

**CITY OF KAUKAUNA, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2016**

**CITY OF KAUKAUNA, WISCONSIN**

December 31, 2016

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council  
City of Kaukauna, Wisconsin

### **Report on the Financial Statements**

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

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

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

### ***Change in Accounting Principle***

As discussed in Note C.1 to the financial statements, in 2016 the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedules relating to pensions and other post-employment benefits on pages 53 through 55 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Schmidt SC*

Certified Public Accountants  
Green Bay, Wisconsin  
May 31, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Management Discussion and Analysis  
December 31, 2016**

The management of the City of Kaukauna offers all readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the fiscal year ended December 31, 2016. You are encouraged to read this narrative in conjunction with the City's financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net position increased by \$4,351,400 to \$114,078,933; net position of governmental activities increased \$1,141,482 to \$24,003,212 while business type activities net position increased \$3,209,918 to \$90,075,721.
- Total fund balance in governmental funds as of December 31, 2016 is \$12,138,039. Of this balance, \$182,497 is nonspendable, \$4,029,390 is restricted for debt service, \$91,369 is committed for improvements and equipment, \$8,817,230 is assigned to subsequent years' budgets, and unassigned and available for ongoing operations and capital improvement projects has a negative balance of \$982,447.
- General fund's total fund balance decreased \$565,626 or 11.1%. The decrease in fund balance is primarily the result of an allocation of \$425,000 of the previous year's fund balance increase to the space needs fund. In addition to this allocation, earmarked funds of \$1,600,000 from land sale proceeds were also transferred from the General Fund to the Redevelopment Authority for the building project. Aside from both events, a combination of positive revenue budget variances of \$327,395, and positive expenditure budget variances of \$652,739 would have resulted in a general fund balance increase of \$555,134.
- General fund revenues and operating transfers in for 2016 were under budget by \$1,171,635. Overall General fund expenditures and operating transfers out for 2016 were over budget by \$947,261. Most expenditures were under budget primarily because of cost control measures in general government, public safety, and culture and recreation.
- At the end of 2016, total fund balance for the general fund is \$4,534,195. The unassigned portion of fund balance \$3,951,698, decreased \$510,293 or 11.4%, and it is equal to 30.7% of 2016 budgeted general fund expenditures.
- The City's outstanding general obligation debt decreased \$1,765,000 from \$37,265,000 to \$35,400,000 for the fiscal year ended December 31, 2016. The city retired more general obligated debt in 2016 than it borrowed.
- The City's outstanding revenue bonds decreased \$425,000 from \$74,040,000 to \$73,615,000 for the fiscal year ended December 31, 2016.

- The Electric Utility's net position increased \$1,147,142 or 2.3% in 2016 as compared to 2015. This increase in large part due to some favorable Non-operating expenses of \$2,034,723 coupled with an unfavorable net operating income of \$403,428 as well as increased customer contribution of \$70,652.
- The Water Utility's net position increased \$1,088,376 or 5.4% in 2016 as compared to 2015. This increase was due to an increase in operating income of \$77,495, a decrease in non-operating expenses of \$22,235 and a increase in the net of customer contributions and transfers out of \$597,991.
- The Electric Utility's cash and cash equivalents increased \$1,247,303 in 2016. Most cash flow activities remained the same when compared to 2015. The increase mentioned above is primarily from a decrease in the amount of cash paid to vendors/suppliers in 2016
- The Water Utility's cash and cash equivalents increased by \$163,982 in 2016. Most cash flow activities remained flat in 2016 when compared to 2015

**Government-Wide Financial Statements** - Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business. The government-wide statements are made up of the statement of net position and the statement of activities.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This means, some 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 government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities (those supported primarily by taxes and intergovernmental revenues) of the City include general government; public safety; public works; health and welfare; culture and recreation; conservation and development, and non-departmental. The business-type activities (those supported by user fees) are the Electric Utility, Water Utility, Sanitary Sewer Utility and Storm Water Utility.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate component unit known as the Redevelopment Authority. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13 – 15 of this report.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same activities as governmental activities in the government-wide financial statements; however, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintained 30 individual governmental type funds during 2016. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and debt service fund which are considered major funds. Data from the remaining 28 governmental type funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found later in this report.

The City adopts annual appropriation budgets for the general fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 16 - 20 of this report.

**Proprietary Funds** - Enterprise funds are used to report the functions of the water utility, electric utility, storm water utility, and sanitary sewer utility are presented as business-type activities in the government-wide financial statements. Individual fund data for enterprise funds is provided later in this report.

The basic proprietary fund financial statements can be found on pages 21 - 23 of this report.

**Notes To The Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 52 of this report.

**Supplemental Information** - The combining statements referred to about non-major governmental funds is presented immediately following the required supplementary information. Required supplemental information and supplemental combining and individual fund statements and schedules can be found on pages 53 - 64 of this report.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As discussed earlier, net position over time, serve as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceed liabilities and deferred inflows of resources for total net position of \$114,078,933 at yearend December 31, 2016.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
Current and other assets	\$ 44,625,904	\$ 45,432,008	\$ 32,068,479	\$ 33,422,462	\$ 76,694,383	\$ 78,854,470
Capital assets	40,260,011	41,053,532	142,056,117	137,352,199	182,316,128	178,405,731
<b>TOTAL ASSETS</b>	<b>84,885,915</b>	<b>86,485,540</b>	<b>174,124,596</b>	<b>170,774,661</b>	<b>259,010,511</b>	<b>257,260,201</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pension	5,485,325	1,579,964	2,922,460	838,147	8,407,785	2,418,111
<b>LIABILITIES</b>						
Noncurrent liabilities	35,472,147	36,972,824	79,216,791	79,698,485	114,688,938	116,671,309
Other liabilities	16,724,714	16,123,909	6,661,281	5,048,520	23,385,995	21,172,429
<b>TOTAL LIABILITIES</b>	<b>52,196,861</b>	<b>53,096,733</b>	<b>85,878,072</b>	<b>84,747,005</b>	<b>138,074,933</b>	<b>137,843,738</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes	12,144,723	12,107,041	-	-	12,144,723	12,107,041
Pension	2,026,445	-	1,093,263	-	3,119,708	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>14,171,168</b>	<b>12,107,041</b>	<b>1,093,263</b>	<b>-</b>	<b>15,264,431</b>	<b>12,107,041</b>
<b>NET POSITION</b>						
Net investment in capital assets	9,601,002	7,678,557	63,262,134	58,453,401	72,863,136	66,131,958
Restricted	3,878,405	6,138,323	7,832,906	8,939,801	11,711,311	15,078,124
Unrestricted	10,523,805	9,044,850	18,980,681	19,472,601	29,504,486	28,517,451
<b>TOTAL NET POSITION</b>	<b>\$ 24,003,212</b>	<b>\$ 22,861,730</b>	<b>\$ 90,075,721</b>	<b>\$ 86,865,803</b>	<b>\$ 114,078,933</b>	<b>\$ 109,727,533</b>

## Management's Analysis

By far the largest portion of the City's total net position, \$72,863,136 or 63.8%, is its investment in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure), less any related outstanding indebtedness used to acquire those assets. The investment in capital assets net of related debt increased \$6,731,178 or 10.2%. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position, \$11,711,311 or 10.3% represents resources that are subject to restrictions regarding their use. The remaining balance of unrestricted net position, \$29,504,486 or 25.9% may be used to meet the government's ongoing obligations to creditors and provide services to its citizens.

Business-type activities total net position increased by \$3,209,918 to 90,075,721 in 2016, an increase of 3.7%. The increase in net position is primarily due to investment in Electric Utility and Sanitary Sewer utility capital assets.

At the end of the current fiscal year, the City can report growth in total net position for governmental activities, and positive balances in all categories of net position for governmental activities as well as for business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 1,903,049	\$ 1,243,286	\$ 65,638,462	\$ 67,646,926	\$ 67,541,511	\$ 68,890,212
Operating grants and contributions	1,421,465	1,211,960	-	-	1,421,465	1,211,960
Capital grants and contributions	1,388,766	1,722,206	647,106	212,431	2,035,872	1,934,637
General revenues						
Property taxes	9,302,357	8,887,764	-	-	9,302,357	8,887,764
Other taxes	149,869	130,479	-	-	149,869	130,479
State and federal aids not restricted to specific functions	2,571,740	2,492,276	-	-	2,571,740	2,492,276
Interest and investment earnings	111,852	164,280	376,367	284,971	488,219	449,251
Gain on sale of capital assets	-	604,770	-	-	-	604,770
Miscellaneous	946,891	199,530	44,247	44,515	991,138	244,045
<b>TOTAL REVENUES</b>	<b>17,795,989</b>	<b>16,656,551</b>	<b>66,706,182</b>	<b>68,188,843</b>	<b>84,502,171</b>	<b>84,845,394</b>
<b>EXPENSES</b>						
General government	3,929,121	2,199,635	-	-	3,929,121	2,199,635
Public safety	6,078,945	5,553,098	-	-	6,078,945	5,553,098
Public works	4,511,002	4,706,566	-	-	4,511,002	4,706,566
Health and human services	1,150	3,590	-	-	1,150	3,590
Culture and recreation	3,177,443	2,501,066	-	-	3,177,443	2,501,066
Development	617,849	2,395,063	-	-	617,849	2,395,063
Interest on debt	890,767	1,010,026	-	-	890,767	1,010,026
Electric utility	-	-	55,129,342	59,094,252	55,129,342	59,094,252
Water utility	-	-	2,627,612	2,649,573	2,627,612	2,649,573
Storm water utility	-	-	619,428	476,456	619,428	476,456
Sanitary sewer utility	-	-	2,568,112	2,221,902	2,568,112	2,221,902
<b>TOTAL EXPENSES</b>	<b>19,206,277</b>	<b>18,369,044</b>	<b>60,944,494</b>	<b>64,442,183</b>	<b>80,150,771</b>	<b>82,811,227</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>						
BEFORE TRANSFERS	(1,410,288)	(1,712,493)	5,761,688	3,746,660	4,351,400	2,034,167
TRANSFERS	2,551,770	2,491,481	(2,551,770)	(2,491,481)	-	-
<b>CHANGE IN NET POSITION</b>	<b>1,141,482</b>	<b>778,988</b>	<b>3,209,918</b>	<b>1,255,179</b>	<b>4,351,400</b>	<b>2,034,167</b>
<b>BEGINNING NET POSITION</b>	<b>22,861,730</b>	<b>19,135,799</b>	<b>86,865,803</b>	<b>84,016,671</b>	<b>109,727,533</b>	<b>103,152,470</b>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>		<b>2,946,943</b>		<b>1,593,953</b>	<b>-</b>	<b>4,540,896</b>
<b>ENDING NET POSITION</b>	<b>\$ 24,003,212</b>	<b>\$ 22,861,730</b>	<b>\$ 90,075,721</b>	<b>\$ 86,865,803</b>	<b>\$ 114,078,933</b>	<b>\$ 109,727,533</b>

**Management's Analysis**

The increase in net position for governmental activities for year ended December 31, 2016 was steady at an even 5.0% compared to previous years increase in net position of 19.47% for year ended December 31, 2015. The major reason for the reduce position is the disposal of city assess as it relates to the old city hall. This building has been removed and the fire station is currently being constructed. Expect to see this net position increase next year.

Business-type activities growth in net position for year ended December 31, 2016 was 6.8% compared with 0.6% for year ended December 31, 2015. The main reason for the increase is the 2015 operating results included a one-time contribution of property to the City. Management expects growth to continue at a modest rate especially for business-type activities.

Business-type activities revenue decreased \$1,482,661 or 2.2% during 2016 primarily due to reduced customer demand in the business-type activities. This is less than the 5.1% decrease in 2015.

## Debt and Debt Management

### Condensed Summary of Long-Term Obligations

	Outstanding 1/1/2016	Issued In 2016	Retired In 2016	Outstanding 12/31/2016	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation notes	\$14,696,318	\$ 1,525,000	\$ 1,748,826	\$14,472,492	\$2,904,415
General obligation bonds	17,715,775	-	913,027	16,802,748	1,234,210
Premium	353,638	53,637	87,358	319,917	94,063
Unfunded pension liability - Private pension plan	17,000	-	17,000	-	-
Long-term employee Compensated absences	549,921	72,881	-	622,802	-
<b>TOTAL GOVERNMENTAL ACTIVITIES DEBT</b>	<b>\$33,332,652</b>	<b>\$ 1,651,518</b>	<b>\$ 2,766,211</b>	<b>\$32,217,959</b>	<b>\$4,232,688</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation notes	\$ 3,033,682	\$ -	\$ 366,174	\$ 2,667,508	\$ 285,585
General obligation bonds	1,819,225	-	361,973	1,457,252	490,790
Revenue bonds	74,040,000	2,575,000	3,000,000	73,615,000	3,300,000
Premium	374,513	115,353	28,426	461,440	36,117
<b>TOTAL BUSINESS-TYPE ACTIVITIES DEBT</b>	<b>\$79,267,420</b>	<b>\$ 2,690,353</b>	<b>\$ 3,756,573</b>	<b>\$78,201,200</b>	<b>\$4,112,492</b>

### Management's Analysis

Overall, long-term obligations decreased slightly from \$112,600,072 in 2015 to \$110,419,159 in 2016. Governmental activities outstanding debt decreased \$1,114,693 or 3.5% as well as the business-type activities outstanding debt decreased \$1,066,220 or 1.3%. All general obligation notes and bonds are scheduled to be paid off within ten (10) years and all the revenue bonds are scheduled to be paid off within twenty-five (25) years.

The City has maintained its current Standard & Poor's general obligation bond rating of AA- for the past several years. The current outstanding general obligation bonds and notes of \$35,400,000 is 71.7% of the statutory limit for cities in the State of Wisconsin.

The City's five-year capital improvement plan anticipates general obligation borrowing of approximately \$2,000,000 to \$3,000,000 per year for the next five (5) years as well as the construction.

## FINANCIAL ANALYSIS OF THE GOVERNMENTS' FUNDS

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

### General Fund Budgetary Analysis

#### General Fund Budget to Actual Comparison

	Final Budget 2016	Actual 2016	Budget Variance Position (Negative)
<b>REVENUES</b>			
Taxes	5,774,597	5,765,877	(8,720)
Intergovernmental	3,561,355	3,645,341	83,986
Licenses and permits	281,000	418,580	137,580
Fines and forfeitures	127,000	117,901	(9,099)
Changes for services	872,580	948,257	75,677
Interest	15,000	10,349	(4,651)
Other	-	52,622	52,622
Transfers in	1,894,256	2,738,496	844,240
<b>TOTAL REVENUES</b>	<b>12,525,788</b>	<b>13,697,423</b>	<b>1,171,635</b>
<b>EXPENDITURES</b>			
General government	1,784,286	3,394,822	(1,610,536)
Public safety	5,452,328	5,336,403	115,925
Public Works	2,713,288	2,670,335	42,953
Health and welfare	2,000	1,150	850
Culture and recreation	2,162,243	2,103,386	58,857
Non-departmental	776,643	331,953	444,690
Transfer out	425,000	425,000	-
<b>TOTAL EXPENDITURES</b>	<b>13,315,788</b>	<b>14,263,049</b>	<b>(947,261)</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(790,000)</b>	<b>(565,626)</b>	<b>224,374</b>

### Management's Analysis

The 2016 general fund budget to actual comparison is very comparable to many past years when the unique transaction of the land sale that happen in 2016 is removed.

Revenue Variances –Intergovernmental, licenses and permit, and charges for services were over budget because of conservative budgeting. The two underperforming revenue categories include Taxes which were under budget \$8,720 primarily because the timing of collection and interest was under budget \$4,651 because of poor performance on investments.

Expenditure Variances – The general fund expenditure budget was under budget because most general government departments spent less than they budgeted. Public safety budget was under budget primarily because of various open positions throughout the year and public safety departments spent less than they budgeted in non-personal services.

**General Fund Budgetary Analysis (Continued)**

Within the public works budget, street signs and markers was over \$55,044. Street maintenance, equipment maintenance and forestry were \$89,152 under budget. Refuse collection and control were \$34,135 over budget.

Within the culture and recreation budget youth sports, adult sports, dance class, athletic fields and swimming pool were under budget by \$123,270. Library was \$31,515 over budget. Civic promotion was over budget \$19,005.

Non-departmental is under budget because budgeted contingency of \$465,000 was never used. The budgeted contingency is offset in the revenue budget by budgeting to use a similar number of funds available in general fund balance. Management expects the excess of revenues over expenditures in the general fund budget to be approximately \$200,000 at the end of any given year.

**Debt Service Fund Budgetary Analysis**

Debt Service Fund Budget to Actual Comparison

	Final Budget 2016	Actual 2016	Budget Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 2,376,976	\$ 2,376,976	\$ -
Payment in Lieu of Tax (PILOT)	867,695		\$ (867,695)
<b>TOTAL REVENUES</b>	<b>3,244,671</b>	<b>2,376,976</b>	<b>(867,695)</b>
<b>EXPENDITURES</b>			
Debt service principal	3,690,000	2,661,853	1,028,147
Debt service interest	1,767,544	1,033,452	734,092
<b>TOTAL EXPENDITURES</b>	<b>5,457,544</b>	<b>3,695,305</b>	<b>1,762,239</b>
Excess (Deficit) of Revenues Over Expenditures	(2,212,873)	(1,318,329)	894,544
<b>OTHER FINANCING SOURCES</b>			
Transfers in	2,212,873	2,016,642	(196,231)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>2,212,873</b>	<b>2,016,642</b>	<b>(196,231)</b>
Net Change in Fund Balance	\$ -	\$ 698,313	\$ 698,313

**Management's Analysis**

Management takes a conservative approach to budgeting for special assessments. Special assessment projects are funded from the proceeds of long-term borrowing and from resources available in the special assessment fund. The specific projects and the timing of the repayment by individual property owners to repay the assessments vary considerably from year to year. Special assessment funds are transferred into the debt service fund in an amount that approximates the debt services requirement for debt incurred to fund special assessment projects.

## **GOVERNMENTAL FUNDS**

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

As of December 31, 2016, the City's governmental funds reported combined year ending fund balance of \$12,138,039, an increase of \$1,466,566 for the calendar year 2016. Of the total fund balance, the unassigned fund balance is a negative \$982,447, which is ordinarily available for spending at the City's discretion. The remainder of fund balance is not available because it is designated as follows:

- Nonspendable, \$182,497.
- Restricted for debt service, \$4,029,390
- Committed, \$91,369
- Assigned, \$8,817,230

### **Fund Balance Analysis – General Fund**

The total general fund balance decreased from \$5,099,821 at calendar year end 2015 to \$4,534,195 for calendar year end 2016. The city council adopted a policy in 2010 to maintain the fund balance at 15% of the operating budget. Fifteen percent of the 2016 operating budget is \$1,870,318. The unassigned general fund balance as of December 31, 2016 was \$3,951,698. The year-end fund balance for 2016 follows the policy that was established in 2010. As a measure of the general fund's liquidity, it is useful to compare both unassigned and total fund balance to budgeted expenditures for 2015. Unassigned fund balance equals 30.7% of budgeted expenditures while total fund balance represents 35.2% of budgeted expenditures for 2016.

### **Fund Balance Analysis – Debt Service Fund**

The debt service fund balance has a balance of \$4,029,390 at year-end 2016, which is equal to the amount due from other funds. Going forward, the debt service fund is expected to have no balance at yearend except for an amount equal to due from other funds.

### **Fund Balance Analysis – Special Revenue Funds**

The combined non-major special revenue funds have a calendar yearend 2016 fund balance of \$1,216,492. The combined fund balance for special revenue funds decreased \$111,302 or 8.4% for calendar year ended December 31, 2016 compared to calendar year end 2015. The largest contributing fund balance decreases were in Library Foundation and the Revolving Economic Development Loan Fund. Total year-end special revenue fund balance of \$1,216,492 is 122% of total special revenue fund expenditures of \$999,296 for 2016.

### **Fund Balance Analysis – Capital Project Funds**

The combined non-major capital project funds have a calendar year end 2016 fund balance of \$2,240,575. In the industrial park fund, deficit balance of \$434,621 is the result of unsold lots in the industrial park. This is expected to be repaid within the near future upon lot sales. Tax incremental districts 4, 5, and 8, and the environmental remediation tax incremental district lack sufficient new development and consequently there is a lack of tax increment within the districts.

### **Capital Assets and Debt Administration**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, net of accumulated depreciation is \$179,427,953 outstanding debt related to the purchase of capital assets is \$112,273,773 or 62.9% of asset value net of accumulated depreciation. Governmental activities capital assets decreased in 2016 by \$793,521 from \$41,053,532 to \$40,260,011. The decrease is because of the disposition of the old city hall and assets within as well as delated street infrastructure projects. The net increase of \$208,792 in business-type activities capital assets from \$137,352,199 to \$139,167,942 for the calendar year ended 2016 is result of investment in ongoing system improvements.

## ECONOMIC FACTORS

The City of Kaukauna, Wisconsin benefits from its location in the Fox River Valley. Located south of Green Bay, the city benefits from its favorable location in the Fox River Valley. From 2006 - 2016, the City's tax base, which currently stands at \$987 million (see following schedule), averaged a 2.0% annual increase; however, the decrease over five years (2009 – 2013) averages 0.67% per year. Management believes that tax base growth, which has historically been driven by residential and commercial construction, will increase rather modestly in the near term. Over the past three years (2014-2016), the city saw an average increase of 3.0%. This increase gets the city closer to the pre-2009 year where the city average 5.93% growth from 2005-2008.

Thilmany, the City's largest employer and largest taxpayer poses some risk to the local economy. However, this concern is mitigated by the City's proximity to numerous employment opportunities located throughout the Fox River Valley and the decreasing assessed value Thilmany relative to the City's overall assessed value over the past several years.

### Summary of Changes in Equalized Value

Assessment Year	Equalized Value Including TID's	% Change	Equalized Value Excluding TID's	% Change
2016	\$ 987,250,900	4.48%	\$ 944,893,400	4.50%
2015	\$ 944,939,000	2.38%	\$ 904,221,100	1.06%
2014	922,944,000	3.00%	894,717,600	2.39%
2013	896,096,700	-0.25%	873,869,600	-0.26%
2012	898,369,100	-3.63%	876,128,200	-3.64%
2011	932,227,600	-0.34%	909,241,100	-0.56%
2010	935,396,400	1.25%	914,342,300	1.66%
2009	923,842,800	-0.45%	899,406,800	-0.55%
2008	928,064,700	4.88%	904,389,700	2.87%
2007	884,859,600	2.42%	879,136,000	1.97%
2006	863,927,100	8.20%	862,166,500	8.15%

Standard & Poor's, which currently has the City's debt rated at AA-, supported by very strong budgetary flexibility, very strong liquidity, strong budgetary performance, strong management, adequate economy and very weak debt and contingent liability position tempered by the City's participation in the deep and diverse Fox Cities metropolitan area economy. The City rapidly retires general obligation debt within ten years. Debt service accounts for high, though manageable, expenditures reflecting the City's above average debt burden and rapid principal payout.

The City's sound financial operations will be maintained through prudent financial management and growth in tax base, resulting in increased property tax revenues, which is the City's largest operating revenue source.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the City of Kaukauna for interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the William Van Rossum, Finance Director, City of Kaukauna, 144 W. Second Street, Kaukauna, Wisconsin 54130.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF KAUKAUNA, WISCONSIN**

Statement of Net Position

December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Redevelopment Authority
<b>ASSETS</b>				
Cash and investments	\$ 19,353,065	\$ 13,598,408	\$ 32,951,473	\$ 36,165
Receivables				
Taxes	15,457,638	-	15,457,638	-
Accounts (net)	259,175	5,084,869	5,344,044	-
Special assessments	1,790,362	-	1,790,362	-
Loans	1,970,683	-	1,970,683	-
Internal balances	193,149	(193,149)	-	-
Due from other governments	230,573	-	230,573	-
Restricted assets				
Cash and investments	5,188,763	10,259,534	15,448,297	797,189
Inventories and prepaid items	182,497	3,318,817	3,501,314	-
Other assets				
Net non-utility plant	-	319,101	319,101	-
Less: Accumulated depreciation on net non-utility plant	-	(24,623)	(24,623)	-
Investment in ATC LLC	-	2,888,175	2,888,175	-
Capital assets				
Land	7,732,263	2,205,087	9,937,350	1,000,000
Buildings and improvements	3,108,828	25,199,019	28,307,847	8,572,222
Improvements other than buildings	1,330,160	120,003,391	121,333,551	-
Machinery and equipment	7,976,480	28,966,987	36,943,467	880,313
Infrastructure	44,084,166	25,886,883	69,971,049	175,361
Construction in progress	1,029,178	1,275,537	2,304,715	-
Less: Accumulated depreciation	(25,001,064)	(64,663,440)	(89,664,504)	(151,098)
<b>TOTAL ASSETS</b>	<b>84,885,916</b>	<b>174,124,596</b>	<b>259,010,512</b>	<b>11,310,152</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	5,485,325	2,922,460	8,407,785	-
<b>LIABILITIES</b>				
Accounts payable	470,958	3,913,642	4,384,600	-
Contracts payable	639,903	-	639,903	-
Accrued liabilities	998,968	508,482	1,507,450	-
Accrued interest payable	150,985	190,274	341,259	33,070
Due to other governments	14,047,031	-	14,047,031	-
Unearned revenues	416,869	2,048,883	2,465,752	-
Noncurrent liabilities				
Due within one year	4,232,688	4,112,492	8,345,180	427,732
Due in more than one year	27,985,271	74,088,708	102,073,979	9,837,836
Net pension liability	962,125	519,066	1,481,191	-
Other post-employment benefits	2,292,063	496,525	2,788,588	-
<b>TOTAL LIABILITIES</b>	<b>52,196,861</b>	<b>85,878,072</b>	<b>138,074,933</b>	<b>10,298,638</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes levied for subsequent year	12,144,723	-	12,144,723	-
Deferred inflows related to pension	2,026,445	1,093,263	3,119,708	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>14,171,168</b>	<b>1,093,263</b>	<b>15,264,431</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	9,601,002	63,262,134	72,863,136	211,230
Restricted				
Debt service	3,878,405	7,832,906	11,711,311	797,189
Unrestricted	10,523,805	18,980,681	29,504,486	3,095
<b>TOTAL NET POSITION</b>	<b>\$ 24,003,212</b>	<b>\$ 90,075,721</b>	<b>\$ 114,078,933</b>	<b>\$ 1,011,514</b>

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

**CITY OF KAUKAUNA, WISCONSIN**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 3,929,121	\$ 233,112	\$ -	\$ -
Public safety	6,078,945	950,918	46,456	13,601
Public works	4,511,002	369,782	905,343	1,375,165
Health and human services	1,150	1,610	-	-
Culture and recreation	3,177,443	346,472	465,886	-
Development	617,849	1,155	3,780	-
Interest on debt	890,767	-	-	-
<b>Total Governmental Activities</b>	<b>19,206,277</b>	<b>1,903,049</b>	<b>1,421,465</b>	<b>1,388,766</b>
<b>Business-type Activities</b>				
Electric	55,129,342	57,549,765	-	187,671
Water	2,627,612	3,742,336	-	436,988
Storm water	619,428	970,802	-	20,903
Sanitary sewer	2,568,112	3,375,559	-	1,544
<b>Total Business-type Activities</b>	<b>60,944,494</b>	<b>65,638,462</b>	<b>-</b>	<b>647,106</b>
<b>Total Primary Government</b>	<b>\$ 80,150,771</b>	<b>\$ 67,541,511</b>	<b>\$ 1,421,465</b>	<b>\$ 2,035,872</b>
<b>Component Unit</b>				
Redevelopment Authority	\$ 505,113	\$ -	\$ -	\$ 135,442

General revenues  
  Property taxes  
  Other taxes  
  State and federal aids not restricted to specific functions  
  Interest and investment earnings  
  Miscellaneous  
  Transfers  
  Total general revenues and transfers

Change in net position

Net position - January 1

Net position - December 31

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

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-type Activities	Total	Redevelopment Authority

\$ (3,696,009)	\$ -	\$ (3,696,009)	\$ -
(5,067,970)	-	(5,067,970)	-
(1,860,712)	-	(1,860,712)	-
460	-	460	-
(2,365,085)	-	(2,365,085)	-
(612,914)	-	(612,914)	-
(890,767)	-	(890,767)	-
<u>(14,492,997)</u>	<u>-</u>	<u>(14,492,997)</u>	<u>-</u>

-	2,608,094	2,608,094	-
-	1,551,712	1,551,712	-
-	372,277	372,277	-
-	808,991	808,991	-
<u>-</u>	<u>5,341,074</u>	<u>5,341,074</u>	<u>-</u>

<u>(14,492,997)</u>	<u>5,341,074</u>	<u>(9,151,923)</u>	<u>-</u>
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-	-	-	<u>(369,671)</u>
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9,302,357	-	9,302,357	-
149,869	-	149,869	-
2,571,740	-	2,571,740	-
111,852	376,367	488,219	10,311
946,891	44,247	991,138	1,600,000
2,551,770	(2,551,770)	-	-
<u>15,634,479</u>	<u>(2,131,156)</u>	<u>13,503,323</u>	<u>1,610,311</u>

1,141,482	3,209,918	4,351,400	1,240,640
<u>22,861,730</u>	<u>86,865,803</u>	<u>109,727,533</u>	<u>(229,126)</u>

<u>\$ 24,003,212</u>	<u>\$ 90,075,721</u>	<u>\$ 114,078,933</u>	<u>\$ 1,011,514</u>
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**CITY OF KAUKAUNA, WISCONSIN**

Balance Sheet  
Governmental Funds  
December 31, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 10,026,933	\$ 119,738	\$ 9,206,394	\$ 19,353,065
Receivables				
Taxes	13,268,131	1,187,318	1,002,189	15,457,638
Accounts (net)	259,168	-	7	259,175
Special assessments	-	-	1,790,362	1,790,362
Loans	-	-	1,970,683	1,970,683
Due from other funds	1,160,659	3,910,015	537,247	5,607,921
Due from other governments	13,498	-	217,075	230,573
Inventories	28,286	-	-	28,286
Prepaid items	154,211	-	-	154,211
Restricted and other assets				
Cash and cash equivalents	3,037,771	962,372	1,188,620	5,188,763
<b>TOTAL ASSETS</b>	<b>\$ 27,948,657</b>	<b>\$ 6,179,443</b>	<b>\$ 15,912,577</b>	<b>\$ 50,040,677</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 161,441	\$ 363	\$ 309,154	\$ 470,958
Contracts payable	-	-	639,903	639,903
Accrued liabilities	996,071	-	2,897	998,968
Due to other funds	29,391	-	5,385,381	5,414,772
Due to other governments	14,047,031	-	-	14,047,031
Unearned revenue	-	-	416,869	416,869
<b>Total Liabilities</b>	<b>15,233,934</b>	<b>363</b>	<b>6,754,204</b>	<b>21,988,501</b>
<b>Deferred Inflows of Resources</b>				
Property taxes	8,180,528	2,149,690	1,814,505	12,144,723
Special assessments	-	-	1,798,731	1,798,731
Loans and developer receivables	-	-	1,970,683	1,970,683
<b>Total Deferred Inflows of Resources</b>	<b>8,180,528</b>	<b>2,149,690</b>	<b>5,583,919</b>	<b>15,914,137</b>
<b>Fund Balance</b>				
<b>Nonspendable</b>				
Inventories and prepaid expenses	182,497	-	-	182,497
<b>Restricted for</b>				
Debt service	-	4,029,390	-	4,029,390
<b>Committed</b>				
Improvements and equipment	-	-	91,369	91,369
<b>Assigned</b>				
Subsequent year's expenditures	400,000	-	8,417,230	8,817,230
<b>Unassigned, reported in</b>				
General fund	3,951,698	-	-	3,951,698
Special revenue funds	-	-	(14,941)	(14,941)
Capital projects funds	-	-	(4,919,204)	(4,919,204)
<b>Total Fund Balance</b>	<b>4,534,195</b>	<b>4,029,390</b>	<b>3,574,454</b>	<b>12,138,039</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 27,948,657</b>	<b>\$ 6,179,443</b>	<b>\$ 15,912,577</b>	<b>\$ 50,040,677</b>

**CITY OF KAUKAUNA, WISCONSIN**  
 Balance Sheet (Continued)  
 Governmental Funds  
 December 31, 2016

Reconciliation to the Statement of Net Position

Total fund balances as shown above		\$ 12,138,039
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		40,260,011
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.		3,769,414
The City's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements.		
Deferred outflows of resources		5,485,325
Net pension liability		(962,125)
Deferred inflows of resources		(2,026,445)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term debt	\$ (31,275,240)	
Premium on outstanding debt	(319,917)	
OPEB liability	(2,292,063)	
Compensated absences	(622,802)	
Accrued interest	(150,985)	(34,661,007)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 14)		<u>\$ 24,003,212</u>

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

**CITY OF KAUKAUNA, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 5,765,877	\$ 2,376,976	\$ 1,479,173	\$ 9,622,026
Special assessments	-	-	1,221,201	1,221,201
Intergovernmental	3,645,341	-	102,347	3,747,688
Licenses and permits	418,580	-	-	418,580
Fines and forfeitures	117,901	-	2,845	120,746
Charges for services	948,257	-	388,960	1,337,217
Interest and return on investments	10,349	-	34,783	45,132
Other	52,622	-	3,007,301	3,059,923
<b>Total Revenues</b>	<b>10,958,927</b>	<b>2,376,976</b>	<b>6,236,610</b>	<b>19,572,513</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	3,394,822	-	-	3,394,822
Public safety	5,336,403	-	6,047	5,342,450
Public works	2,670,335	-	126,580	2,796,915
Health and welfare	1,150	-	-	1,150
Culture and recreation	2,103,386	-	705,224	2,808,610
Conservation and development	-	-	162,845	162,845
Nondepartmental	331,953	-	-	331,953
<b>Capital outlay</b>				
General government	-	-	1,280,005	1,280,005
Public safety	-	-	211,689	211,689
Public works	-	-	1,362,610	1,362,610
Culture and recreation	-	-	217,090	217,090
Conservation and development	-	-	577,273	577,273
<b>Debt service</b>				
Principal retirement	-	2,661,853	-	2,661,853
Interest and fiscal charges	-	1,033,452	-	1,033,452
Bond issuance costs	-	-	53,637	53,637
<b>Total Expenditures</b>	<b>13,838,049</b>	<b>3,695,305</b>	<b>4,703,000</b>	<b>22,236,354</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,879,122)</b>	<b>(1,318,329)</b>	<b>1,533,610</b>	<b>(2,663,841)</b>
<b>Other Financing Sources (Uses)</b>				
General obligation notes issued	-	-	1,525,000	1,525,000
Premium on debt issued	-	-	53,637	53,637
Transfers in	2,738,496	2,016,642	518,439	5,273,577
Transfers out	(425,000)	-	(2,296,807)	(2,721,807)
<b>Total Other Financing Sources (Uses)</b>	<b>2,313,496</b>	<b>2,016,642</b>	<b>(199,731)</b>	<b>4,130,407</b>
<b>Net Change in Fund Balances</b>	<b>(565,626)</b>	<b>698,313</b>	<b>1,333,879</b>	<b>1,466,566</b>
<b>Fund Balances - January 1</b>	<b>5,099,821</b>	<b>3,331,077</b>	<b>2,240,575</b>	<b>10,671,473</b>
<b>Fund Balances - December 31</b>	<b>\$ 4,534,195</b>	<b>\$ 4,029,390</b>	<b>\$ 3,574,454</b>	<b>\$ 12,138,039</b>

(Continued)

**CITY OF KAUKAUNA, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
General Fund  
For the Year Ended December 31, 2016

Reconciliation to the Statement of Activities

Net change in fund balance from previous page \$ 1,466,566

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 2,786,089	
Depreciation expense	<u>(1,811,542)</u>	974,547

Governmental funds report the gross proceeds on sales of capital assets as other financing sources. However, in the statement of activities only the gain is reported.

(1,768,068)

Change in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employee contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.

(570,440)

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

117,111

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

Long-term debt issued	\$ (1,525,000)	
Principal paid on long term debt	2,661,853	
Interest accrued on long term debt	108,964	
Premium on debt issuance	<u>33,721</u>	1,279,538

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

Compensated absences	\$ (72,881)	
Unfunded pension liability	17,000	
Other post-employment benefits	<u>(301,891)</u>	<u>(357,772)</u>

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 14 and 15)

\$ 1,141,482

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

**CITY OF KAUKAUNA, WISCONSIN**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 5,774,597	\$ 5,774,597	\$ 5,765,877	\$ (8,720)
Intergovernmental	3,561,355	3,561,355	3,645,341	83,986
Licenses and permits	281,000	281,000	418,580	137,580
Fines and forfeitures	127,000	127,000	117,901	(9,099)
Charges for services	772,580	872,580	948,257	75,677
Interest	15,000	15,000	10,349	(4,651)
Other	-	-	52,622	52,622
<b>Total Revenues</b>	<b>10,531,532</b>	<b>10,631,532</b>	<b>10,958,927</b>	<b>327,395</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,784,286	1,784,286	3,394,822	(1,610,536)
Public safety	5,452,328	5,452,328	5,336,403	115,925
Public works	2,713,288	2,713,288	2,670,335	42,953
Health and welfare	2,000	2,000	1,150	850
Culture and recreation	2,162,243	2,162,243	2,103,386	58,857
Nondepartmental	776,643	776,643	331,953	444,690
<b>Total Expenditures</b>	<b>12,890,788</b>	<b>12,890,788</b>	<b>13,838,049</b>	<b>(947,261)</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(2,359,256)</b>	<b>(2,259,256)</b>	<b>(2,879,122)</b>	<b>(619,866)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,894,256	1,894,256	2,738,496	844,240
Transfers out	-	(425,000)	(425,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,894,256</b>	<b>1,469,256</b>	<b>2,313,496</b>	<b>844,240</b>
<b>Net Change in Fund Balance</b>	<b>(465,000)</b>	<b>(790,000)</b>	<b>(565,626)</b>	<b>224,374</b>
<b>Fund Balance - January 1</b>	<b>5,099,821</b>	<b>5,099,821</b>	<b>5,099,821</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,634,821</b>	<b>\$ 4,309,821</b>	<b>\$ 4,534,195</b>	<b>\$ 224,374</b>

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



**CITY OF KAUKAUNA, WISCONSIN**  
Statement of Net Position  
Proprietary Funds  
December 31, 2016

	Electric Utility	Water Utility	Storm Water Utility	Sanitary Sewer Utility	Total
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$ 9,995,689	\$ 1,578,736	\$ -	\$ 2,023,983	\$ 13,598,408
Accounts receivable (net)	4,348,829	707,974	4,115	23,951	5,084,869
Due from other funds	76,707	88,945	531,898	646,206	1,343,756
Materials and supplies inventory	1,784,051	117,505	-	-	1,901,556
Prepaid items	1,403,053	14,208	-	-	1,417,261
<b>Total Current Assets</b>	<b>17,608,329</b>	<b>2,507,368</b>	<b>536,013</b>	<b>2,694,140</b>	<b>23,345,850</b>
Restricted and Other Assets					
Restricted cash and investments	998,992	59,608	1,211,233	1,622,414	3,892,247
U.S. Government agency securities	5,833,576	533,711	-	-	6,367,287
<b>Total Restricted and Other Assets</b>	<b>6,832,568</b>	<b>593,319</b>	<b>1,211,233</b>	<b>1,622,414</b>	<b>10,259,534</b>
Capital Assets					
Utility plant in service	146,619,936	29,597,293	8,313,415	17,730,723	202,261,367
Construction in progress	1,156,335	119,202	-	-	1,275,537
Less: Accumulated depreciation	(53,165,544)	(7,588,410)	(1,183,027)	(2,726,459)	(64,663,440)
<b>Total Capital Assets</b>	<b>94,610,727</b>	<b>22,128,085</b>	<b>7,130,388</b>	<b>15,004,264</b>	<b>138,873,464</b>
Other Assets					
Net non-utility plant	319,101	-	-	-	319,101
Less: Accumulated depreciation on net non-utility plant	(24,623)	-	-	-	(24,623)
Investment in ATC LLC	2,888,175	-	-	-	2,888,175
<b>Total Other Assets</b>	<b>3,182,653</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,182,653</b>
<b>TOTAL ASSETS</b>	<b>122,234,277</b>	<b>25,228,772</b>	<b>8,877,634</b>	<b>19,320,818</b>	<b>175,661,501</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pension	2,216,085	554,019	102,009	50,347	2,922,460
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	3,653,899	43,630	4,222	211,891	3,913,642
Accrued liabilities	413,764	89,914	2,317	2,487	508,482
Accrued interest	125,421	5,815	23,538	35,500	190,274
Customer advances and deposits	601,189	-	-	-	601,189
Unearned revenues	1,363,867	33,013	7,450	43,364	1,447,694
Due to other funds	126,835	1,245,640	164,430	-	1,536,905
Noncurrent liabilities					
Due within one year	2,553,426	450,000	487,116	621,950	4,112,492
Due in more than one year	63,157,660	2,400,000	4,036,408	4,494,640	74,088,708
Net pension liability	394,360	98,590	17,401	8,715	519,066
Other post-employment benefits	397,220	99,305	-	-	496,525
<b>TOTAL LIABILITIES</b>	<b>72,787,641</b>	<b>4,465,907</b>	<b>4,742,882</b>	<b>5,418,547</b>	<b>87,414,977</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pension	830,607	207,651	36,650	18,355	1,093,263
<b>NET POSITION</b>					
Net investment in capital assets	29,194,119	19,278,085	3,692,097	11,097,833	63,262,134
Restricted					
Debt service	6,707,147	587,504	126,000	412,255	7,832,906
Unrestricted	14,930,848	1,243,644	382,014	2,424,175	18,980,681
<b>TOTAL NET POSITION</b>	<b>\$ 50,832,114</b>	<b>\$ 21,109,233</b>	<b>\$ 4,200,111</b>	<b>\$ 13,934,263</b>	<b>\$ 90,075,721</b>

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

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

	Electric Utility	Water Utility	Storm Water Utility	Sanitary Sewer Utility	Total
<b>Operating Revenues</b>					
Charges for services	\$ 57,224,350	\$ 3,650,007	\$ 970,802	\$ 3,375,559	\$ 65,220,718
Rents	243,588	-	-	-	243,588
Forfeited discounts	66,838	19,342	-	-	86,180
Other	14,989	72,987	-	-	87,976
<b>Total Operating Revenues</b>	<b>57,549,765</b>	<b>3,742,336</b>	<b>970,802</b>	<b>3,375,559</b>	<b>65,638,462</b>
<b>Operating Expenses</b>					
Operation and maintenance	46,704,994	1,950,418	309,752	2,104,735	51,069,899
Depreciation	4,506,827	529,679	128,780	243,393	5,408,679
Taxes	1,521,477	63,868	10,344	-	1,595,689
<b>Total Operating Expenses</b>	<b>52,733,298</b>	<b>2,543,965</b>	<b>448,876</b>	<b>2,348,128</b>	<b>58,074,267</b>
<b>Operating Income</b>	<b>4,816,467</b>	<b>1,198,371</b>	<b>521,926</b>	<b>1,027,431</b>	<b>7,564,195</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest and dividend income	356,880	15,855	-	3,632	376,367
Merchandising and jobbing	44,247	-	-	-	44,247
Interest and fiscal charges	(2,370,744)	(83,647)	(170,552)	(219,984)	(2,844,927)
Miscellaneous expenses	(53,726)	-	-	-	(53,726)
Amortization of debt premium	28,426	-	-	-	28,426
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,994,917)</b>	<b>(67,792)</b>	<b>(170,552)</b>	<b>(216,352)</b>	<b>(2,449,613)</b>
<b>Net Income before Contributions and Transfers</b>	<b>2,821,550</b>	<b>1,130,579</b>	<b>351,374</b>	<b>811,079</b>	<b>5,114,582</b>
Customer contributions	187,671	436,988	20,903	1,544	647,106
Transfers out	(1,862,079)	(479,191)	(91,000)	(119,500)	(2,551,770)
<b>Change in Net Position</b>	<b>1,147,142</b>	<b>1,088,376</b>	<b>281,277</b>	<b>693,123</b>	<b>3,209,918</b>
<b>Net Position - January 1</b>	<b>49,684,972</b>	<b>20,020,857</b>	<b>3,918,834</b>	<b>13,241,140</b>	<b>86,865,803</b>
<b>Net Position - December 31</b>	<b>\$ 50,832,114</b>	<b>\$ 21,109,233</b>	<b>\$ 4,200,111</b>	<b>\$ 13,934,263</b>	<b>\$ 90,075,721</b>

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

**CITY OF KAUKAUNA, WISCONSIN**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016

	Electric Utility	Water Utility	Storm Water Utility	Sanitary Sewer Utility	Total
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 58,711,591	\$ 3,828,816	\$ 970,637	\$ 3,355,349	\$ 66,866,393
Cash paid to suppliers	(44,005,523)	(1,089,712)	(444,856)	(2,136,422)	(47,676,513)
Cash paid to employees	(3,294,750)	(790,609)	(143,978)	(63,496)	(4,292,833)
<b>Net Cash Provided by Operating Activities</b>	<b>11,411,318</b>	<b>1,948,495</b>	<b>381,803</b>	<b>1,155,431</b>	<b>14,897,047</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers from other funds	-	-	47,831	(266,462)	(218,631)
Transfers to General Fund	(1,862,079)	(479,191)	(91,000)	(119,500)	(2,551,770)
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>(1,862,079)</b>	<b>(479,191)</b>	<b>(43,169)</b>	<b>(385,962)</b>	<b>(2,770,401)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of capital assets	(3,570,519)	(803,853)	(706,196)	(1,010,363)	(6,090,931)
Salvage value received on retirement of capital assets	24,720	1,350	-	-	26,070
Cost of removal of capital assets	(112,754)	(8,766)	-	-	(121,520)
Principal paid on long-term debt	(2,425,000)	(425,000)	(370,779)	(507,368)	(3,728,147)
Interest paid on long-term debt	(3,096,419)	(84,908)	(173,605)	(220,528)	(3,575,460)
Interest subsidy received from Internal Revenue Service	722,077	-	-	-	722,077
Long-term debt issued	-	-	1,350,000	1,225,000	2,575,000
Customer contributions	-	-	20,903	1,544	22,447
Premium on long-term debt	-	-	58,795	56,558	115,353
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(8,457,895)</b>	<b>(1,321,177)</b>	<b>179,118</b>	<b>(455,157)</b>	<b>(10,055,111)</b>
<b>Cash flows from investing activities</b>					
Income on investments	356,880	15,855	-	3,632	376,367
Investment in ATC LLC	(200,921)	-	-	-	(200,921)
<b>Net Cash Provided by Investing Activities</b>	<b>155,959</b>	<b>15,855</b>	<b>-</b>	<b>3,632</b>	<b>175,446</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,247,303</b>	<b>163,982</b>	<b>517,752</b>	<b>317,944</b>	<b>2,246,981</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>15,580,954</b>	<b>2,008,073</b>	<b>693,481</b>	<b>3,328,453</b>	<b>21,610,961</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 16,828,257</b>	<b>\$ 2,172,055</b>	<b>\$ 1,211,233</b>	<b>\$ 3,646,397</b>	<b>\$ 23,857,942</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Operating income	\$ 4,816,467	\$ 1,198,371	\$ 521,926	\$ 1,027,431	\$ 7,564,195
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation (operating and other)	4,655,474	584,029	128,780	243,393	5,611,676
Merchandising and jobbing	44,247	-	-	-	44,247
Miscellaneous	(53,726)	-	-	-	(53,726)
Changes in related pension liability, deferred outflows and deferred inflows	210,944	52,737	12,486	8,743	284,910
Changes in certain assets and liabilities:					
Accounts receivable, net of allowance	82,304	(22,184)	135	183	60,438
Due from other funds	(56,003)	87,327	(380,947)	(19,749)	(369,372)
Materials and supplies inventory	3,214	1,063	-	-	4,277
Prepaid items	46,718	719	-	-	47,437
Accounts payable	495,212	(25,518)	(6,745)	17,258	480,207
Accrued liabilities	33,635	(5,118)	682	142	29,341
Customer deposits and advances	39,729	-	-	-	39,729
Other post-employment benefits	52,366	13,092	-	-	65,458
Due to other funds	(10,812)	42,640	105,786	(121,326)	16,288
Unearned revenues	1,051,549	21,337	(300)	(644)	1,071,942
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 11,411,318</b>	<b>\$ 1,948,495</b>	<b>\$ 381,803</b>	<b>\$ 1,155,431</b>	<b>\$ 14,897,047</b>

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

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

The City of Kaukauna is a municipal corporation governed by an elected eight member council. Included in the City's operations (the primary government) are the City's Electric and Water Utilities, managed by a separate commission appointed by the City Council. In accordance with GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has identified the following component unit that is required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

Discretely presented component unit:

The component unit columns in the basic financial statements include the financial data of the City's component unit, the Redevelopment Authority of the City of Kaukauna. It is reported in a separate column to emphasize that it is legally separate from the City. The Redevelopment Authority's fiscal year end is December 31. The Redevelopment Authority does not issue separate financial statements.

2. Related Organization

City officials are responsible for appointing the board members of the Housing Authority of the City of Kaukauna, but the City's accountability for this organization does not extend beyond making the appointments. The City is not financially accountable for the Housing Authority as defined by standards in GASB Statement No. 61. Therefore this organization is not included in the City's reporting entity. Additional information on the Housing Authority follows:

The Housing Authority was established by the City to administer the low and moderate income housing program funded by federal grants and rental income. Although board members of the Housing Authority are appointed by the City Council, there is no financial interdependency with the City of Kaukauna nor does the City have any significant influence over Housing Authority operations. The City does not provide funding for the Housing Authority. Additionally, the City does not hold title to any of the Housing Authority assets, nor does it have any right to the Housing Authority's surpluses. The City has no legal obligation to fund Housing Authority programs should grant funding no longer be available.

3. Government-Wide and Fund Financial Statements

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

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

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The City has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**GENERAL FUND**

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

**DEBT SERVICE FUND**

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

**ELECTRIC UTILITY**

This fund accounts for the provision of electric service to City residents, businesses, public authorities and the communities of Little Chute and Combined Locks, Wisconsin.

**WATER UTILITY**

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

**STORM WATER UTILITY**

This fund accounts for the provision of storm water management to City residents, businesses and public authorities.

**SANITARY SEWER UTILITY**

This fund accounts for the provision of wastewater collection to City residents, businesses and public authorities.

**4. Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable have been shown net of allowance for uncollectible accounts of \$245,989.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

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

d. Inventories

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

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

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

e. Prepaid Items

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

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

f. Capital Assets

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

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

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

<u>Assets</u>	Governmental Activities	Business-type Activities
	Years	
Buildings	20 - 40	25 - 50
Improvements other than buildings	10 - 20	25 - 100
Machinery and equipment	3 - 20	3 - 10
Infrastructure	18 - 70	70

g. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

h. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. The City also has additional types of items, which arise only under a modified accrual basis of accounting, which qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, special assessments and loans and developer receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

i. Long-term Obligations

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

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

j. Pensions

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

k. Fund Equity

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.



**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Assigned fund balance - Amounts that are constrained for specific purposes by action of City management. The City Council has authorized the Finance Director to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The City has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS**

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

**6. Use of Estimates**

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**7. Reclassifications**

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

**NOTE B - STEWARDSHIP AND COMPLIANCE**

**1. Budgets and Budgetary Accounting**

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

- a. During November, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.

**CITY OF KAUKAUNA, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2016**

**NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)**

- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, certain special revenue, debt service funds and certain capital projects funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund, certain special revenue funds, debt service funds and certain capital projects funds.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.
- e. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2016.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2016:

Fund	Deficit Fund Equity
Special Revenue Funds	
Library Foundation	\$ 14,941
Capital Projects Funds	
Industrial Park	434,621
Tax Incremental District #4	176,765
Tax Incremental District #5	3,050,198
Tax Incremental District #6	6,094
Tax Incremental District #9	11,300
Environmental Remediation TID	930,668
2012 Projects	220
2015 Projects	309,338

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

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

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

1. Cash and Investments

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

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

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

The carrying amount of the City's cash and investments totaled \$48,399,770 on December 31, 2016 as summarized below:

Petty cash and cash on hand	\$ 1,767
Deposits with financial institutions	20,295,268
Beneficial interest in assets held by Community Foundation of the Fox Valley	18,791
Investments	<u>28,083,944</u>
	<u>\$ 48,399,770</u>

Government-wide Statement of Net Position

Cash and investments	\$ 32,951,473
Restricted cash and investments	<u>15,448,297</u>
	<u>\$ 48,399,770</u>

Fair Value Measurements

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
US Agencies	\$ -	\$ 2,274,655	\$ -
Corporate Bonds	-	1,555,639	-
Mutual Bond Funds	-	283,249	-
Negotiable certificates of deposit	-	2,732,083	-
Beneficial interest in assets held by Community Foundation of the Fox Valley	-	-	18,791
Total investments by fair value level	<u>\$ -</u>	<u>\$ 6,845,626</u>	<u>\$ 18,791</u>

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

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Custodial Credit Risk

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

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

As of December 31, 2016, \$11,974,695 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

On December 31, 2016, the City held repurchase agreement investments of \$10,099,739 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

Credit Risk

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

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Money market mutual funds	\$ 152,043	\$ -	\$ -	\$ -	\$ 152,043
Mutual funds	283,249	-	-	-	283,249
Federal National Mortgage	1,099,787	-	-	1,099,787	-
Federal Home Loan Bank	524,733	-	-	524,733	-
Federal Home Loan Mortgage	575,617	-	-	575,617	-
Federal Farm Credit Bank	74,518	-	-	74,518	-
Corporate Bonds	1,555,639	-	-	1,555,639	-
Wisconsin local government investment pool	13,718,619	-	-	-	13,718,619
Beneficial interest in assets held by Community Foundation of the Fox Valley	18,791	-	-	-	18,791
<b>Totals</b>	<b>\$ 18,002,996</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,830,294</b>	<b>\$ 14,172,702</b>

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Money market mutual funds	\$ 152,043	\$ 152,043	\$ -	\$ -	\$ -
Mutual funds	283,249	283,249	-	-	-
Federal National Mortgage	1,099,787	350,307	499,105	250,375	-
Federal Home Loan Bank	524,733	250,323	274,410	-	-
Federal Home Loan Mortgage	575,617	475,786	99,831	-	-
Federal Farm Credit Bank	74,518	-	74,518	-	-
Corporate Bonds	1,555,639	1,353,416	-	202,223	-
Repurchase agreements	10,099,739	10,099,739	-	-	-
Negotiable certificates of deposit	2,732,083	1,716,244	1,015,839	-	-
Wisconsin local government investment pool	13,718,619	13,718,619	-	-	-
Beneficial interest in assets held by Community Foundation of the Fox Valley	18,791	18,791	-	-	-
<b>Totals</b>	<b>\$ 30,834,818</b>	<b>\$ 28,418,517</b>	<b>\$ 1,963,703</b>	<b>\$ 452,598</b>	<b>\$ -</b>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Fair Value at Year End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	<u>\$ 2,274,655</u>

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$13,718,619 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Component Unit Cash and Investments

At year end, the carrying amount of the Redevelopment Authority's cash and investments was \$833,354, which included \$797,189 for bond reserve restricted cash. These amounts are not included in the totals presented above.

2. Property Taxes

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

The City bills and collects its own property taxes and also levies and collects taxes for the Kaukauna School District, Outagamie County, Fox Valley Technical College and the State of Wisconsin.

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

**3. Restricted Assets**

Restricted assets on December 31, 2016 totaled \$15,448,297 held for the following purposes:

General Fund	
Advance tax collections	\$ 2,674,112
HRA account	363,659
Total General Fund	<u>3,037,771</u>
Special Revenue Fund	
Thousand Islands Environmental Center	416,869
Subdivision fees	1,970
Total Special Revenue	<u>418,839</u>
Debt Service	
	<u>962,372</u>
Capital Projects	
Park development	6,715
Special assessments	196,292
Space needs	61,878
Tax Incremental District #4	8,312
Tax Incremental District #5	7,978
Tax Incremental District #6	376,249
Tax Incremental District #7	3,721
Tax Incremental District #8	87,454
Environmental Remediation TID	21,182
Total Capital Projects	<u>769,781</u>
Total Governmental Activities	<u>5,188,763</u>
Enterprise Funds	
Electric Utility	
Debt service	684,057
Debt reserve	5,701,234
HRA/FSA cash	447,277
Total Electric Utility	<u>6,832,568</u>
Water Utility	
Debt service	59,608
Debt reserve	533,711
Total Water Utility	<u>593,319</u>
Storm Water Utility	
Capital improvements	1,085,233
Debt reserve	126,000
Total Storm Water Utility	<u>1,211,233</u>
Sanitary Sewer Utility	
Capital improvements	1,210,159
Debt reserve	397,312
Debt service	14,943
Sanitary Sewer Utility	<u>1,622,414</u>
Total Business-type Activities	<u>10,259,534</u>
Total Restricted Assets	<u><u>\$ 15,448,297</u></u>

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,492,477	\$ -	\$ 1,760,214	\$ 7,732,263
Improvements other than buildings	-	1,330,160	-	1,330,160
Construction in progress	-	1,029,178	-	1,029,178
Subtotals	<u>9,492,477</u>	<u>2,359,338</u>	<u>1,760,214</u>	<u>10,091,601</u>
Capital assets, being depreciated:				
Buildings and improvements	4,302,002	-	1,193,174	3,108,828
Improvements other than buildings	1,330,160	-	1,330,160	-
Machinery and equipment	7,257,393	886,987	167,900	7,976,480
Infrastructure	43,214,242	869,924	-	44,084,166
Subtotals	<u>56,103,797</u>	<u>1,756,911</u>	<u>2,691,234</u>	<u>55,169,474</u>
Less accumulated depreciation	<u>24,542,742</u>	<u>1,811,542</u>	<u>1,353,220</u>	<u>25,001,064</u>
Total capital assets, being depreciated, net	<u>31,561,055</u>	<u>(54,631)</u>	<u>1,338,014</u>	<u>30,168,410</u>
Governmental activities capital assets, net	<u>\$ 41,053,532</u>	<u>\$ 2,304,707</u>	<u>\$ 3,098,228</u>	<u>40,260,011</u>
Less related long-term debt outstanding				<u>30,659,009</u>
Net investment in capital assets				<u>\$ 9,601,002</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,197,823	\$ 7,267	\$ -	\$ 2,205,090
Land - non-utility property	67,303	-	-	67,303
Construction in progress	1,833,057	919,451	1,476,971	1,275,537
Total capital assets, not being depreciated	<u>4,098,183</u>	<u>926,718</u>	<u>1,476,971</u>	<u>3,547,930</u>
Capital assets, being depreciated:				
Buildings	24,901,954	297,067	-	25,199,021
Buildings - non-utility property	251,798	-	-	251,798
Improvements other than buildings	115,866,410	4,502,755	365,779	120,003,386
Machinery and equipment	28,154,605	854,028	41,646	28,966,987
Infrastructure	23,658,511	2,228,372	-	25,886,883
Subtotals	<u>192,833,278</u>	<u>7,882,222</u>	<u>407,425</u>	<u>200,308,075</u>
Less:				
Accumulated depreciation - utility plant	59,561,521	5,630,864	528,945	64,663,440
Accumulated depreciation - non-utility property	17,741	6,882	-	24,623
Subtotals	<u>59,579,262</u>	<u>5,637,746</u>	<u>528,945</u>	<u>64,688,063</u>
Total capital assets, being depreciated, net	<u>133,254,016</u>	<u>2,244,476</u>	<u>(121,520)</u>	<u>135,620,012</u>
Business-type activities capital assets, net	<u>\$ 137,352,199</u>	<u>\$ 3,171,194</u>	<u>\$ 1,355,451</u>	<u>139,167,942</u>
Less related long-term debt outstanding				<u>75,905,808</u>
Net investment in capital assets				<u>\$ 63,262,134</u>



**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

<b>Governmental activities</b>	
General government	\$ 1,428
Public safety	137,246
Public works	1,571,264
Culture and recreation	101,604
Total depreciation expense - governmental activities	<u>\$ 1,811,542</u>
<b>Business-type activities</b>	
Electric utility	\$ 4,506,827
Water utility	529,679
Storm water utility	128,780
Sanitary sewer utility	243,393
Depreciation expense charged operating accounts	202,997
Salvage and cost of removal	26,070
Total depreciation expense - business-type activities	<u>\$ 5,637,746</u>

Component unit capital asset activity is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Component Unit:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,300,000	\$ -	\$ 300,000	\$ 1,000,000
Construction in progress	5,742,547	-	5,742,547	-
Total capital assets, not being depreciated	<u>7,042,547</u>	-	<u>6,042,547</u>	<u>1,000,000</u>
Capital assets, being depreciated:				
Buildings	-	8,572,222	-	8,572,222
Machinery and equipment	-	880,313	-	880,313
Infrastructure	-	175,361	-	175,361
Subtotals	-	<u>9,627,896</u>	-	<u>9,627,896</u>
Less accumulated depreciation				
Buildings	-	109,405	-	109,405
Machinery and equipment	-	39,188	-	39,188
Infrastructure	-	2,505	-	2,505
Subtotals	-	<u>151,098</u>	-	<u>151,098</u>
Total capital assets, being depreciated, net	-	<u>9,476,798</u>	-	<u>9,476,798</u>
Component unit capital assets, net	<u>\$ 7,042,547</u>	<u>\$ 9,476,798</u>	<u>\$ 6,042,547</u>	<u>10,476,798</u>
Less related long-term debt outstanding				<u>10,265,568</u>
Net investment in capital assets				<u>\$ 211,230</u>

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

5. **Interfund Receivable, Payables, and Transfers**

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2016 are detailed below:

	Interfund Receivables	Interfund Payables
<b>Operating Accounts Between Funds</b>		
General Fund	\$ 1,160,659	\$ 29,391
Debt Service	3,910,015	-
<b>Nonmajor Governmental Funds</b>		
Industrial Park	240,000	674,535
Special Assessments	-	2,037
Space Needs	-	76,707
Environmental Remediation TID	-	930,719
Tax Incremental District #4	-	196,191
Tax Incremental District #5	-	3,103,613
Tax Incremental District #6	-	6,094
Tax Incremental District #8	-	301,392
Tax Incremental District #9	-	11,300
Solid Waste	57,943	-
2015 Projects	-	35,407
2016 Projects	239,304	-
Library Foundation	-	47,386
<b>Enterprise Funds</b>		
Electric Utility	76,707	126,835
Water Utility	88,945	1,245,640
Storm Water Utility	531,898	164,430
Sanitary Sewer Utility	646,206	-
<b>Totals</b>	<b>\$ 6,951,677</b>	<b>\$ 6,951,677</b>

The outstanding balances between funds result mainly from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

Interfund transfers for the year ended December 31, 2016 were as follows:

	Transfer to:			Totals
	General Fund	Debt Service	Other Governmental Funds	
<b>Transfers from:</b>				
General fund	\$ -	\$ -	\$ 425,000	\$ 425,000
Nonmajor governmental funds	186,726	2,016,642	93,439	2,296,807
Electric utility enterprise fund	1,862,079	-	-	1,862,079
Water utility enterprise fund	479,191	-	-	479,191
Storm water utility enterprise fund	91,000	-	-	91,000
Sanitary sewer enterprise fund	119,500	-	-	119,500
<b>Totals</b>	<b>\$ 2,738,496</b>	<b>\$ 2,016,642</b>	<b>\$ 518,439</b>	<b>\$ 5,273,577</b>

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2016:

	Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Notes	\$14,696,318	\$ 1,525,000	\$ 1,748,826	\$14,472,492	\$ 2,904,415
Bonds	17,715,775	-	913,027	16,802,748	1,234,210
Total General Obligation Debt	32,412,093	1,525,000	2,661,853	31,275,240	4,138,625
Premium on outstanding debt	353,638	53,637	87,358	319,917	94,063
Unfunded pension liability -					
Private pension plan	17,000	-	17,000	-	-
Compensated absences	549,921	72,881	-	622,802	-
Governmental activities					
Long-term obligations	<u>\$33,332,652</u>	<u>\$ 1,651,518</u>	<u>\$ 2,766,211</u>	<u>\$32,217,959</u>	<u>\$ 4,232,688</u>
<b>Business-type activities:</b>					
General Obligation Debt					
Notes	\$ 3,033,682	\$ -	\$ 366,174	\$ 2,667,508	\$ 285,585
Bonds	1,819,225	-	361,973	1,457,252	490,790
Total General Obligation Debt	4,852,907	-	728,147	4,124,760	776,375
Revenue bonds	74,040,000	2,575,000	3,000,000	73,615,000	3,300,000
Premium on outstanding debt	374,513	115,353	28,426	461,440	36,117
Business-type activities					
Long-term obligations	<u>\$79,267,420</u>	<u>\$ 2,690,353</u>	<u>\$ 3,756,573</u>	<u>\$78,201,200</u>	<u>\$ 4,112,492</u>

Total interest paid during the year on long-term debt totaled \$4,536,601.

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

**Bonds**

\$6,575,000 issued 11/4/10; \$100,000 to \$950,000 due annually through 2026; interest 3.75% to 4.70%	\$ 6,300,000
\$3,950,000 issued 11/4/10; \$75,000 to \$650,000 due annually through 2026; interest 2.25% to 4.00%	3,800,000
\$5,900,000 issued 12/3/13; \$450,000 to \$1,625,000 due annually through 2020; interest 3.00% to 4.00%	4,600,000
\$2,435,000 issued 3/17/15; \$175,000 to \$475,000 due annually through 2025; interest 2.00% to 3.00%	1,960,000
\$1,650,000 issued 9/1/15; \$50,000 to \$325,000 due annually through 2027; interest 2.00% to 4.00%	1,600,000
<b>Total Bonds</b>	<u><u>18,260,000</u></u>

**Notes**

\$3,000,000 issued 9/1/08; \$650,000 due in 2017 and \$725,000 due in 2018; interest 3.70% to 3.85%	1,375,000
\$1,350,000 issued 9/1/10; \$150,000 to \$225,000 due annually through 2020; interest 2.00% to 2.55%	775,000
\$2,775,000 issued 10/4/11; \$75,000 to \$800,000 due annually through 2021; interest 2.00% to 3.00%	2,500,000
\$2,800,000 issued 8/1/12; \$75,000 to \$800,000 due annually through 2022; interest 2.00% to 3.00%	2,600,000
\$1,125,000 issued 9/4/13; \$50,000 to \$225,000 due annually through 2023; interest 2.00% to 4.00%	975,000
\$875,000 issued 5/20/14; \$25,000 to \$50,000 due annually through 2024; interest 2.00% to 3.00%	300,000
\$1,000,000 issued 9/2/14; \$75,000 to \$150,000 due annually through 2024; interest 2.00% to 4.00%	900,000
\$1,300,000 issued 9/2/14; \$50,000 to \$350,000 due annually through 2024; interest 1.50% to 3.00%	1,250,000
\$3,550,000 issued 9/1/15; \$175,000 to \$640,000 due annually through 2025; interest 2.00% to 3.00%	3,375,000
\$1,565,000 issued 9/1/15; \$1,565,000 due in 2017; interest 2.00%	1,565,000
\$1,525,000 issued 11/1/16; \$100,000 to \$300,000 due annually through 2024; interest 2.00% to 3.00%	1,525,000
<b>Total Notes</b>	<u><u>17,140,000</u></u>

<b>Total Outstanding General Obligation Debt</b>	<u><u>\$ 35,400,000</u></u>
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**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the outstanding general obligation debt of \$35,400,000 on December 31, 2016 are detailed below:

Year Ended December 31,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 4,138,625	\$ 986,746	\$ 776,375	\$ 133,129	\$ 4,915,000	\$ 1,119,875
2018	3,458,008	847,695	776,993	104,893	4,235,001	952,588
2019	3,437,835	744,426	697,165	77,287	4,135,000	821,713
2020	3,388,120	662,310	551,880	53,328	3,940,000	715,638
2021	3,348,130	566,888	421,870	36,780	3,770,000	603,668
2022-2026	13,179,522	1,334,632	900,477	55,387	14,079,999	1,390,019
2027-2028	325,000	4,875	-	-	325,000	4,875
	<u>\$ 31,275,240</u>	<u>\$ 5,147,572</u>	<u>\$ 4,124,760</u>	<u>\$ 460,804</u>	<u>\$ 35,400,000</u>	<u>\$ 5,608,376</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2016 was \$17,991,935 as follows:

Equalized valuation of the City	\$ 987,250,900
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	49,362,545
Total outstanding general obligation debt applicable to debt limitation	\$ 35,400,000
Less: Amounts available for financing general obligation debt	
Debt service fund	4,029,390
Net outstanding general obligation debt applicable to debt limitation	31,370,610
Legal Margin for New Debt	\$ 17,991,935

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Revenue Bonds

Revenue bond debt service requirements are financed from operations of the enterprise funds. Revenue bonds outstanding on December 31, 2016 totaled \$73,615,000 and were composed of the following issues:

Electric Utility

\$5,650,000 issued 11/15/06; \$125,000 to \$600,000 due annually through 2026; interest 4.0%	\$ 4,650,000
\$9,000,000 issued 06/01/08; \$325,000 to \$775,000 due annually through 2028; interest 4.25% to 5.25%	7,125,000
\$3,925,000 issued 6/01/09; \$450,000 due in 2017 and \$475,000 due in 2018; interest 4.5%	925,000
\$18,225,000 issued 2/1/12; \$3,300,000 to \$4,000,000 due annually 2031 through 2035; interest 5.0%	18,225,000
\$1,300,000 issued 2/1/12; \$125,000 to \$150,000 due annually through 2022; interest 2.75% to 3.625%	775,000
\$25,350,000 issued 2/1/12; \$600,000 to \$3,900,000 due annually through 2030; interest 5.0%	22,375,000
\$9,415,000 issued 6/2/15; \$500,000 to \$800,000 due annually through 2030; interest 2.0% to 3.0%	8,025,000
\$3,365,000 issued 12/15/15; \$100,000 to \$490,000 due annually through 2025; interest 2.0% to 4.0%	3,265,000
<b>Total Electric Utility Revenue Bonds</b>	<u><u>65,365,000</u></u>

Water Utility

\$1,000,000 issued 6/1/05; \$200,000 due in 2017; interest 4.50%	200,000
\$1,275,000 issued 5/1/12; \$200,000 due in 2017; interest 3.0%	200,000
\$2,500,000 issued 8/29/14; \$50,000 to \$425,000 due annually through 2023; interest 2.0% to 2.65%	2,450,000
<b>Total Water Utility Revenue Bonds</b>	<u><u>2,850,000</u></u>

Storm Water

\$1,350,000 issued 11/1/16; \$75,000 to \$100,000 due annually through 2031; interest 2.0% to 3.25%	<u>1,350,000</u>
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Sanitary Sewer

\$1,950,000 issued 9/4/13; \$125,000 to \$175,000 due annually through 2028; interest 3.0% to 5.0%	1,650,000
\$1,225,000 issued 9/1/15; \$75,000 to \$100,000 due annually through 2030; interest 3.0% to 4.0%	1,175,000
\$1,225,000 issued 11/1/16; \$50,000 to \$100,000 due annually through 2031; interest 2.0% to 3.25%	1,225,000
	<u><u>4,050,000</u></u>

<b>Total Revenue Bonds</b>	<u><u>\$ 73,615,000</u></u>
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**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the outstanding revenue bonds of \$73,615,000 on December 31, 2016 are detailed as follows:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2017	\$ 3,300,000	\$ 3,244,336	\$ 6,544,336
2018	3,325,000	3,137,231	6,462,231
2019	3,400,000	3,023,481	6,423,481
2020	3,575,000	2,907,856	6,482,856
2021	3,675,000	2,773,512	6,448,512
2022-2026	19,740,000	11,490,831	31,230,831
2027-2031	21,675,000	6,757,813	28,432,813
2032-2035	14,925,000	1,910,000	16,835,000
	<u>\$ 73,615,000</u>	<u>\$ 35,245,060</u>	<u>\$ 108,860,060</u>

There are various requirements associated with each of the City's bond issues. It has been determined that the City is in compliance with all significant bond issue requirements.

The electric, water, storm water, and sanitary sewer utility enterprise funds have pledged future electric, water, storm water, and sanitary sewer customer revenues, net of specified operating expenses, to repay the revenue bonds through 2035, 2023, 2031, and 2031, respectively. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used by the utilities. A summary of net customer revenues and remaining principal and interest due on revenue bonds follows:

	Electric Utility	Water Utility	Storm Water Utility	Sanitary Sewer Utility
<b>Net Customer Revenues</b>				
Operating revenues	\$ 57,549,765	\$ 3,742,336	\$ 970,802	\$ 3,375,559
Other income	401,127	15,855	-	3,632
<b>Total Revenues</b>	<u>57,950,892</u>	<u>3,758,191</u>	<u>970,802</u>	<u>3,379,191</u>
Less: Operating expenses	48,226,471	2,014,286	320,096	2,120,275
<b>Net customer revenues</b>	<u>\$ 9,724,421</u>	<u>\$ 1,743,905</u>	<u>\$ 650,706</u>	<u>\$ 1,258,916</u>
<b>Debt Service</b>				
Principal	\$ 2,425,000	\$ 425,000	\$ -	\$ 150,000
Interest	3,096,419	84,908	-	84,908
<b>Total Debt Service</b>	<u>\$ 5,521,419</u>	<u>\$ 509,908</u>	<u>\$ -</u>	<u>\$ 234,908</u>
<b>Remaining principal and interest</b>	<u>\$ 98,922,551</u>	<u>\$ 3,122,343</u>	<u>\$ 1,671,666</u>	<u>\$ 5,143,500</u>

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Component Unit Redevelopment Authority Long-term Debt

Information relating to the outstanding long-term debt is as follows:

	Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
<b>Component Unit:</b>					
Taxable redevelopment lease					
revenue bonds	\$ 10,500,000	\$ -	\$ 300,000	\$ 10,200,000	\$ 425,000
Premium	68,300	-	2,732	65,568	2,732
	<u>\$ 10,568,300</u>	<u>\$ -</u>	<u>\$ 302,732</u>	<u>\$ 10,265,568</u>	<u>\$ 427,732</u>

Revenue Bonds

Revenue bond debt service requirements are financed from operations of the Redevelopment Authority. Revenue bond debt outstanding on December 31, 2016 totaled \$10,200,000 and was composed of the following issue:

Redevelopment Authority

\$10,500,000 issued 7/1/2015; \$425,000 due annually through 2040;  
interest 2.00% to 4.125%

\$ 10,200,000

Annual principal maturities of the outstanding debt on December 31, 2016 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2017	\$ 425,000	\$ 392,594	\$ 817,594
2018	425,000	379,844	804,844
2019	425,000	362,844	787,844
2020	425,000	345,844	770,844
2021	425,000	328,844	753,844
2022-2026	2,125,000	1,389,219	3,514,219
2027-2031	2,125,000	971,656	3,096,656
2032-2036	2,125,000	564,984	2,689,984
2037-2040	1,700,000	140,250	1,840,250
	<u>\$ 10,200,000</u>	<u>\$ 4,876,079</u>	<u>\$ 15,076,079</u>



**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

7. Pension Plan

a. Plan Description

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

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

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

b. Post-Retirement Adjustments

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

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
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**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

**c. Contributions**

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

During the reporting period, the WRS recognized \$870,444 in contributions from the City.

Contribution rates as of December 31, 2016 are:

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

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

At December 31, 2016, the City reported a liability of \$1,481,191 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.09115131%, which was a decrease of 0.00021168% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$1,786,054.

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 250,576	\$ 3,117,141
Net differences between projected and actual earnings on pension plan investments	6,064,420	-
Changes in assumptions	1,036,306	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,997	2,567
Employer contributions subsequent to the measurement date	1,053,486	-
<b>Total</b>	<b>\$ 8,407,785</b>	<b>\$ 3,119,708</b>

\$1,053,486 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 1,909,570	\$ 754,975
2017	1,909,570	754,975
2018	1,909,570	754,975
2019	1,592,434	754,975
2020	33,155	99,808
	<b>\$ 7,354,299</b>	<b>\$ 3,119,708</b>

**e. Actuarial Assumption**

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

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

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

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

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

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

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

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
City's proportionate share of the net pension liability (asset)	\$ 10,389,103	\$ 1,481,191	\$ (5,476,047)

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

f. Payable to the WRS

At December 31, 2016 the City reported a payable of \$196,820 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2016.

**NOTE D - OTHER POST-EMPLOYMENT BENEFITS**

*Plan Description* - The City provides health care insurance coverage for employees who retire until they reach the age of 65. The health care insurance coverage is provided under two separate plans. One plan is for employees of the Electric and Water Utilities and the other is for all other City employees. For the Utilities, the retired employee contributes a percentage of the premium based on the number of years they retire after eligibility for Wisconsin Retirement (currently age 55). The employee also needs to have 15 years of service to be eligible. For all other City employees, the City pays 75% of the premium until age 64. At age 65, the retiree may continue in the health plan by paying 100% of the premium. There are 57 active and 4 retired employees in the Utilities' plan and 93 active and 17 retired employees under the City plan.

*Annual OPEB Cost and Net OPEB Obligation* - The annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Component	Amount	
	Utilities	City
Annual required contribution	\$ 147,530	\$ 691,143
Interest on net OPEB	17,243	79,607
Adjustment to annual required contribution	(29,829)	(137,718)
Annual OPEB cost (expense)	134,944	633,032
Contributions made	69,486	331,141
Change in net OPEB obligation	65,458	301,891
OPEB obligation - beginning of year	431,067	1,990,172
OPEB obligation - end of year	\$ 496,525	\$ 2,292,063

The annual required contribution for the current year was determined as part of two separate actuarial valuations using the projected unit credit method. The actuarial assumptions included (a) 4.0% discount rate, and (b) projected salary increases at 2.0%.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll. The remaining amortization period at December 31, 2016 is 22 years, and the remaining amount is \$1,067,409 for the Utilities' plan and \$4,961,480 for the City's plan.

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE D - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

*Trend Information* - The annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and prior years for the Utilities' plan is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 314,098	77.03%	\$ 119,744
12/31/2012	311,589	71.18%	209,545
12/31/2013	170,847	73.77%	254,355
12/31/2014	171,739	55.64%	350,544
12/31/2015	170,007	40.87%	431,065
12/31/2016	134,944	51.49%	496,525

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 593,612	62.47%	\$ 814,128
12/31/2012	595,957	67.85%	1,005,728
12/31/2013	715,118	55.34%	1,325,101
12/31/2014	706,473	55.33%	1,640,672
12/31/2015	696,883	49.85%	1,990,172
12/31/2016	633,032	52.31%	2,292,063

*Funded Status and Funding Progress* - As of the most recent actuarial valuations, conducted during 2016, the Utilities' plan unfunded actuarial accrued liability (UAAL) was \$1,067,409. The annual payroll for active employees covered by the plan for the 2016 fiscal year was \$4,902,456 for a ratio of the UAAL to covered payroll of 22%. The City's plan unfunded actuarial accrued liability (UAAL) was \$4,961,480. The annual payroll for active employees covered by the plan for the 2016 fiscal year was \$6,957,939 for a ratio of the UAAL to covered payroll of 71%.

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, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

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

In the 2016 actuarial valuations, the projected unit credit method was used. The actuarial assumptions included a rate of 4.0% to discount expected liabilities to the valuation date. The initial healthcare trend rate for the utilities' plan was 9.0%, reduced by decrements to an ultimate rate of 5.5% after 14 years. The initial healthcare trend rate for the City's plan was 12%, reduced by decrements to an ultimate rate of 5.5% after nine years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2016 was 22 years.

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE E - OTHER INFORMATION**

1. WPPI Energy Contract (WPPI)

The Kaukauna Electric Utility purchases its electric requirements from WPPI Energy (WPPI). WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act, Sec. 66.073 of the Wisconsin Statutes (the Act). WPPI's purposes include providing an adequate, economical and reliable supply of electric energy to its members.

The Kaukauna Electric Utility is one of 51 members of WPPI located throughout the States of Wisconsin, Iowa, and Michigan. On December 31, 1989, each of WPPI's members, including the City of Kaukauna, commenced purchasing electric service from WPPI under a new Long-term Power Supply Contract for Participating Members (the Long-term Contract) under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term. The contract has been amended to extend the term of the contract through 2037. A subsequent amendment has extended the contract through 2055.

Under the Long-term Contract, the Kaukauna Electric Utility and the other members of WPPI are required to pay for all power and energy requirements supplied or made available by WPPI at rates sufficient to cover all of WPPI's revenue requirement which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPPI's subsequent year's rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality. The Kaukauna Electric Utility has agreed to charge rates to the retail ratepayers of its electric system sufficient to meet its obligations to WPPI. The Long-term Contract provides that all payments to WPPI under the Contract constitute operating expenses of the Kaukauna electric system payable from any operating and maintenance fund established by the Kaukauna Electric Utility.

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

Electric power purchases by the Kaukauna Electric Utility from the WPPI for distribution to its customers under the above arrangement amounted to approximately \$39.4 million in 2016.

2. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City completes an annual review of its insurance coverage to ensure adequate coverage.

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

3. Tax Incremental District

The City has established separate capital projects funds for six Tax Incremental Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was "frozen" and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. Except for certain exceptions under Section 66.1105(6)(am)(2), the Statutes allow a tax incremental district to incur project costs up to five years prior to termination of the district. The City's TID No. 4 was created in September, 2000, TID No. 5 was created in September, 2003, TID No. 6 was created in September, 2006, TID No. 7 was created in September, 2012, TID No. 8 was created in September, 2013, and TID No. 9 was created in September 2016. All TID's are still eligible to incur project costs.

**CITY OF KAUKAUNA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE E - OTHER INFORMATION (Continued)**

Since creation of the above Districts, the City has provided various financing sources to the TID's. Detail of the amounts recoverable by the City as of December 31, 2016 from future excess tax increment revenues of the TID's are as follows:

	TID #4	TID # 5	TID #6	TID #7
Net Unreimbursed (Reimbursed) Project Costs	\$ 476,765	\$ 13,150,197	\$ 2,676,094	\$ (20,430)

	TID #8	TID #9	ERTIF
Net Unreimbursed (Reimbursed) Project Costs	\$ 1,535,424	\$ 11,300	\$ 1,972,009

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the Districts.

4. Major Customers

Revenue from two industrial customers aggregated approximately 36% of total Electric Utility enterprise fund operating revenue in 2016. Current accounts receivable at December 31, 2016 includes approximately \$1.50 million due from these customers.

5. Presentation of Sales Taxes

The electric utility enterprise fund collects sales tax from certain (or all) customers and remits the entire amount to the appropriate governmental entities. The utility's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

6. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2016 and 2017 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2016 budget was 1.64%. The actual limit for the City for the 2017 budget was 1.20%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

7. Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting for post-employment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The City will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. GASB No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB No. 75 is effective one year later. The City is currently evaluating the impact these standards will have on the financial statements when adopted.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF KAUKAUNA, WISCONSIN**  
 Schedule of Funding Progress  
 Other Post-Employment Benefit Plan  
 December 31, 2016

Utilities' Plan

Actuarial Valuation Date January 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Unit Credit	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ -	\$ 2,381,197	0.00%	\$ 2,381,197	\$ 3,878,980	61%
2010	-	2,141,160	0.00%	2,141,160	4,123,268	52%
2013	-	1,353,291	0.00%	1,353,291	4,360,213	31%
2016	-	1,067,409	0.00%	1,067,409	4,902,456	22%

City's Plan

Actuarial Valuation Date January 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Unit Credit	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ -	\$ 6,560,000	0.00%	\$ 6,560,000	\$ 5,876,691	112%
2010	-	5,235,602	0.00%	5,235,602	4,674,201	112%
2013	-	5,691,683	0.00%	5,691,683	5,970,000	95%
2016	-	4,961,480	0.00%	4,961,480	6,957,939	71%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008.  
 Information for prior years is not available.

**CITY OF KAUKAUNA, WISCONSIN**  
 Schedule of Employer Contributions  
 Other Post-Employment Benefit Plan  
 For the Year Ended December 31, 2016

Utilities' Plan

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 299,000	\$ 321,070	93%
2009	300,000	305,522	98%
2010	292,141	314,237	93%
2011	241,953	317,438	76%
2012	221,788	320,463	69%
2013	126,037	175,879	72%
2014	95,550	178,247	54%
2015	69,486	179,034	39%
2016	69,486	147,530	47%

City's Plan

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 408,000	\$ 630,000	65%
2009	434,000	613,680	71%
2010	400,095	589,761	68%
2011	370,830	604,899	61%
2012	404,357	610,423	66%
2013	395,745	739,267	54%
2014	390,902	740,378	53%
2015	347,383	741,688	47%
2016	331,141	691,143	48%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.

**CITY OF KAUKAUNA, WISCONSIN**  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
Wisconsin Retirement System  
Last 10 Fiscal Years

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.09136299%	\$ (2,244,125)	\$ 10,905,307	20.58%	102.74%
12/31/16	0.09115131%	1,481,191	10,808,317	13.70%	98.20%

Schedule of Contributions  
Wisconsin Retirement System  
Last 10 Fiscal Years

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 912,170	\$ 912,170	\$ -	\$ 10,905,307	8.36%
12/31/16	870,444	870,444	-	10,808,317	8.05%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The City is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

## **SUPPLEMENTARY INFORMATION**

**CITY OF KAUKAUNA, WISCONSIN**

Debt Service Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,376,976	\$ 2,376,976	\$ 2,376,976	\$ -
Other	867,695	867,695	-	(867,695)
Total Revenues	<u>3,244,671</u>	<u>3,244,671</u>	<u>2,376,976</u>	<u>(867,695)</u>
Expenditures				
Debt service				
Principal	3,690,000	3,690,000	2,661,853	1,028,147
Interest and fiscal charges	1,767,544	1,767,544	1,033,452	734,092
Total Expenditures	<u>5,457,544</u>	<u>5,457,544</u>	<u>3,695,305</u>	<u>1,762,239</u>
Excess of Revenues Under Expenditures	(2,212,873)	(2,212,873)	(1,318,329)	894,544
Other Financing Sources				
Transfers in	<u>2,212,873</u>	<u>2,212,873</u>	<u>2,016,642</u>	<u>(196,231)</u>
Net Change in Fund Balance	-	-	698,313	698,313
Fund Balance - January 1	<u>3,331,077</u>	<u>3,331,077</u>	<u>3,331,077</u>	-
Fund Balance - December 31	<u>\$ 3,331,077</u>	<u>\$ 3,331,077</u>	<u>\$ 4,029,390</u>	<u>\$ 698,313</u>

**CITY OF KAUKAUNA, WISCONSIN**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016

	Special Revenue Funds			
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants
<b>ASSETS</b>				
Cash and cash equivalents	\$ 114,238	\$ 720,671	\$ 17,126	\$ 45,231
Receivables				
Taxes	81,185	7,477	-	-
Special assessments	-	-	-	-
Loans	-	856,920	241,782	253,526
Due from other funds	-	-	-	-
Restricted assets				
Cash and cash equivalents	416,869	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 612,292</b>	<b>\$ 1,585,068</b>	<b>\$ 258,908</b>	<b>\$ 298,757</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,350	\$ 361	\$ -	\$ -
Accrued liabilities	2,897	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	416,869	-	-	-
<b>Total Liabilities</b>	<b>423,116</b>	<b>361</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes	146,989	13,538	-	-
Special assessments	-	-	-	-
Loans	-	856,920	241,782	253,526
<b>Total Deferred Inflows of Resources</b>	<b>146,989</b>	<b>870,458</b>	<b>241,782</b>	<b>253,526</b>
<b>FUND BALANCES</b>				
Committed for park improvements	-	-	-	-
Assigned for other subsequent years expenditures	42,187	714,249	17,126	45,231
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>42,187</b>	<b>714,249</b>	<b>17,126</b>	<b>45,231</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 612,292</b>	<b>\$ 1,585,068</b>	<b>\$ 258,908</b>	<b>\$ 298,757</b>

(Continued)

Special Revenue Funds (Continued)								Total Special Revenue Funds
CDBG Grant	Public Safety Grants	Library Foundation	Subdivision Fees	PACE Loan Fund	Grignon Home	Vehicle Registration	Solid Waste	
\$ 38,780	\$101,581	\$ 32,445	\$ 97,102	\$36,265	\$ 16,191	\$ 69,800	\$ 1,481	\$ 1,290,911
-	-	-	2,430	-	-	-	-	91,092
-	-	-	2,150	-	-	-	-	2,150
267,780	-	-	-	2,684	-	-	-	1,622,692
-	-	-	-	-	-	-	57,943	57,943
-	-	-	1,970	-	-	-	-	418,839
<u>\$306,560</u>	<u>\$101,581</u>	<u>\$ 32,445</u>	<u>\$ 103,652</u>	<u>\$38,949</u>	<u>\$ 16,191</u>	<u>\$ 69,800</u>	<u>\$ 59,424</u>	<u>\$ 3,483,627</u>
\$ -	\$ -	\$ -	\$ -	\$ 364	\$ 406	\$ -	\$ -	\$ 4,481
-	-	-	-	-	-	-	-	2,897
-	-	47,386	-	-	-	-	-	47,386
-	-	-	-	-	-	-	-	416,869
-	-	47,386	-	364	406	-	-	471,633
-	-	-	4,400	-	-	-	-	164,927
-	-	-	7,883	-	-	-	-	7,883
267,780	-	-	-	2,684	-	-	-	1,622,692
267,780	-	-	12,283	2,684	-	-	-	1,795,502
-	-	-	91,369	-	-	-	-	91,369
38,780	101,581	-	-	35,901	15,785	69,800	59,424	1,140,064
-	-	(14,941)	-	-	-	-	-	(14,941)
38,780	101,581	(14,941)	91,369	35,901	15,785	69,800	59,424	1,216,492
<u>\$306,560</u>	<u>\$101,581</u>	<u>\$ 32,445</u>	<u>\$ 103,652</u>	<u>\$38,949</u>	<u>\$ 16,191</u>	<u>\$ 69,800</u>	<u>\$ 59,424</u>	<u>\$ 3,483,627</u>



**CITY OF KAUKAUNA, WISCONSIN**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**December 31, 2016**

	Capital Project Funds						
	Industrial Park	Park Development	Special Assessments	Space Needs	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 57,462	\$ 3,132,546	\$ 3,906,564	\$ 19,442	\$ 53,488	\$ -
Receivables							
Taxes	-	8,285	242,173	76,342	10,255	9,843	464,195
Accounts	-	-	7	-	-	-	-
Special assessments	-	-	1,788,212	-	-	-	-
Loans	71,800	-	-	-	-	-	276,191
Due from other funds	240,000	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Restricted assets							
Cash and cash equivalents	-	6,715	196,292	61,878	8,312	7,978	376,249
<b>TOTAL ASSETS</b>	<b>\$ 311,800</b>	<b>\$ 72,462</b>	<b>\$ 5,359,230</b>	<b>\$ 4,044,784</b>	<b>\$ 38,009</b>	<b>\$ 71,309</b>	<b>\$ 1,116,635</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 86	\$ -	\$ -	\$ 117,231	\$ 16	\$ 72	\$ -
Accrued liabilities	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-
Due to other funds	674,535	-	2,037	76,707	196,191	3,103,613	6,094
Unearned revenue	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>674,621</b>	<b>-</b>	<b>2,037</b>	<b>193,938</b>	<b>196,207</b>	<b>3,103,685</b>	<b>6,094</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property taxes	-	15,000	438,465	138,220	18,567	17,822	840,444
Special assessments	-	-	1,790,848	-	-	-	-
Loans	71,800	-	-	-	-	-	276,191
<b>Total Deferred Inflows of Resources</b>	<b>71,800</b>	<b>15,000</b>	<b>2,229,313</b>	<b>138,220</b>	<b>18,567</b>	<b>17,822</b>	<b>1,116,635</b>
<b>FUND BALANCES</b>							
Committed for park improvements	-	-	-	-	-	-	-
Assigned for other subsequent years expenditures	-	57,462	3,127,880	3,712,626	-	-	-
Unassigned	(434,621)	-	-	-	(176,765)	(3,050,198)	(6,094)
<b>Total Fund Balances (Deficit)</b>	<b>(434,621)</b>	<b>57,462</b>	<b>3,127,880</b>	<b>3,712,626</b>	<b>(176,765)</b>	<b>(3,050,198)</b>	<b>(6,094)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 311,800</b>	<b>\$ 72,462</b>	<b>\$ 5,359,230</b>	<b>\$ 4,044,784</b>	<b>\$ 38,009</b>	<b>\$ 71,309</b>	<b>\$ 1,116,635</b>

Capital Project Funds (Continued)									Total Capital Projects	Total Nonmajor Funds
Tax Incremental District #7	Tax Incremental District #8	Tax Incremental District #9	Environmental Remediation TID	2012 Projects	2013 Projects	2014 Projects	2015 Projects	2016 Projects		
\$ 20,429	\$ 429,243	\$ -	\$ 65	\$ -	\$ -	\$ 36,147	\$ -	\$ 260,097	\$ 7,915,483	\$ 9,206,394
4,591	69,280	-	26,133	-	-	-	-	-	911,097	1,002,189
-	-	-	-	-	-	-	-	-	7	7
-	-	-	-	-	-	-	-	-	1,788,212	1,790,362
-	-	-	-	-	-	-	-	-	347,991	1,970,683
-	-	-	-	-	-	-	-	239,304	479,304	537,247
-	-	-	-	-	-	-	-	217,075	217,075	217,075
3,721	87,454	-	21,182	-	-	-	-	-	769,781	1,188,620
<u>\$ 28,741</u>	<u>\$ 585,977</u>	<u>\$ -</u>	<u>\$ 47,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,147</u>	<u>\$ -</u>	<u>\$ 716,476</u>	<u>\$ 12,428,950</u>	<u>\$ 15,912,577</u>
\$ -	\$ 129,574	\$ -	\$ 14	\$ 220	\$ -	\$ 1,461	\$ 34,628	\$ 21,371	\$ 304,673	\$ 309,154
-	-	-	-	-	-	-	-	-	-	2,897
-	-	-	-	-	-	-	239,303	400,600	639,903	639,903
-	301,392	11,300	930,719	-	-	-	35,407	-	5,337,995	5,385,381
-	-	-	-	-	-	-	-	-	-	416,869
-	430,966	11,300	930,733	220	-	1,461	309,338	421,971	6,282,571	6,754,204
8,311	125,434	-	47,315	-	-	-	-	-	1,649,578	1,814,505
-	-	-	-	-	-	-	-	-	1,790,848	1,798,731
-	-	-	-	-	-	-	-	-	347,991	1,970,683
8,311	125,434	-	47,315	-	-	-	-	-	3,788,417	5,583,919
-	-	-	-	-	-	-	-	-	-	91,369
20,430	29,577	-	-	-	-	34,686	-	294,505	7,277,166	8,417,230
-	-	(11,300)	(930,668)	(220)	-	-	(309,338)	-	(4,919,204)	(4,934,145)
20,430	29,577	(11,300)	(930,668)	(220)	-	34,686	(309,338)	294,505	2,357,962	3,574,454
<u>\$ 28,741</u>	<u>\$ 585,977</u>	<u>\$ -</u>	<u>\$ 47,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,147</u>	<u>\$ -</u>	<u>\$ 716,476</u>	<u>\$ 12,428,950</u>	<u>\$ 15,912,577</u>

**CITY OF KAUKAUNA, WISCONSIN**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2016

	Special Revenue Funds			
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants
<b>Revenues</b>				
Taxes	\$ 131,550	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	25,025	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	16,348	-	-	-
Interest	15,000	2,841	-	-
Other	35,517	135,532	-	4,492
<b>Total Revenues</b>	<b>223,440</b>	<b>138,373</b>	<b>-</b>	<b>4,492</b>
<b>Expenditures</b>				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	217,149	-	-	-
Conservation and development	-	161,445	-	-
<b>Total Expenditures</b>	<b>217,149</b>	<b>161,445</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>6,291</b>	<b>(23,072)</b>	<b>-</b>	<b>4,492</b>
<b>Other Financing Uses</b>				
Transfers out	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>6,291</b>	<b>(23,072)</b>	<b>-</b>	<b>4,492</b>
<b>Fund Balances - January 1</b>	<b>35,896</b>	<b>737,321</b>	<b>17,126</b>	<b>40,739</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ 42,187</b>	<b>\$ 714,249</b>	<b>\$ 17,126</b>	<b>\$ 45,231</b>

(Continued)

Special Revenue Funds (Continued)								Total Special Revenue Funds
CDBG Grant	Public Safety Grants	Library Foundation	Subdivision Fees	PACE Loan Fund	Grignon Home	Vehicle Registration	Solid Waste	
\$ -	\$ -	\$ -	\$ 4,550	\$ -	\$ -	\$ 169,800	\$ -	\$ 305,900
-	-	-	309	-	-	-	-	309
-	5,700	-	-	-	-	-	-	30,725
-	2,845	-	-	-	-	-	-	2,845
-	13,601	-	-	-	-	-	345,949	375,898
5	-	10,099	-	-	-	-	-	27,945
-	-	237,737	-	5,834	11,984	-	-	431,096
5	22,146	247,836	4,859	5,834	11,984	169,800	345,949	1,174,718
-	6,047	-	-	-	-	-	-	6,047
-	-	-	-	-	-	-	126,580	126,580
-	-	484,333	-	-	3,742	-	-	705,224
-	-	-	-	-	-	-	-	161,445
-	6,047	484,333	-	-	3,742	-	126,580	999,296
5	16,099	(236,497)	4,859	5,834	8,242	169,800	219,369	175,422
-	-	-	-	-	-	(100,000)	(186,724)	(286,724)
5	16,099	(236,497)	4,859	5,834	8,242	69,800	32,645	(111,302)
38,775	85,482	221,556	86,510	30,067	7,543	-	26,779	1,327,794
\$ 38,780	\$ 101,581	\$ (14,941)	\$ 91,369	\$ 35,901	\$ 15,785	\$ 69,800	\$ 59,424	\$ 1,216,492

**CITY OF KAUKAUNA, WISCONSIN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

	Capital Project Funds						
	Industrial Park	Park Development	Special Assessments	Space Needs	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6
<b>Revenues</b>							
Taxes	\$ -	\$ 15,000	\$ -	\$ 191,807	\$ 13,151	\$ -	\$ 873,731
Special assessments	-	-	1,220,892	-	-	-	-
Intergovernmental	-	-	-	-	4,201	36	5,493
Fines and forfeitures	-	-	-	-	-	-	-
Charges for services	-	-	-	-	13,062	-	-
Interest	-	-	-	-	-	-	-
Sale of property and equipment	-	-	-	-	-	-	-
Other	1,758,388	-	56,580	-	4,000	-	26,726
<b>Total Revenues</b>	<b>1,758,388</b>	<b>15,000</b>	<b>1,277,472</b>	<b>191,807</b>	<b>34,414</b>	<b>36</b>	<b>905,950</b>
<b>Expenditures</b>							
<b>Current</b>							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	1,400	-
<b>Capital outlay</b>							
General government	16,000	-	434,500	824,137	5,368	-	-
Public safety	-	-	-	208,753	-	-	-
Public works	-	-	-	145	-	-	1,800
Culture and recreation	-	9,815	-	-	-	-	-
Conservation and development	6,893	-	-	-	21,040	-	10,464
<b>Debt service</b>							
Bond issuance costs	-	-	-	35,172	-	-	-
<b>Total Expenditures</b>	<b>22,893</b>	<b>9,815</b>	<b>434,500</b>	<b>1,068,207</b>	<b>26,408</b>	<b>1,400</b>	<b>12,264</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,735,495</b>	<b>5,185</b>	<b>842,972</b>	<b>(876,400)</b>	<b>8,006</b>	<b>(1,364)</b>	<b>893,686</b>
<b>Other Financing Sources (Uses)</b>							
General obligation notes issued	-	-	-	1,000,000	-	-	-
Premium on debt issued	-	-	-	35,172	-	-	-
Transfers in	-	-	-	425,000	-	-	-
Transfers out	(478,369)	-	(79,287)	-	(33,500)	(545,438)	(741,125)
<b>Total Other Financing Sources (Uses)</b>	<b>(478,369)</b>	<b>-</b>	<b>(79,287)</b>	<b>1,460,172</b>	<b>(33,500)</b>	<b>(545,438)</b>	<b>(741,125)</b>
<b>Net Change in Fund Balances</b>	<b>1,257,126</b>	<b>5,185</b>	<b>763,685</b>	<b>583,772</b>	<b>(25,494)</b>	<b>(546,802)</b>	<b>152,561</b>
<b>Fund Balances (Deficits) - January 1</b>	<b>(1,691,747)</b>	<b>52,277</b>	<b>2,364,195</b>	<b>3,128,854</b>	<b>(151,271)</b>	<b>(2,503,396)</b>	<b>(158,655)</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ (434,621)</b>	<b>\$ 57,462</b>	<b>\$ 3,127,880</b>	<b>\$ 3,712,626</b>	<b>\$ (176,765)</b>	<b>\$ (3,050,198)</b>	<b>\$ (6,094)</b>

Capital Project Funds (Continued)										Total Capital Projects	Total Nonmajor Funds
Tax Incremental District #7	Tax Incremental District #8	Tax Incremental District #9	Environmental Remediation TID	2012 Projects	2013 Projects	2014 Projects	2015 Projects	2016 Projects			
\$ 10,407	\$ 34,240	\$ -	\$ 34,937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,173,273	\$ 1,479,173
-	-	-	-	-	-	-	-	-	-	1,220,892	1,221,201
243	257	-	-	-	61,392	-	-	-	-	71,622	102,347
-	-	-	-	-	-	-	-	-	-	-	2,845
-	-	-	-	-	-	-	-	-	-	13,062	388,960
-	6,515	-	-	323	-	-	-	-	-	6,838	34,783
-	-	-	-	-	-	-	-	-	217,075	217,075	217,075
-	500,000	-	-	-	3,296	1,668	7,537	935	-	2,359,130	2,790,226
10,650	541,012	-	34,937	323	64,688	1,668	7,537	218,010	-	5,061,892	6,236,610
-	-	-	-	-	-	-	-	-	-	-	6,047
-	-	-	-	-	-	-	-	-	-	-	126,580
-	-	-	-	-	-	-	-	-	-	-	705,224
-	-	-	-	-	-	-	-	-	-	1,400	162,845
-	-	-	-	-	-	-	-	-	-	1,280,005	1,280,005
-	-	-	-	2,936	-	-	-	-	-	211,689	211,689
-	153,603	-	15,355	186,150	-	208,714	445,414	351,429	-	1,362,610	1,362,610
-	1,041	-	-	-	-	40,738	68,420	97,076	-	217,090	217,090
549	527,027	11,300	-	-	-	-	-	-	-	577,273	577,273
-	-	-	-	-	-	-	-	-	18,465	53,637	53,637
549	681,671	11,300	15,355	189,086	-	249,452	513,834	466,970	-	3,703,704	4,703,000
10,101	(140,659)	(11,300)	19,582	(188,763)	64,688	(247,784)	(506,297)	(248,960)	-	1,358,188	1,533,610
-	-	-	-	-	-	-	-	525,000	-	1,525,000	1,525,000
-	-	-	-	-	-	-	-	18,465	-	53,637	53,637
-	-	-	73,000	-	-	-	20,439	-	-	518,439	518,439
-	(31,300)	-	(80,625)	(20,439)	-	-	-	-	-	(2,010,083)	(2,296,807)
-	(31,300)	-	(7,625)	(20,439)	-	-	20,439	543,465	-	86,993	(199,731)
10,101	(171,959)	(11,300)	11,957	(209,202)	64,688	(247,784)	(485,858)	294,505	-	1,445,181	1,333,879
10,329	201,536	-	(942,625)	208,982	(64,688)	282,470	176,520	-	-	912,781	2,240,575
\$ 20,430	\$ 29,577	\$ (11,300)	\$ (930,668)	\$ (220)	\$ -	\$ 34,686	\$ (309,338)	\$ 294,505	\$ -	\$ 2,357,962	\$ 3,574,454

**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and City Council  
City of Kaukauna, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaukauna, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Kaukauna's basic financial statements, and have issued our report thereon dated May 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Kaukauna, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kaukauna, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kaukauna, Wisconsin's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Kaukauna, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Kaukauna, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kaukauna, Wisconsin's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
May 31, 2017