability or deferred inflow relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or deferred inflows or if the liability will be liquidated with the restricted assets reported.
- c. The unrestricted component of net position is the amount of the assets and deferred outflows, net of the liabilities and deferred inflows that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Fund Statements

In the governmental fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either:

- a. not in spendable form; or
- b. legally or contractually required to be maintained intact.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

9. Equity Classifications (continued)

Fund Statements (continued)

Restricted fund balance is reported when constraints placed on the use of resources are either:

- a. externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. imposed by law through constitutional provisions or enabling legislation.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by adopted resolution of the Common Council.

Assigned fund balance is reported for amounts that are constrained by the City management's intent to be used for specific purposes, but is neither restricted nor committed. Assignments are made by the City's Finance Director.

Unassigned fund balance is the residual classification for the General Fund.

When restricted, committed, assigned and unassigned resources are available for use for the same purposes it is the City's policy to use the restricted resources first, then committed, assigned, and unassigned resources as they are needed.

E. Other Policies - Tax Incremental Districts

1. In 1994, the City adopted Resolution #94-319 creating "City of Wauwatosa Tax Incremental District No. 2" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with Wisconsin Statutes. Project costs are estimated at \$10 million and have been financed from 1995 and 1997 debt issues. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to retire the interest and principal of the debt issue.

In 2004, the City adopted Resolution #04-182 which amended the project plan for the City of Wauwatosa Tax Incremental District No. 2. The additional project costs are estimated at \$27.6 million and include the purchase and leasing of approximately 23.5 acres of land, construction of a four story parking structure, site preparation, and a second mortgage loan to the developer. The project costs have been financed by a \$24.5 million 2004 debt issue and other available funds.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Policies - Tax Incremental Districts (continued)

In 2007, the City adopted Resolution #07-96 which amended the project plan for the City of Wauwatosa Tax Incremental District No. 2. The additional project costs are estimated at \$3.5 million to be financed by the developer. The resolution included the issuance of a municipal revenue obligation to repay the developer from TIF proceeds, through the dissolution date. Should the TIF close before the project costs are repaid, the City is not liable for any additional payments.

2. In 2000, the City adopted Resolution #00-160 creating "City of Wauwatosa Tax Incremental District No. 3" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$2.6 million and will be financed with future debt issues. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to retire the interest and principal of the debt issue.

In 2006, the City adopted Resolution #06-179 which amended the project plan for the City of Wauwatosa Tax Incremental District No. 3. The additional project costs are estimated at \$6 million for the purpose of additional public infrastructure improvements and payments to a developer for environmental remediation.

In 2014, the City adopted Resolution #14-62 which amended the project plan for the City of Wauwatosa Tax Incremental District No. 3. The amendment allows for the City of Wauwatosa Tax Increment District No. 3 to share revenues with City of Wauwatosa Tax Increment District No. 8. During the year ended December 31, 2014 the City of Wauwatosa Tax Increment District No. 3 distributed its remaining fund balance to City of Wauwatosa Tax Increment District No. 8, the City of Wauwatosa Tax Increment District No. 3 has now terminated.

3. In 2002, the City adopted Resolution #02-111 creating "City of Wauwatosa Tax Incremental District No. 4" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$500,000 and have been financed with an advance from the City's General Fund. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to repay the General Fund.

On May 21, 2013, the City adopted Resolution #13-94 authorizing the termination of Tax Incremental District No 4.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Policies - Tax Incremental Districts (continued)

4. In 2007, the City adopted the Resolution #07-79 creating "City of Wauwatosa Tax Incremental District No. 5" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$1,950,000. The costs are to be paid by the developer. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to reimburse the developer for the costs incurred in accordance with the project plan.
5. In 2010, the City adopted the Resolution #10-73 creating "City of Wauwatosa Tax Incremental District No. 6" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$12,000,000. The costs are to be paid by future debt issues and other available funds. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to retire the interest and principal of the debt issue.
6. In 2012, the City adopted the Resolution #12-211 creating "City of Wauwatosa Tax Incremental District No. 7" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$10.8 million. The costs are to be paid by future debt issues and other available funds. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to retire the interest and principal of the debt issue.
7. In 2014, the City adopted the Resolution #14-63 creating "City of Wauwatosa Tax Incremental District #8" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$13.1 million. The costs are to be paid by futures debt issues and other available funds. Property taxes generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to retire the interest and principal of the debt issue.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Other Policies - New Accounting Pronouncements

In June 2012, the GASB issued an accounting standard which establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The City will implement the requirements of this standard beginning with the year ending December 31, 2014.

In June 2012, the GASB issued an accounting standard that replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The City will implement the requirements of this standard beginning with the year ending December 31, 2015.

In January 2013, the GASB issued an accounting standard that establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City implemented the requirements of this standard beginning with the year ending December 31, 2014.

In April 2013, the GASB issued Statement No. 70, an accounting standard that established accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issue of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The City implemented the requirements of this standard beginning with the year ending December 31, 2014.

In November 2013, the GASB issued an accounting standard that amends Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The requirements of this standard will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual basis financial statements and nonemployer contributing entities.

In February 2015, the GASB issued Statement No. 72, an accounting standard that provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City will implement the requirements of this standard beginning with the year ending December 31, 2016.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS**

*Explanation of Certain Differences Between the Governmental
Fund Balance Sheet and the Statement of Net Position*

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Bonds and notes payable	\$ 56,650,433
Bond Premium	722,485
Compensated absences	2,062,425
Accrued interest payable	330,506
Landfill postclosure liability	<u>150,862</u>
 Combined Adjustment for Long-Term Liabilities	 <u>\$ 59,916,711</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1. A budget has been adopted for all funds in accordance with Wisconsin Statute Section 65.90. The capital projects fund adopts a five year capital improvement plan every five years.

The budgeted amounts presented include any amendments made. Management may authorize transfers of budgeted amounts within departments. Certain transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Supplemental appropriations during the year were approximately \$962,474. Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$582,343. Expenditures are monitored by management at the department level for all funds.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

	<u>Carrying Value</u>	<u>Bank Balance</u>
Petty cash	\$ 21,300	\$ 21,300
Deposits		
Demand deposits	62,099,951	62,343,572
Certificates of deposit	<u>5,640,810</u>	<u>5,647,458</u>
Total deposits	<u>67,740,761</u>	<u>67,991,030</u>
Investments		
U.S. Agency Securities	10,039,972	10,039,972
Municipal Securities	11,082,805	11,082,805
Corporate Securities	1,525,023	1,525,023
Investment pools:		
Local Government Investment Pool (LGIP)	<u>45,410,097</u>	<u>45,410,097</u>
Total investments	<u>68,057,897</u>	<u>68,057,897</u>
Total cash and investments	<u>\$ 135,819,958</u>	<u>\$ 136,070,227</u>
Reconciliation to the Statement of Net Position:		
Unrestricted cash and investments	\$ 65,506,347	
Restricted cash and investments	2,762,586	
Designated cash and investments	7,739,235	
Fiduciary Funds:		
Private purpose trust funds	210,285	
Agency funds	<u>59,601,505</u>	
Total cash and investments	<u>\$ 135,819,958</u>	

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2014, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

Certificates of deposit held in the LGIP are covered by FDIC insurance, which applies to the proportionate public unit share of accounts.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). Wells Fargo, Bank of Oklahoma, and BMO Harris Bank's SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$250,000 may be in cash. Additionally, Wells Fargo, through HSBC Gibbs, has additional securities coverage of \$149.5 million per customer, subject to a \$600 million aggregate limit.

The City also maintains collateral agreements with certain depository banks to cover uninsured balances.

Custodial Credit Risk

Deposits - Custodial risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. The City's investment policy does not address custodial credit risk for deposits.

As of December 31, 2014, \$8,701,467 of the City's bank balance of \$67,941,030 was exposed to custodial credit risk as uninsured and uncollateralized.

Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City investment policy does not address custodial credit risk for investments.

As of December 31, 2014, \$14,527,223 of the City's investment balance of \$68,057,897 was exposed to custodial credit risk as uninsured and uncollateralized.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy does not address credit risk for investments.

Wisconsin Statutes limit investments in commercial paper and corporate bonds to securities which bear a rating in the top two rating categories issued by recognized statistical rating organizations. As of December 31, 2014 the City is exposed to credit risk with investments in the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Local Government Investment Pool	\$ 45,410,097	Unrated
U.S. Agency Securities	10,039,972	AAA
Municipal Securities	1,249,519	AAA
Municipal Securities	6,623,366	AA
Municipal Securities	1,754,757	A
Municipal Securities	1,455,163	Unrated
Corporate Securities	<u>1,525,023</u>	AA
Total fair value of investments subject to credit risk	<u>\$ 68,057,897</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy does not address interest rate risk. As of December 31, 2014 the City's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Months)</u>
U.S. Agency Securities	\$ 10,039,972	48.5
Municipal Securities	11,082,805	17.7
Local Government Investment Pool	45,410,097	3.0
Corporate Securities	1,525,023	23.4

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk

As of December 31, 2014, the City's investment portfolio did not hold investments from individual issuers which comprised over 5% of their investment balances.

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor and fiduciary funds detailed according to source are displayed on the face of the fund financial statements. As of December 31, 2014, an allowance for uncollectible accounts has been established for ambulance billings of \$328,202.

C. Deferred Inflows

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

	<u>Unavailable</u>	<u>Tax Levy</u>	<u>Total</u>
Property taxes receivable	\$ -	\$ 45,344,487	\$ 45,344,487
Special assessments	522,313	-	522,313
Loan receivable	87,707	-	87,707
Other accounts receivable	307,556	-	307,556
	<u>\$ 917,576</u>	<u>\$ 45,344,487</u>	<u>\$ 46,262,063</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. Restricted Assets

Following is a list of restricted assets at December 31, 2014:

Business-type activities	
Cash and investments	
Special Redemption Funds	
Bond Reserve Fund	\$ 1,100,349
Bond Principal and Interest Fund	<u>853,400</u>
Total Special Redemption Funds	1,953,749
Waterworks System Improvement Fund	<u>808,837</u>
 Total business-type activities	 <u>\$ 2,762,586</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 23,439,778	\$ -	\$ -	\$ 23,439,778
Construction in progress	36,667	430,703	22,440	444,930
Total capital assets not being depreciated	<u>23,476,445</u>	<u>430,703</u>	<u>22,440</u>	<u>23,884,708</u>
Capital assets being depreciated				
Buildings	23,736,118	330,437	-	24,066,555
Improvements	6,148,399	-	-	6,148,399
Machinery and equipment	18,836,171	2,751,006	1,149,576	20,437,601
Infrastructure	72,559,882	3,458,973	1,596,461	74,422,394
Total capital assets being depreciated	<u>121,280,570</u>	<u>6,540,416</u>	<u>2,746,037</u>	<u>125,074,949</u>
Less: accumulated depreciation for				
Buildings	10,741,317	530,777	-	11,272,094
Improvements	1,337,302	331,187	-	1,668,489
Machinery and Equipment	11,808,632	1,473,312	952,102	12,329,842
Infrastructure	33,766,699	2,576,157	1,596,461	34,746,395
Total accumulated depreciation	<u>57,653,950</u>	<u>4,911,433</u>	<u>2,548,563</u>	<u>60,016,820</u>
Capital assets being depreciated, net of depreciation	<u>63,626,620</u>	<u>1,628,983</u>	<u>197,474</u>	<u>65,058,129</u>
Total capital assets, net of depreciation	<u>\$ 87,103,065</u>	<u>\$ 2,059,686</u>	<u>\$ 219,914</u>	<u>\$ 88,942,837</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 47,853
Protection of persons and property	742,482
Health and sanitation	10,201
Highway and transportation, which includes the depreciation of infrastructure	2,593,992
Education and recreation	488,400
Depreciation expense-allocated with Internal Service Fund	<u>1,028,505</u>
Total governmental activities depreciation expense	<u>\$ 4,911,433</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 81,405	\$ -	\$ -	\$ 81,405
Construction in progress	859,414	3,558,514	944,929	3,472,999
Total capital assets not being depreciated	<u>940,819</u>	<u>3,558,514</u>	<u>944,929</u>	<u>3,554,404</u>
Capital assets being depreciated				
Buildings	789,794	-	-	789,794
Machinery & equipment	2,735,435	14,898	-	2,750,333
Improvements other than buildings	155,355,822	8,674,073	568,986	163,460,909
Total capital assets being depreciated	<u>158,881,051</u>	<u>8,688,971</u>	<u>568,986</u>	<u>167,001,036</u>
Less: accumulated depreciation for				
Buildings	529,641	25,273	-	554,914
Machinery & equipment	2,095,786	103,507	-	2,199,293
Improvements other than buildings	42,246,174	2,281,455	567,045	43,960,584
Total accumulated depreciation	<u>44,871,601</u>	<u>2,410,235</u>	<u>567,045</u>	<u>46,714,791</u>
Capital assets being depreciated, net of depreciation	<u>114,009,450</u>	<u>6,278,736</u>	<u>1,941</u>	<u>120,286,245</u>
Total capital assets, net of depreciation	<u>\$ 114,950,269</u>	<u>\$ 9,837,250</u>	<u>\$ 946,870</u>	<u>\$ 123,840,649</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Water Utility	
Depreciation	\$ 831,429
Depreciation charged to Water Utility operation and maintenance expenses	15,272
Depreciation charged to Sanitary Sewer expenses	<u>37,272</u>
	883,973
Sanitary Sewer	913,144
Storm Water Management	<u>613,118</u>
Total business-type activities depreciation expense	<u>\$ 2,410,235</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. Interfund Receivables/Payables and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Water Utility	\$ 888,866
General Fund	Nonmajor funds	139,038
		<u>1,027,904</u>
Proprietary Funds		
Sanitary Sewer	Water Utility	15,734
Sanitary Sewer	General Fund	371,558
Storm Water Management	General Fund	125,211
Water Utility	General Fund	392,359
Water Utility	Sanitary Sewer	42,825
		<u>947,687</u>
Total interfund receivables		<u>\$ 1,975,591</u>

The principal purpose of these interfund balances result 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 Debt Service fund advanced \$2,000,000 to the Special Revenue Fund - Tax Incremental District in 2012. This advance earns interest at 3.0%. The advance was issued to provide interim financing until the District obtains external long term financing. This advance was paid in full during 2014.

The General fund advanced \$5,576,000 to the Special Revenue Fund - Tax Incremental District in 2012. This advance earns interest at 3.0%. The advance was issued to provide interim financing until the District obtains external long term financing. The outstanding balance as of December 31, 2014 was \$5,526,000.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. Interfund Receivables/Payables and Transfers (continued)

The following is a schedule of interfund transfers:

<u>Transferred To</u>	<u>Transferred From</u>	<u>Amount</u>
General Fund	Tax Increment Districts	\$ 38,737
	Water Utility	838,623
	Internal Service Funds	67,000
		<u>944,360</u>
Capital Projects Fund - General Obligation Debt Issued	Tax Increment Districts	1,586,416
	General Fund	450,000
	Nonmajor Governmental	652,913
	Internal Service Funds	963,902
		<u>3,653,231</u>
Nonmajor Governmental Funds	General Fund	1,349,854
	Tax Increment Districts	3,188,430
	Capital Projects Fund - General Obligation Debt Issued	60,188
	Nonmajor Governmental Funds	249,318
	Internal Service Funds	91,583
		<u>4,939,373</u>
		<u>\$ 9,536,964</u>
Reconciliation of transfers in/(out):		
Governmental funds transfers in		\$ 9,536,964
Governmental funds transfers out		(7,575,856)
Internal service funds transfers out		(1,122,485)
Governmental Activities transfers in from Business-type Activities		838,623
Business-type Activities transfers out to Governmental Activities		(838,623)
		<u>\$ -</u>

Generally, transfers are used to (1) move revenue from the funds that collect them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund and (3) use unrestricted revenue collected in the General Fund to finance various program accounted for in other funds in accordance with budgetary authorizations (4) transfer assets purchased in one fund that relate to other funds.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and notes payable					
General obligation debt					
Promissory notes and bonds	\$ 35,583,870	\$ 12,670,000	\$ 3,481,394	\$ 44,772,476	\$ 4,242,846
Bond Premium	677,939	149,888	105,342	722,485	-
Total general obligation debt	<u>36,261,809</u>	<u>12,819,888</u>	<u>3,586,736</u>	<u>45,494,961</u>	<u>4,242,846</u>
Redevelopment lease revenue bond	12,050,000	-	2,500,000	9,550,000	2,600,000
Municipal revenue obligation	2,984,556	1,500,000	2,156,599	2,327,957	-
Total bonds and notes payable	<u>51,296,365</u>	<u>14,319,888</u>	<u>8,243,335</u>	<u>57,372,918</u>	<u>6,842,846</u>
Other Liabilities					
Accrued unused vacation	2,054,046	2,174,979	2,075,761	2,153,264	2,075,761
Landfill postclosure liability	157,697	43	6,878	150,862	6,878
Total other liabilities	<u>2,211,743</u>	<u>2,175,022</u>	<u>2,082,639</u>	<u>2,304,126</u>	<u>2,082,639</u>
Total governmental activities long-term liabilities	<u>\$ 53,508,108</u>	<u>\$ 16,494,910</u>	<u>\$ 10,325,974</u>	<u>\$ 59,677,044</u>	<u>\$ 8,925,485</u>
Business-type activities					
Bonds and notes payable					
General obligation debt	\$ 34,131,109	\$ 8,940,000	\$ 3,158,564	\$ 39,912,545	\$ 4,022,204
Revenue bonds	13,875,000	-	425,000	13,450,000	625,000
Unamortized bond premium	241,489	178,800	21,521	398,768	-
Total business-type activities long-term liabilities	<u>\$ 48,247,598</u>	<u>\$ 9,118,800</u>	<u>\$ 3,605,085</u>	<u>\$ 53,761,313</u>	<u>\$ 4,647,204</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

Governmental Activities Debt

General Obligation Debt

General obligation debt of the governmental activities is shown below.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/14</u>
Promissory notes	04/01/06	12/01/15	3.625 - 4.000	1,803,000	\$ 293,154
	04/15/07	12/01/16	4.000	1,142,382	424,302
	05/01/08	12/01/17	3.000 - 3.500	1,906,000	922,000
	11/29/11	11/01/21	2.000 - 2.500	1,772,190	1,531,172
	12/20/11	06/01/16	2.000	4,600,000	4,600,000
	08/21/12	06/01/22	0.350 - 2.250	6,675,000	5,675,000
	08/20/13	06/01/23	2.000 - 3.000	3,440,000	2,625,000
	12/02/14	12/01/24	1.000 - 3.000	7,430,000	7,430,000
	12/02/14	12/01/24	2.000 - 3.000	5,240,000	5,240,000
					28,740,628
Refunding bonds	08/03/10	03/01/24	3.000 - 4.000	7,933,387	6,088,521
	10/25/10	10/01/30	0.850 - 5.000	10,200,000	8,250,000
	08/20/13	12/01/18	3.000	3,315,000	1,693,327
					16,031,848
Total general obligation debt					\$ 44,772,476

Redevelopment Lease Revenue Bond

The Wauwatosa Redevelopment Authority has the following debt outstanding:

<u>Type</u>	<u>Date of Loan</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 12/31/14</u>
Redevelopment Lease Revenue Bond	08/15/04	12/01/17	5.40%	\$ 24,500,000	\$ 9,550,000

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

***Governmental Activities Debt* (continued)**

The redevelopment lease revenue bonds are not a general obligation of the Authority or the City and do not constitute indebtedness of the City or the Authority within any constitutional or statutory limitation or provision. The bonds are limited obligations of the Authority payable solely from the revenues and income derived by the Authority pursuant to the terms of the respective lease agreements dated in 1997 and 2004 between the Authority and the City. The 2004 bonds are payable from the revenues and income derived from the Authority on a parity basis with the 1997 bonds and from the amounts available in the reserve account for the 1997 bonds.

The lease agreements generally provide for payments by the City to the Authority in amounts sufficient to pay the principal and interest on the bonds as they come due. It is the City's intent to annually budget the rental payments under the Lease Agreements, and finance such payments with tax increments generated by Tax Incremental District No. 2, subject to annual appropriation by the Common Council. In addition, Milwaukee County has agreed to guarantee payment if tax increments generated by Tax Incremental District No. 2 are insufficient to pay principal and interest due on the 2004 bonds.

The Wauwatosa Redevelopment Authority is part of the primary government for financial reporting purposes. Consequently, the Authority's debt and assets are reported as part of the City's debt and assets. Accordingly, the City has reported the debt issue in its long-term obligations. Debt service activity is reported in the City's Debt Service Fund. Lease arrangements between the City and Authority have been eliminated for reporting purposes.

Municipal Revenue Obligation

On August 15, 2007 the City entered into a developer agreement including a municipal revenue obligation payable to the Developer to reimburse actual costs expended by the Developer relating to approved TIF No. 5 project costs as described in the project plan. The Developer completed eligible costs of \$1,800,000 and became eligible for repayment in 2009. The municipal revenue obligation is not a general obligation of the City, and is payable solely from the revenues and income derived by the tax increment of TIF No. 5. The outstanding balance as of December 31, 2014 was \$827,957.

On June 1, 2012 the City entered into a developer agreement including a municipal revenue obligation payable to the Developer to reimburse actual costs expended by the Developer relating to approved TIF No. 3 project costs as described in the project plan. The Developer completed eligible costs of \$1,500,000 and became eligible for repayment in 2013. The municipal revenue obligation is not a general obligation of the City, and is payable solely from the revenues and income derived by the tax increment of TIF No. 3. The balance was paid in full during 2014 in the amount of \$1,291,106.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

***Municipal Revenue Obligation* (continued)**

On November 29, 2012 the City entered into a developer agreement including a municipal revenue obligation payable to the Developer to reimburse actual costs expended by the Developer relating to approved TIF No. 3 project costs as described in the project plan. The Developer completed eligible costs of \$380,000 and became eligible for repayment in 2013. The municipal revenue obligation is not a general obligation of the City, and is payable solely from the revenues and income derived by the tax increment of TIF No. 3. The balance was paid in full during 2014 in the amount of \$333,306.

On June 4, 2014 the City entered into a developer agreement including a municipal revenue obligation payable to the Developer to reimburse actual costs expended by the Developer relating to approved TIF No. 8, project costs as described in the project plan. The Developer completed eligible costs of \$1,500,000 and became eligible for repayment in 2014. The municipal revenue obligation is not a general obligation of the City, and is payable solely from the revenues and income derived by the tax increment of TIF No. 8. The outstanding balance as of December 31, 2014 was \$1,500,000.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

Business-type Activities Debt

Debt of the business-type activities is shown below.

<u>Type</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Principal Payable</u>	<u>Interest Payable</u>	<u>Original Amount</u>	<u>Balance 12/31/14</u>
WATER						
Waterworks System						
Revenue Bonds						
Series 2010	10/25/10	3.000 - 4.000%	1/1/11-29	1/1&7/1	\$ 7,750,000	\$ 6,875,000
Series 2011	11/29/11	2.000 - 3.000	1/1/13-22	1/1&7/1	2,400,000	2,000,000
Series 2013	11/19/13	1.750 - 4.125	1/1/15-34	1/1&7/1	4,575,000	4,575,000
						<u>13,450,000</u>
General Obligation Refunding Bonds	08/03/10	1.750 - 5.000	3/1/11-24	3/1&9/1	360,359	<u>276,559</u>
Total Water Utility						<u>13,726,559</u>
SANITARY SEWER						
Promissory Notes						
Series 2006	04/01/06	3.625 - 4.000	12/1/07-15	6/1&12/1	1,382,000	224,575
Series 2007	04/15/07	4.000	12/1/08-16	6/1&12/1	1,043,018	387,440
Series 2008	05/01/08	3.000 - 3.500	12/1/09-17	6/1&12/1	1,141,000	552,200
Series 2011	11/29/11	2.000 - 2.500	11/1/12-21	5/1&11/1	3,560,487	3,076,268
Series 2012	08/21/12	0.350 - 2.250	6/1/13-22	6/1&12/1	1,825,000	1,575,000
Series 2013	08/20/13	2.000 - 3.000	6/1/14-23	6/1&12/1	2,250,000	2,150,000
Series 2013	08/20/13	3.000	12/1/14-18	6/1&12/1	660,340	525,882
Series 2013	11/19/13	2.500 - 4.250	11/1/14-33	5/1&11/1	7,700,000	7,625,000
Series 2014	12/02/14	1.000 - 3.000	12/1/15-24	6/1&12/1	2,750,000	2,750,000
						<u>18,866,365</u>
General Obligation Refunding Bonds	08/03/10	1.75 - 5.0	3/1/11-24	3/1&9/1	59,409	<u>45,594</u>
Total Sanitary Sewer						<u>18,911,959</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

***Business-type Activities Debt* (continued)**

<u>Type</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Principal Payable</u>	<u>Interest Payable</u>	<u>Original Amount</u>	<u>Balance 12/31/14</u>
STORM WATER MAINTENANCE						
Promissory Notes						
Series 2006	04/01/06	3.625 - 4.00	12/1/07-15	6/1&12/1	815,000	132,228
Series 2007	04/15/07	4.000	12/1/08-16	6/1&12/1	1,314,600	488,280
Series 2008	05/01/08	3.000 - 3.500	12/1/09-17	6/1&12/1	3,153,000	1,525,800
Series 2011	11/29/11	2.000 - 2.500	11/1/12-21	5/1&11/1	7,167,323	6,192,604
Series 2012	08/21/12	0.350 - 2.250	6/1/13-22	6/1&12/1	3,900,000	3,500,000
Series 2013	08/20/13	2.000 - 3.000	6/1/14-23	6/1&12/1	560,000	500,000
Series 2013	08/20/13	3.000	12/1/14-18	6/1&12/1	528,380	420,791
Series 2013	11/19/13	2.500 - 4.250	11/1/14-33	5/1&11/1	1,775,000	1,700,000
Series 2014	12/02/14	1.000 - 3.000	12/1/15-24	6/1&12/1	6,190,000	<u>6,190,000</u>
						20,649,703
General Obligation						
Refunding Bonds	08/03/10	1.750 - 5.000	3/1/11-24	3/1&9/1	96,845	<u>74,324</u>
Total Storm Water Maintenance						<u>20,724,027</u>
Total business-type activities debt						<u>\$53,362,545</u>

The Water Utility has \$13,450,000 in Waterworks System Revenue Bonds outstanding at December 31, 2014. The bonds are not general obligations of the City of Wauwatosa and are payable from income and revenues derived from the operations of the system in accordance with the resolution adopted in conjunction with the issuance of the debt. The resolution creates a statutory mortgage lien upon the system and its revenues in accordance with Section 66 of Wisconsin Statutes. The Utility has established certain funds, as described in the resolution, to account for the allocation of the Utility's gross revenue and has deposited funds in compliance with the bond covenants. The Water system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

***Annual Maturities of General Obligation Debt, Redevelopment Lease Revenue Bonds,
and Water System Revenue Bonds***

Debt service requirements to maturity (exclusive of the municipal revenue obligation) are as follows:

	Governmental Long-Term Debt		Business-type Long-Term Debt	
	Principal	Interest	Principal	Interest
2015	\$ 6,842,846	\$ 1,807,149	\$ 4,647,204	\$ 1,524,007
2016	11,867,025	1,513,426	4,357,925	1,406,098
2017	7,133,895	1,168,271	4,366,105	1,294,708
2018	3,702,481	877,509	4,212,519	1,183,801
2019	3,720,339	282,300	4,454,661	1,087,417
2020-2024	17,505,890	2,423,442	18,724,131	3,749,089
2025-2029	2,900,000	581,425	7,950,000	1,808,766
2030-2035	650,000	32,500	4,650,000	505,345
Totals	<u>\$ 54,322,476</u>	<u>\$ 8,686,022</u>	<u>\$ 53,362,545</u>	<u>\$ 12,559,231</u>

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

Margin of Indebtedness

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2014, was \$267,531,355. Total general obligation debt outstanding at year end was \$84,685,021.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

Landfill Postclosure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site after closure. Future landfill maintenance and monitoring costs are estimated to be a total of \$150,862 over the next 20 years. The liability for landfill closure and postclosure care is an estimate subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. Net Position / Fund Balances

Net position reported on the government wide statement of net position at December 31, 2014 includes the following:

Governmental Activities

Net investment in capital assets	
Nondepreciated	\$ 23,884,708
Depreciated	65,058,129
Less: related debt excluding unspent bond proceeds	<u>(31,430,591)</u>
Total net investment in capital assets	57,512,246
Restricted for debt service	27,481,090
Unrestricted	<u>(19,136,845)</u>
 Total governmental activities net assets	 <u>\$ 65,856,491</u>

Business-type Activities

Net investment in capital assets	
Land	\$ 81,405
Construction in progress	3,472,999
Other capital assets, net of accumulated depreciation	120,286,245
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(44,531,483)</u>
Total net investment in capital assets	79,309,166
Restricted net position	
Restricted for debt service	621,020
Unrestricted	<u>7,680,686</u>
 Total business-type activities net assets	 <u>\$ 87,610,872</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. Net Position / Fund Balances (continued)

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

Nonspendable	
Major Funds	
General Fund -	
Prepayments and inventories	\$ 2,791
Non-current receivables	5,605,969
	<u>5,608,760</u>
Special Revenue Fund - Tax Incremental District	
Prepayments and inventories	1,800
Total non-spendable fund balance	<u>5,610,560</u>
Restricted	
Major Funds	
Special Revenue Fund - Tax Incremental District - debt service	18,710,098
Capital Projects Fund - General Obligation Debt Issue Fund	6,888,322
Nonmajor Funds	
Community Development Block Grant	73
Debt Service Fund	2,212,545
Total restricted fund balance	<u>27,811,038</u>
Assigned	
Major Funds	
General Fund	
Subsequent year's expenditures	582,343
Capital improvements	1,202,572
Parks	499,931
	<u>2,284,846</u>
Nonmajor Funds	
Special Revenue Fund - Parks Fund	784,886
Special Revenue Fund - Library Fund	192,330
Capital Projects Fund - Informations Systems Equipment	163,219
Total assigned fund balance	<u>3,425,281</u>
Unassigned	
Major Funds - General Fund	12,032,385
Total governmental fund balance	<u>\$ 48,879,264</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. Net Position / Fund Balances (continued)

The City also maintains an amortization fund balance governed by Section 3.04 of the Wauwatosa Municipal Code, which provides that the balance may be used to pay principal and interest on the outstanding debt upon the direction of the City's Common Council. The ordinance further provides that the Board of Public Debt Commissioners may, with the approval of the Common Council, apply all or any part of the fund for any purpose for which municipal bonds may be legally issued. This balance is a portion of the General Fund unassigned fund balance.

NOTE 5 - OTHER INFORMATION

A. Employees' Retirement System

Eligible City of Wauwatosa employees participate in the Wisconsin Retirement System (System), a cost sharing multiple-employer defined benefit public employee retirement system (PERS). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the System. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the System.

Covered employees are required to contribute one-half of the actuarially determined contribution rate for general category employees, and executives and elected officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2014 are:

	<u>Employee</u>	<u>Employer</u>
General	7.00%	7.00%
Executives & Elected Officials	7.75%	7.75%
Protective with Social Security	7.00%	7.00%
Protective without Social Security	7.00%	13.70%

The payroll for City employees covered by the System for the year ended December 31, 2014 was \$28,350,192; the employer's total payroll was \$29,260,290. The total required contribution for the year ended December 31, 2014 was \$4,770,997. This amount consisted of \$2,785,635 or 9.52% of payroll from the employer and \$1,985,362, or 6.79% of payroll from employees. Total contributions for the years ended December 31, 2013 and 2012 were \$5,267,429 and \$4,747,322, respectively, equal to the required contribution for each year.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - OTHER INFORMATION (continued)

A. Employees' Retirement System (continued)

Employees who retire at or after age 65, (62 for elected officials, 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. The final average earnings are the average of the employee's three highest year's earnings. Employees terminating covered employment 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 through June 30, 2011 are immediately vested. For participants employed after July 1, 2011, five years of creditable service is required for eligibility.

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

The City has no pension related debt as of December 31, 2014.

B. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; natural disasters and worker's compensation. The City is self-insured for medical coverage for certain employees at December 31, 2014. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for all other risks. There have been no significant reductions in insurance coverage for any risk of loss in the past year and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

Self-Insured General and Auto Liability

In 1987, the City issued \$1,990,827 taxable General Obligation Refunding Bonds to provide financing of the City's participation in the Wisconsin Municipal Insurance Commission (WMIC). The WMIC is an intergovernmental cooperative commission formed to facilitate the formation of the Cities and Villages Mutual Insurance Company (CVMIC). In 1987, the WMIC issued \$28.645 million of revenue bonds to provide for the capitalization of the CVMIC. The CVMIC is a separate and distinct entity independent of the WMIC and is owned by the participating cities and villages of the WMIC. The CVMIC was formed to provide liability insurance to Wisconsin municipalities as of January 1, 1988. The CVMIC has an A.M. Best rating of A-.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - OTHER INFORMATION (continued)

B. Risk Management (continued)

Self-Insured General and Auto Liability (continued)

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

In prior years, the CVMIC paid dividends to the City based on a schedule designed to enable the City to partially or totally finance the City's debt service requirements on its related general obligation issue. As of December 31, 2007, the City's debt and the WMIC's debt were paid in full. The WMIC has no assets, liabilities or financial activity for the year ended December 31, 2014. CVMIC continues to pay dividends that are used to pay the City's insurance premiums.

Complete financial statements for the year ended December 31, 2014 for the CVMIC can be obtained from the CVMIC administrative office at 9898 W. Bluemound Road, Wauwatosa, WI 53226-4319.

As of December 31, 2014, the City of Wauwatosa, Wisconsin's has a Mutual Membership Percentage of 3.212%. The share would result in the City receiving \$964,506 upon dissolution of CVMIC.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - OTHER INFORMATION (continued)

B. Risk Management (continued)

Self-Insured General and Auto Liability (continued)

The CVMIC provides the City with \$10,000,000 of liability coverage for losses over its self-insured retention level of \$100,000 per occurrence with a \$400,000 aggregate stop loss. The City's annual cost is the sum of its annual premium, claims incurred and applicable to the self-insured retention and other operating expenses. An annual premium is charged to cover expected claims and administrative costs. The claims component of the premium is determined by independent actuaries and allocated among participating municipalities based on payroll and loss history. The City and other participating cities and villages are subject to cover loss experiences, which exceed predictions through retrospective assessments.

At December 31, 2014, the Risk Management General Liability Fund had net position of \$1,821,645, which includes the City's Investment in CVMIC of \$964,506.

Changes in the claim liability amounts for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Unpaid claims - Beginning of Year	\$ 141,016	\$ 106,516
Current year claims and changes in estimates	(45,145)	-
Claim payments	<u>39,741</u>	<u>(34,500)</u>
Unpaid claims - End of Year	<u>\$ 56,130</u>	<u>\$ 141,016</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - OTHER INFORMATION (continued)

B. Risk Management (continued)

Self-Insured Medical Care Coverage Plan

The City maintains a self-insured medical care coverage plan for its employees which is accounted for in an Internal Service Fund. The plan provides coverage up to a maximum of \$75,000 per contract and approximately \$7,900,000 for the aggregate of contracts. The City purchases commercial insurance for claims in excess of coverage provided by the fund. This fund also accounts for the City's other post employment benefits

All funds of the City participate in the plan. The City does not maintain a reserve for the coverage of catastrophic losses. The claims liability of \$475,202 reported in the Internal Service Fund at December 31, 2014, is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the claims liability amount for the years ended December 31, 2014 and 2013 were as follows:

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2013	\$ 630,139	\$ 6,947,727	\$ 7,059,311	\$ 518,555
2014	518,555	6,711,530	6,754,883	475,202

The net position (deficit) of the fund is reported as unrestricted and is comprised of the following components:

Employee insurance	\$ 4,084,183
Other post employment obligation	<u>(21,533,139)</u>
Total	<u>\$ (17,448,956)</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - OTHER INFORMATION (continued)

C. Other Postemployment Benefits

The City provides other postemployment benefits (OPEB) to its retirees for health insurance.

Plan Description

The City provides a single-employer defined benefit healthcare plan administered by United Health Care. The City provides medical and life insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts.

The plan provides full health insurance coverage until age 65 to City employees hired prior to January 1, 2008 who reach normal retirement age as specified by the labor contracts. The plan provides up to 50% health coverage until age 65 to City employees hired after January 1, 2008 who reach normal retirement age and reach a specified number of years of service. Police and fire retirees hired after January 1, 2008 receive 50% of health coverage upon reaching age 50, and having 15 years of service. General and Department of Public Works employees receive health coverage based on their years of service such that retirees with 15, 20, 25, and 30 years of service receive annual health coverage premium contributions of 15, 30, 40, and 50 percent respectively.

The plan does not issue stand-alone financial statements.

Funding Policy

The contribution of plan members and the employer are established and may be amended by the City Common Council. The required contribution is based on pay-as-you-go financing. For 2014, City and plan members receiving benefits paid approximately \$2,550,000 toward medical claims and administrative expenses for retirees. This represents 10.07% of total covered payroll for the year.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - OTHER INFORMATION (continued)

C. Other Postemployment Benefits (continued)

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you-go basis), and the changes in the District's net OPEB obligation:

Annual Required Contribution (ARC)	\$	4,225,630
Interest on Net OPEB Obligation		620,660
Adjustment to ARC		<u>(1,024,776)</u>
Annual OPEB Cost		3,821,514
Contribution made		<u>(2,977,058)</u>
Increase in net OPEB Obligation		844,456
Net OPEB obligation- beginning of year		<u>20,688,683</u>
Net OPEB obligation - end of year	\$	<u>21,533,139</u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013 and 2012 are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2012	\$ 5,354,611	34.12%	\$ 17,193,904
12/31/2013	5,461,251	36.01%	20,688,683
12/31/2014	3,821,514	77.90%	21,533,139

The multi-year trend information is located in the required supplementary information immediately following the notes to the financial statements.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - OTHER INFORMATION (continued)

C. Other Postemployment Benefits (continued)

Funded Status and Funding Progress

The most recent actuarial valuation conducted by the City of Wauwatosa was as of December 31, 2014.

The actuarial accrued liability for benefits was \$47,952,213 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$47,952,213. The covered payroll (annual payroll of active employees covered by the plan) was \$25,310,901 and the ratio of the UAAL to the covered payroll was 189.45 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the Employer, and are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The retiree healthcare valuation was based on the projected unit credit actuarial cost method. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The OPEB valuation uses an interest discount rate assumption of 3.00 percent based on the City's projected short-term investment rate of return. The healthcare cost trends rate is 5.5 percent initially, and reduced by decrements to the ultimate rate of 4.4 percent after 67 years.

The actuarial accrued liability for the benefits is amortized over an open period of 30 years using the level dollar method.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - OTHER INFORMATION (continued)

D. Antenna Lease Agreements

The City has lease agreements with cellular phone companies to lease water towers as sites for cellular antennas. The initial term of the leases was five years with the right to extend the leases for four additional five-year terms. All agreements have been extended for five additional years.

Rental income from rental of the water towers reported in other water revenues amounted to \$232,355.

Future minimum rentals related to these leases and expected future extensions are as follows:

2015	\$ 215,331
2016	224,940
2017	234,982
2018	245,475
2019	256,440
Thereafter	<u>12,848,006</u>
	<u>\$ 14,025,174</u>

All leases have an automatic extension until at least the year 2040, with the longest term reaching through 2049.

E. Commitments and Contingencies

The City self-insures its general liability, medical, dental and worker's compensation insurance up to specified limits. City's management and legal counsel do not anticipate any material losses from known occurrences.

The City participates in a number of State and Federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended December 31, 2014 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

On April 24, 2007 the City entered into a Developer agreement which included a Municipal Revenue Obligation to reimburse eligible project costs incurred by the developer. This obligation is payable solely from a portion of the Tax Incremental District No. 2 increment as defined by the developer agreement. Should the TIF close before the project costs are repaid, the City is not liable for any additional payments. Costs are reported as project costs in the year paid. Total costs that could be reimbursed amount to \$6,447,658. 2009 was the first year in which the City made a payment under this agreement. The amount the City paid in 2014 was \$434,760. Cumulative payments made through 2014 are \$2,290,976.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - OTHER INFORMATION (continued)

F. Subsequent Events

On April 1, 2015, the City issued \$6,200,000 of General Obligation Community Development Bonds, Series 2015A. The proceeds are to be used for capital projects including street improvements, water, sanitary sewer and storm water projects.

Management evaluated subsequent events through July 23, 2015, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to July 23, 2015 that provided additional evidence about conditions that existed at December 31, 2014, have been recognized in the financial statements for the year ending December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014 but arose before the financial statements were available to be issued have not yet been recognized in the financial statements for the year ended December 31, 2014.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 - TAX INCREMENTAL DISTRICTS 2, 3, 5, 6, 7 AND 8

A. Plan Summaries

The City has six Tax Incremental Districts. Tax Incremental District No. 2 was created on January 1, 1995, and its dissolution date is January 1, 2022. There have been three amendments to Tax Incremental District No. 2, occurring on April 15, 1997, April 20, 2004, and in April, 2007. These amendments did not affect the dissolution date of January 1, 2022. Tax Incremental District No. 3 was created on January 1, 2001, and its dissolution date is January 1, 2028. The Tax Incremental District No. 3 plan was amended on August 1, 2006, December 6, 2009, and October 9, 2012. The amendments did not affect the dissolution date. Tax Incremental District No. 5 was created on April 3, 2007 and has a dissolution date of January 1, 2034. Tax Incremental District No. 6 was created on October 4, 2010 and has a dissolution date of October 4, 2037. Tax Incremental District No. 7 was created on January 1, 2013 and has a dissolution date of January 1, 2040. Tax Incremental District No. 8 was created on January 1, 2014 and has a dissolution date of January 1, 2041.

B. Cash and Investments

The Tax Incremental Districts invest funds in accordance with the provisions of the Wisconsin Statutes Section 66.0603 and 67.11(2). The Tax Incremental Districts maintain common cash and investment accounts with the City of Wauwatosa. Disclosures related to cash and investments can be found in Note 4 of the financial statements.

C. Interfund Advances

The City of Wauwatosa General Fund advanced \$5,576,000 to the City of Wauwatosa Tax Incremental District No. 6 in 2013. This advance incurs interest at a rate of 3.0%. The advance was issued to provide interim financing until the District obtains external long term financing, as such, a repayment schedule has not been established.

The City of Wauwatosa Tax Incremental District No. 2 advanced \$112,128 to the City of Wauwatosa Tax Incremental District No. 7 in 2013. This advance incurs interest at a rate of 3%. The advance was issued to provide interim financing until the District obtains external long term financing, as such, a repayment schedule has not been established. This advance has been eliminated in the combined reporting of all of the tax incremental districts within the Special Revenue Fund Tax Incremental District Fund within the City's financial statements.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 - TAX INCREMENTAL DISTRICTS 2, 3, 4, 5, 6 AND 7 (continued)

D. Long-term Debt

Aggregate maturities of all long-term debt relating to Tax Incremental District No. 2 are shown below. As of December 31, 2014, \$17,830,903 is available in the Special Revenue TIF 2 for debt payments.

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,600,000	\$ 549,126	\$ 3,149,126
2016	3,600,000	399,626	3,999,626
2017	3,350,000	192,626	3,542,626
	<u>\$ 9,550,000</u>	<u>\$ 1,141,378</u>	<u>\$ 10,691,378</u>

Aggregate maturities of all long-term debt relating to Tax Incremental District No. 6 are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 186,075	\$ 50,333	\$ 236,408
2016	213,536	46,612	260,148
2017	214,766	42,341	257,107
2018	218,458	38,046	256,504
2019	224,610	33,677	258,287
2020-2024	1,125,452	92,007	1,217,459
	<u>\$ 2,182,897</u>	<u>\$ 303,016</u>	<u>\$ 2,485,913</u>

Aggregate maturities of all long-term debt relating to Tax Incremental District No. 7 are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 165,000	\$ 123,468	\$ 288,468
2016	425,000	121,638	546,638
2017	425,000	114,888	539,888
2018	425,000	106,388	531,388
2019	475,000	97,888	572,888
2020-2024	3,315,000	331,450	3,646,450
	<u>\$ 5,230,000</u>	<u>\$ 895,718</u>	<u>\$ 6,125,718</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 - TAX INCREMENTAL DISTRICTS 2, 3, 4, 5, 6 AND 7 (continued)

E. Supplemental Information

The Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments, and the Historical Summary of Sources, Uses, and Status of Funds are provided as supplementary schedules to these financial statements. Those schedules are prepared in accordance with accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Sections 66.1105. The summary statements were prepared from data recorded in the following funds of the City of Wauwatosa.

Tax Incremental Financing Special Revenue Fund
Redevelopment Authority Lease Revenue Bond Capital Projects Fund
Debt Service Fund
Capital Projects Fund

Detailed descriptions of the purpose of these funds can be found in Note 1 of the financial statements. The data was consolidated for the purpose of these schedules. Therefore, the amounts shown in the schedules will not directly correlate with amounts shown in the basic financial statements of the City of Wauwatosa, Wisconsin. In addition to the activity reported in the supplemental information described above, the City also incurred costs related to the potential creation of three additional TIF districts. The total of those costs as of December 31, 2014 was \$22,696 and is reported as part of the Tax Incremental Financing Special Revenue Fund

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WAUWATOSA, WISCONSIN
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
RETIREE HEALTH AND LIFE INSURANCE
For the Year Ended December 31, 2014**

Year Ending	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit Actuary Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010	10/1/2010	-	52,326,127	52,326,127	0.00%	25,443,611	205.66%
12/31/2012	12/31/2012	-	62,372,743	62,372,743	0.00%	26,256,123	237.56%
12/31/2014	12/31/2014	-	47,952,213	47,952,213	0.00%	25,310,901	189.45%

APPENDIX B

**PROPOSED FORM OF LEGAL OPINION
FOR THE
SERIES 2015B BONDS**

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

December 1, 2015

Re: City of Wauwatosa, Wisconsin ("Issuer")
\$26,375,000 General Obligation Corporate Purpose Bonds, Series 2015B,
dated December 1, 2015 ("Bonds")

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

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

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$2,300,000	2.00%
2017	2,100,000	2.00
2018	1,750,000	2.00
2019	2,000,000	2.00
2020	1,750,000	2.00
2021	1,275,000	2.00
2022	1,650,000	4.00
2023	3,475,000	2.25
2024	2,425,000	2.50
2025	2,200,000	2.75
2026	950,000	3.00
2027	1,075,000	3.50
2028	1,100,000	3.00
2029	1,150,000	3.00
2030	1,175,000	3.00

Interest is payable semi-annually on June 1 and December 1 of each year commencing on June 1, 2016.

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

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

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

1. The Bonds 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 Bonds, 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 Bonds 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 Bonds.

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

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

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

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

QUARLES & BRADY LLP

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APPENDIX C

**PROPOSED FORM OF LEGAL OPINION
FOR THE
SERIES 2015C BONDS**

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

December 1, 2015

Re: City of Wauwatosa, Wisconsin ("Issuer")
\$7,400,000 Taxable General Obligation Community Development Bonds, Series
2015C, dated December 1, 2015 ("Bonds")

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

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

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$150,000	2.25%
2017	475,000	2.25
2018	525,000	2.25
2019	575,000	2.25
2020	625,000	2.25
2021	650,000	2.25
2022	700,000	2.35
2023	700,000	2.55
2024	725,000	2.75
2025	750,000	2.95
2026	300,000	3.10
2027	300,000	3.25
2028	300,000	3.40
2029	300,000	3.50
2030	325,000	3.65

Interest is payable semi-annually on June 1 and December 1 of each year commencing on June 1, 2016.

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

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

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

1. The Bonds 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 Bonds, 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 Bonds 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 Bonds.

3. The interest on the Bonds is included for federal income tax purposes in the gross income of the owners of the Bonds.

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

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

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

QUARLES & BRADY LLP

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APPENDIX D

**CONTINUING DISCLOSURE CERTIFICATE
FOR THE
SERIES 2015B BONDS**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Wauwatosa, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$26,375,000 General Obligation Corporate Purpose Bonds, Series 2015B, dated December 1, 2015 (the "Securities"). The Securities are being issued pursuant to Resolutions adopted by the Governing Body of the Issuer on October 20, 2015 and November 17, 2015 (collectively, the "Resolution") and delivered to Morgan Stanley & Co. LLC (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 November 17, 2015 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 Wauwatosa, 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 7725 West North Avenue, Wauwatosa, WI 53213, phone (414) 479-8962, fax (414) 479-8989.

"Listed 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, 2015, 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. CITY DEBT STRUCTURE - Total Outstanding General Obligation Debt Summary
2. CITY DEBT STRUCTURE - Total Outstanding Revenue Debt Summary (if any)
3. CITY DEBT STRUCTURE - 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 Listed Events.

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

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

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

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

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

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

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

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

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if 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 Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to

include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 1st day of December, 2015.

Kathleen Ehley
Mayor

(SEAL)

Carla A. Ledesma
City Clerk

APPENDIX E

**CONTINUING DISCLOSURE CERTIFICATE
FOR THE
SERIES 2015C BONDS**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Wauwatosa, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$7,400,000 Taxable General Obligation Community Development Bonds, Series 2015C, dated December 1, 2015 (the "Securities"). The Securities are being issued pursuant to Resolutions adopted by the Governing Body of the Issuer on October 20, 2015 and November 17, 2015 (collectively, the "Resolution") and delivered to Piper Jaffray & Co. (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 November 17, 2015 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 Wauwatosa, 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 7725 West North Avenue, Wauwatosa, WI 53213, phone (414) 479-8962, fax (414) 479-8989.

"Listed 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, 2015, 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. CITY DEBT STRUCTURE - Total Outstanding General Obligation Debt Summary
2. CITY DEBT STRUCTURE - Total Outstanding Revenue Debt Summary (if any)
3. CITY DEBT STRUCTURE - 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 Listed Events.

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

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

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

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

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

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

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

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

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if 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 Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to

include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 1st day of December, 2015.

Kathleen Ehley
Mayor

(SEAL)

Carla A. Ledesma
City Clerk