

City of Kaukauna, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2017

City of Kaukauna, Wisconsin

DECEMBER 31, 2017

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City of Kaukauna, Wisconsin

DECEMBER 31, 2017

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

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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 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, 2017, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedules relating to pensions and other postemployment benefits on pages 64 through 66 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 August 13, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants

Green Bay, Wisconsin

August 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$3,726,892 to \$117,805,825; net position of governmental activities increased \$734,574 to \$24,737,786 while business type activities net position increased \$2,992,318 to \$93,068,039.
- Total fund balance in governmental funds as of December 31, 2017 is \$8,879,636. Of this balance, \$186,446 is nonspendable, \$4,726,275 is restricted for debt service, \$329,500 is committed for improvements and equipment, \$5,443,019 is assigned to subsequent years' budgets, and unassigned and available for ongoing operations and capital improvement projects has a negative balance of \$1,805,604.
- General fund's total fund balance decreased \$1,208 or 0.03%. The fund balance decrease is determined to be insignificant. The fund balance would have been increased had the city not had to repay a personal property tax payment of \$100,000 to a Dawes Crane in 2017. In addition, the PILOT payment was miscalculated by \$66,000 and was repaid to Kaukauna Utilities. Aside from both events, a combination of positive revenue budget variances of \$415,956, and negative expenditure budget variances of \$380,497 would have resulted in a general fund balance increase of \$201,459.
- General fund revenues and operating transfers in for 2017 were under budget by \$415,956. Overall General fund expenditures and operating transfers out for 2017 were over budget by \$380,497. Most expenditures were under budget primarily because of cost control measures in general government, public safety, and culture and recreation. Other non-departmental transfers is the reason for the overage which are explained in a below section.
- At the end of 2017, total fund balance for the general fund is \$4,532,987. The unassigned portion of fund balance \$3,946,541, decreased \$5,157 or 0.01%, and it is equal to 0.04% of 2017 budgeted general fund expenditures.
- The City's outstanding general obligation debt increased \$5,100,000 from \$35,400,000 to \$40,500,000 for the fiscal year ended December 31, 2017. The city borrowed more general obligated debt in 2017 than it retired. This was primarily due to the large Street construction capital project and new Fire Station.
- The City's outstanding revenue bonds increased \$11,800,000 from \$73,615,000 to \$85,415,000 for the fiscal year ended December 31, 2017.
- The Electric Utility's net position increased \$1,600,754 or 3.1% in 2017 as compared to 2016. This increase in large part due to some favorable Non-operating expenses of \$2,570,343 coupled with a slight decline in operating revenue.
- The Water Utility's net position increased \$451,208 or 2.14% in 2017 as compared to 2016. This increase was due to an increase in operating income of \$36,502 mixed with a decrease in customer contributions.
- The Electric Utility's cash and cash equivalents increased \$6,328,024 in 2017. Most cash flow activities remained the same when compared to 2016. The increase mentioned above is primarily from an unspent proceeds of long term debt in 2017.
- The Water Utility's cash and cash equivalents increased by \$3,596,686 in 2017. This significant increase in case is also due to unspent long term bond proceeds in 2017.

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 31 individual governmental type funds during 2017. 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, debt service fund, space needs fund, and streets and sidewalks fund, which are considered major funds. Data from the remaining 27 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 - 22 of this report.

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 23 - 32 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 33 - 63 of this report.

Supplementary Information - The combining statements referred to about non-major governmental funds is presented immediately following the required supplementary information. Required supplementary information and supplementary combining and individual fund statements and schedules can be found on pages 64 - 79 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 \$117,805,825 at yearend December 31, 2017.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 44,677,217	\$ 44,625,905	\$ 43,373,966	\$ 35,251,132	\$ 88,051,183	\$ 79,877,037
Capital assets	50,907,590	40,260,011	143,560,603	138,873,464	194,468,193	179,133,475
TOTAL ASSETS	95,584,807	84,885,916	186,934,569	174,124,596	282,519,376	259,010,512
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension	3,831,505	5,485,325	4,200,259	2,922,460	8,031,764	8,407,785
LIABILITIES						
Noncurrent liabilities	41,505,736	35,472,147	90,496,310	79,216,791	132,002,046	114,688,938
Other liabilities	18,732,213	16,724,714	6,754,516	6,661,281	25,486,729	23,385,995
TOTAL LIABILITIES	60,237,949	52,196,861	97,250,826	85,878,072	157,488,775	138,074,933
DEFERRED INFLOWS OF RESOURCES						
Property taxes	12,849,424	12,144,723	-	-	12,849,424	12,144,723
Pension	1,591,153	2,026,445	815,963	1,093,263	2,407,116	3,119,708
TOTAL DEFERRED INFLOWS OF RESOURCES	14,440,577	14,171,168	815,963	1,093,263	15,256,540	15,264,431
NET POSITION						
Net investment in capital assets	14,415,725	9,601,002	66,465,864	63,262,134	80,881,589	72,863,136
Restricted	4,536,176	3,878,405	7,904,263	7,832,906	12,440,439	11,711,311
Unrestricted	5,785,885	10,523,805	18,697,912	18,980,681	24,483,797	29,504,486
TOTAL NET POSITION	\$ 24,737,786	\$ 24,003,212	\$ 93,068,039	\$ 90,075,721	\$ 117,805,825	\$ 114,078,933

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Analysis

By far the largest portion of the City's total net position, \$80,881,589 or 68.7%, 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 \$8,018,453 or 11.0%. 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, \$12,440,439 or 10.6% represents resources that are subject to restrictions regarding their use. The remaining balance of unrestricted net position, \$24,483,797 or 20.8% 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 \$2,992,318 to \$93,068,039 in 2017, an increase of 3.22%. 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.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues						
Charges for services	\$ 2,057,235	\$ 1,903,049	\$ 63,728,146	\$ 65,638,462	\$ 65,785,381	\$ 67,541,511
Operating grants and contributions	1,503,537	1,421,465	-	-	1,503,537	1,421,465
Capital grants and contributions	2,371,954	1,388,766	524,943	647,106	2,896,897	2,035,872
General revenues						
Property taxes	9,325,941	9,302,357	-	-	9,325,941	9,302,357
Other taxes	152,221	149,869	-	-	152,221	149,869
State and Federal aids not restricted to specific functions	2,569,054	2,571,740	-	-	2,569,054	2,571,740
Interest and investment earnings	246,014	111,852	517,353	376,367	763,367	488,219
Miscellaneous	203,846	946,891	-	44,247	203,846	991,138
TOTAL REVENUES	18,429,802	17,795,989	64,770,442	66,706,182	83,200,244	84,502,171
EXPENSES						
General government	3,731,708	3,929,121	-	-	3,731,708	3,929,121
Public safety	5,761,355	6,078,945	-	-	5,761,355	6,078,945
Public works	5,885,069	4,511,002	-	-	5,885,069	4,511,002
Health and human services	4,009	1,150	-	-	4,009	1,150
Culture and recreation	2,679,326	3,177,443	-	-	2,679,326	3,177,443
Development	1,026,514	617,849	-	-	1,026,514	617,849
Interest on debt	1,114,905	890,767	-	-	1,114,905	890,767
Electric utility	-	-	53,132,376	55,129,342	53,132,376	55,129,342
Water utility	-	-	2,884,291	2,627,612	2,884,291	2,627,612
Storm water utility	-	-	556,314	619,428	556,314	619,428
Sanitary sewer utility	-	-	2,697,485	2,568,112	2,697,485	2,568,112
TOTAL EXPENSES	20,202,886	19,206,277	59,270,466	60,944,494	79,473,352	80,150,771
INCREASE (DECREASE) IN NET POSITION						
BEFORE TRANSFERS	(1,773,084)	(1,410,288)	5,499,976	5,761,688	3,726,892	4,351,400
TRANSFERS	2,507,658	2,551,770	(2,507,658)	(2,551,770)	-	-
CHANGE IN NET POSITION	734,574	1,141,482	2,992,318	3,209,918	3,726,892	4,351,400
BEGINNING NET POSITION	24,003,212	22,861,730	90,075,721	86,865,803	114,078,933	109,727,533
ENDING NET POSITION	\$ 24,737,786	\$ 24,003,212	\$ 93,068,039	\$ 90,075,721	\$ 117,805,825	\$ 114,078,933

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Analysis

The increase in net position for governmental activities for year ended December 31, 2017 was steady at an even 3.0% compared to previous years increase in net position of 5.0% for year ended December 31, 2016. The major reason for the increase in position is the favorable expenses and Revenues as well as the addition of the new Fire Station.

Business-type activities growth in net position for year ended December 31, 2017 was 3.3% compared with 6.8% for year ended December 31, 2016. The main reason for the increase is the revenue outpaced the expenses in 2017. Management expects growth to continue at a modest rate especially for business-type activities.

Business-type activities revenue decreased \$1,935,740 or 2.9% during 2017 primarily due to reduced customer demand in the business-type activities. Also decreasing is the expenses that are needed to provide the service which is again the result of the increase net position of the business type activities.

Debt and Debt Management

	Outstanding 1/1/2017	Issued in 2017	Retired in 2017	Outstanding 12/31/2017	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation notes	\$ 16,802,748	\$ 1,565,000	\$ 1,234,210	\$ 17,133,538	\$ 1,869,843
General obligation bonds	14,472,492	8,450,000	2,904,415	20,018,077	1,988,165
Premium	319,917	432,021	105,043	646,895	-
Compensated absences	622,802	-	37,987	584,815	-
TOTAL GOVERNMENTAL ACTIVITIES DEBT	\$ 32,217,959	\$ 10,447,021	\$ 4,281,655	\$ 38,383,325	\$ 3,858,008
BUSINESS-TYPE ACTIVITIES					
General obligation notes	\$ 1,457,252	\$ -	\$ 490,790	\$ 966,462	\$ 380,158
General obligation bonds	2,667,508	-	285,585	2,381,923	396,835
Revenue bonds	73,615,000	15,100,000	3,300,000	85,415,000	3,650,000
Premium	461,440	491,075	36,115	916,400	-
TOTAL BUSINESS-TYPE ACTIVITIES DEBT	\$ 78,201,200	\$ 15,591,075	\$ 4,112,490	\$ 89,679,785	\$ 4,426,993

Management's Analysis

Overall, long-term obligations increased from \$110,419,159 in 2016 to \$128,063,110 in 2017. Governmental activities outstanding debt increased \$6,165,366 or 19.1% as well as the business-type activities outstanding debt increased \$11,478,585 or 14.7%. 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 \$40,500,000 is 78.8% 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.

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Final Budget 2017	Actual 2017	Budget Variance Position (Negative)
REVENUES			
Taxes	\$ 6,439,460	\$ 5,965,970	\$ (473,490)
Intergovernmental	3,593,313	3,432,352	(160,961)
Licenses and permits	298,300	325,474	27,174
Fines and forfeits	119,000	129,600	10,600
Changes for services	787,030	1,144,367	357,337
Other	15,000	35,065	20,065
Transfers in	2,050,616	2,685,847	635,231
TOTAL REVENUES	13,302,719	13,718,675	415,956
EXPENDITURES			
General government	1,929,725	1,893,183	36,542
Public safety	5,596,753	5,442,979	153,774
Public Works	2,726,547	2,943,977	(217,430)
Health and welfare	2,500	4,009	(1,509)
Culture and recreation	2,263,714	2,161,223	102,491
Non-departmental	820,147	1,274,512	(454,365)
TOTAL EXPENDITURES	13,339,386	13,719,883	(380,497)
Excess (Deficit) of Revenues Over Expenditures	\$ (36,667)	\$ (1,208)	\$ 35,459

Management's Analysis

The 2017 general fund budget to actual comparison is very comparable to many past years showing a slight surplus of \$35,459.

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 \$473,490 primarily because the timing of collection.

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.

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Analysis

Within the public works budget, street maintenance, traffic control, bridge maintenance, and weed control were over \$295,735. Street Signs, equipment maintenance, Street lighting, snow removal and forestry were \$122,515 under budget. Refuse collection and control were \$18,452 under budget.

Within the culture and recreation budget youth sports, Dance, Library, athletic fields and swimming pool were under budget by \$86,944. Adult Sports was \$9,122 over budget. Civic promotion was over budget \$2,190.

Non-departmental expenses are over budget for a couple reasons. The first is a repayment of a PILOT that was miscalculated and repaid back to Kaukauna Utilities for \$66,309. A second reason is related to improving our accounting practice. We transferred the RDA loan payment to the debt service account from the general fund. However, it was budgeted to come directly from the PILOT payment.

Debt Service Fund Budgetary Analysis

	Final Budget 2017	Actual 2017	Budget Variance Positive (Negative)
REVENUES			
Taxes	\$ 2,149,690	\$ 2,149,690	\$ -
TOTAL REVENUES	2,149,690	2,149,690	-
EXPENDITURES			
Debt service principal	5,340,000	4,138,625	1,201,375
Debt service interest	1,474,856	1,180,834	294,022
TOTAL EXPENDITURES	6,814,856	5,319,459	1,495,397
Excess (Deficit) of Revenues Over Expenditures	(4,665,166)	(3,169,769)	1,495,397
OTHER FINANCING SOURCES			
Long-term debt issued	1,565,000	-	(1,565,000)
Premium on debt issued	-	432,021	432,021
Transfers in	3,847,572	3,434,633	(412,939)
TOTAL OTHER FINANCING SOURCES	5,412,572	3,866,654	(1,545,918)
Net Change in Fund Balance	\$ 747,406	\$ 696,885	\$ (50,521)

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.

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017, the City's governmental funds reported combined year ending fund balance of \$8,879,636, a decrease of \$3,258,403 for the calendar year 2017. Of the total fund balance, the unassigned fund balance is a negative \$1,805,604, 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, \$186,446
- Restricted for debt service, \$4,726,275
- Committed, \$329,500
- Assigned, \$5,443,019

Fund Balance Analysis – General Fund

The total general fund balance decreased from \$4,534,195 at calendar year end 2016 to \$4,532,987 for calendar year end 2017. The city council adopted a policy in 2010 to maintain the fund balance at 15% of the operating budget. Fifteen percent of the 2017 operating budget is \$2,000,908. The unassigned general fund balance as of December 31, 2017 was \$3,946,541. The year-end fund balance for 2017 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 2017. Unassigned fund balance equals 29.6% of budgeted expenditures while total fund balance represents 34.0% of budgeted expenditures for 2017.

Fund Balance Analysis – Debt Service Fund

The debt service fund balance has a balance of \$4,726,275 at year-end 2017, which primarily represents amounts 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 2017 fund have a fund balance of \$1,315,648. The combined fund balance for special revenue funds increased \$99,156 for calendar year ended. The largest contributing fund balance increased include Solid Waste Fund and Library Foundation.

Fund Balance Analysis – Capital Project Funds

The combined non-major capital project funds have a calendar year end 2017 fund deficit of \$524,753. In the industrial park fund, deficit balance of \$327,774 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, 8, and 9, and the environmental remediation tax incremental district lacked sufficient new development to date and consequently there is a lack of tax increment within the districts. There is a plan in place to get the capital tax incremental districts back on track to a net balance of zero.

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, net of accumulated depreciation is \$194,468,193 outstanding debt and debt premium related to the purchase of capital assets is \$113,586,604 or 58.4% of asset value net of accumulated depreciation. Governmental activities capital assets increased in 2017 by \$10,647,579 from \$40,260,011 to \$50,907,590. The increase is because of the construction of the new fire station along with a larger than normal street construction project. The net increase of \$4,687,129 in business-type activities capital assets from \$138,873,474 to \$143,560,603 for the calendar year ended 2017 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 2007 - 2017, the City's tax base, which currently stands at \$1.03 Billion (see following schedule), averaged a 1.62% 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 (2015-2017), the city saw an average increase of 3.7%. This increase gets the city to a value that eclipses 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
2017	\$ 1,027,973,700	4.12%	\$ 980,725,200	3.79%
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%

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.

City of Kaukauna, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Totals		Component Unit
			2017	2016	Redevelopment Authority
ASSETS					
Cash and investments	\$ 17,089,438	\$ 11,868,221	\$ 28,957,659	\$ 32,951,473	\$ 45,366
Receivables					
Taxes and special charges	15,910,506	30,595	15,941,101	15,449,380	-
Delinquent taxes	6,163	-	6,163	8,258	-
Accounts, net	265,233	4,504,841	4,770,074	5,344,044	-
Special assessments	3,033,289	-	3,033,289	1,790,362	-
Loans	1,621,585	-	1,621,585	1,970,683	-
Internal balances	395,326	(395,326)	-	-	-
Due from other governments	497,925	-	497,925	230,573	-
Inventories and prepaid items	186,446	3,311,574	3,498,020	3,501,314	-
Net non-utility plant	-	287,594	287,594	294,478	-
Investment in ATC	-	3,115,324	3,115,324	2,888,175	-
Restricted assets					
Cash and investments	5,671,306	20,651,143	26,322,449	15,448,297	785,212
Capital assets, nondepreciable	15,152,390	6,801,400	21,953,790	12,242,065	1,000,000
Capital assets, depreciable	35,755,200	136,759,203	172,514,403	166,891,410	9,163,352
Total assets	95,584,807	186,934,569	282,519,376	259,010,512	10,993,930
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	3,831,505	1,998,902	5,830,407	8,407,785	-
Regulatory asset	-	2,201,357	2,201,357	-	-
Total deferred outflows of resources	3,831,505	4,200,259	8,031,764	8,407,785	-
LIABILITIES					
Accounts payable	2,490,093	3,896,856	6,386,949	5,024,503	-
Accrued and other current liabilities	906,781	568,297	1,475,078	1,507,450	-
Due to other governments	14,733,223	-	14,733,223	14,047,031	-
Accrued interest payable	190,099	223,458	413,557	341,259	32,362
Special deposits	-	543,517	543,517	-	-
Unearned revenues	412,017	1,522,388	1,934,405	2,465,752	-
Long-term obligations					
Due within one year	3,858,008	4,426,993	8,285,001	8,345,180	425,000
Due in more than one year	34,525,317	85,252,792	119,778,109	102,073,979	9,412,836
Net pension liability	502,169	257,519	759,688	1,481,191	-
Other postemployment benefits	2,620,242	559,006	3,179,248	2,788,588	-
Total liabilities	60,237,949	97,250,826	157,488,775	138,074,933	9,870,198
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for subsequent year	12,849,424	-	12,849,424	12,144,723	-
Pension related amounts	1,591,153	815,963	2,407,116	3,119,708	-
Total deferred inflows of resources	14,440,577	815,963	15,256,540	15,264,431	-
NET POSITION					
Net investment in capital assets	14,415,725	66,465,864	80,881,589	72,863,136	1,110,728
Restricted	4,536,176	7,904,263	12,440,439	11,711,311	-
Unrestricted	5,785,885	18,697,912	24,483,797	29,504,486	13,004
Total net position	\$ 24,737,786	\$ 93,068,039	\$ 117,805,825	\$ 114,078,933	\$ 1,123,732

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, 2017
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 3,731,708	\$ 225,500	\$ -	\$ -
Public safety	5,761,355	895,328	44,375	10,492
Public works	5,885,069	365,056	1,365,560	2,361,462
Health and human services	4,009	853	-	-
Culture and recreation	2,679,326	569,658	76,500	-
Conservation and development	1,026,514	840	17,102	-
Interest and fiscal charges	1,114,905	-	-	-
Total governmental activities	<u>20,202,886</u>	<u>2,057,235</u>	<u>1,503,537</u>	<u>2,371,954</u>
BUSINESS-TYPE ACTIVITIES				
Electric utility	53,168,639	55,574,094	-	459,346
Water utility	2,884,291	3,778,838	-	-
Storm water utility	556,314	1,008,273	-	64,098
Sanitary sewer utility	2,697,485	3,403,204	-	1,499
Total business-type activities	<u>59,306,729</u>	<u>63,764,409</u>	<u>-</u>	<u>524,943</u>
Total primary government	<u>\$ 79,509,615</u>	<u>\$ 65,821,644</u>	<u>\$ 1,503,537</u>	<u>\$ 2,896,897</u>
Component Unit				
Redevelopment Authority	<u>\$ 706,299</u>	<u>\$ -</u>	<u>\$ 818,000</u>	<u>\$ -</u>
General revenues				
Taxes				
Property taxes				
Other taxes				
Federal and state grants and other contributions not restricted to specific functions				
Interest and investment earnings				
Miscellaneous				
Gain on sale of asset				
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
Governmental Activities	Business-type Activities	Totals		Redevelopment Authority
		2017	2016	
\$ (3,506,208)	\$ -	\$ (3,506,208)	\$ (3,696,009)	\$ -
(4,811,160)	-	(4,811,160)	(5,067,970)	-
(1,792,991)	-	(1,792,991)	(1,860,712)	-
(3,156)	-	(3,156)	460	-
(2,033,168)	-	(2,033,168)	(2,365,085)	-
(1,008,572)	-	(1,008,572)	(612,914)	-
(1,114,905)	-	(1,114,905)	(890,767)	-
<u>(14,270,160)</u>	<u>-</u>	<u>(14,270,160)</u>	<u>(14,492,997)</u>	<u>-</u>
-	2,864,801	2,864,801	2,608,094	-
-	894,547	894,547	1,551,712	-
-	516,057	516,057	372,277	-
-	707,218	707,218	808,991	-
-	4,982,623	4,982,623	5,341,074	-
<u>(14,270,160)</u>	<u>4,982,623</u>	<u>(9,287,537)</u>	<u>(9,151,923)</u>	<u>-</u>
-	-	-	-	111,701
9,325,941	-	9,325,941	9,302,357	-
152,221	-	152,221	149,869	-
2,569,054	-	2,569,054	2,571,740	-
246,014	517,353	763,367	488,219	517
188,118	-	188,118	991,138	-
15,728	-	15,728	-	-
2,507,658	(2,507,658)	-	-	-
<u>15,004,734</u>	<u>(1,990,305)</u>	<u>13,014,429</u>	<u>13,503,323</u>	<u>517</u>
734,574	2,992,318	3,726,892	4,351,400	112,218
<u>24,003,212</u>	<u>90,075,721</u>	<u>114,078,933</u>	<u>109,727,533</u>	<u>1,011,514</u>
<u>\$ 24,737,786</u>	<u>\$ 93,068,039</u>	<u>\$ 117,805,825</u>	<u>\$ 114,078,933</u>	<u>\$ 1,123,732</u>

City of Kaukauna, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Space Needs</u>
ASSETS			
Cash and investments	\$ 10,195,722	\$ 218,048	\$ 1,412,731
Restricted cash and investments	3,278,242	1,164,156	48,000
Receivables			
Taxes and special charges	13,618,776	1,380,649	-
Delinquent taxes	6,163	-	-
Accounts, net	265,226	-	-
Special assessments	-	-	-
Loans	-	-	-
Due from other funds	1,631,473	4,508,702	-
Due from other governments	31,450	-	-
Inventories and prepaid items	186,446	-	-
	<u>\$ 29,213,498</u>	<u>\$ 7,271,555</u>	<u>\$ 1,460,731</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 299,751	\$ 475	\$ 729,619
Accrued and other current liabilities	904,053	-	-
Due to other funds	118,163	-	-
Due to other governments	14,733,223	-	-
Unearned revenues	-	-	-
	<u>16,055,190</u>	<u>475</u>	<u>729,619</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	8,625,321	2,544,805	-
Loans receivable	-	-	-
Special assessments	-	-	-
	<u>8,625,321</u>	<u>2,544,805</u>	<u>-</u>
Fund balances			
Nonspendable	186,446	-	-
Restricted	-	4,726,275	-
Committed	-	-	-
Assigned	400,000	-	731,112
Unassigned	3,946,541	-	-
	<u>4,532,987</u>	<u>4,726,275</u>	<u>731,112</u>
	<u>\$ 29,213,498</u>	<u>\$ 7,271,555</u>	<u>\$ 1,460,731</u>

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

Streets and Sidewalks	Other Governmental Funds	Totals	
		2017	2016
\$ -	\$ 5,262,937	\$ 17,089,438	\$ 19,353,065
-	1,180,908	5,671,306	5,188,763
-	911,081	15,910,506	15,449,380
-	-	6,163	8,258
-	7	265,233	259,175
-	3,033,289	3,033,289	1,790,362
-	1,621,585	1,621,585	1,970,683
701,418	298,673	7,140,266	5,607,921
466,475	-	497,925	230,573
-	-	186,446	182,497
<u>\$ 1,167,893</u>	<u>\$ 12,308,480</u>	<u>\$ 51,422,157</u>	<u>\$ 50,040,677</u>

\$ 1,276,569	\$ 183,679	\$ 2,490,093	\$ 1,110,861
-	2,728	906,781	998,968
477,309	6,149,468	6,744,940	5,414,772
-	-	14,733,223	14,047,031
-	412,017	412,017	416,869
<u>1,753,878</u>	<u>6,747,892</u>	<u>25,287,054</u>	<u>21,988,501</u>

-	1,679,298	12,849,424	12,144,723
-	1,386,942	1,386,942	1,970,683
-	3,019,101	3,019,101	1,798,731
-	6,085,341	17,255,467	15,914,137

-	-	186,446	182,497
-	-	4,726,275	4,029,390
-	329,500	329,500	91,369
-	4,311,907	5,443,019	8,817,230
<u>(585,985)</u>	<u>(5,166,160)</u>	<u>(1,805,604)</u>	<u>(982,447)</u>
<u>(585,985)</u>	<u>(524,753)</u>	<u>8,879,636</u>	<u>12,138,039</u>

<u>\$ 1,167,893</u>	<u>\$ 12,308,480</u>	<u>\$ 51,422,157</u>	<u>\$ 50,040,677</u>
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City of Kaukauna, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 8,879,636	\$ 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 current financial resources and therefore are not reported in the funds.	50,907,590	40,260,011
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	4,406,043	3,769,414
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	3,831,505	5,485,325
Deferred inflows related to pensions	(1,591,153)	(2,026,445)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(37,151,615)	(31,275,240)
Premium on debt	(646,895)	(319,917)
Compensated absences	(584,815)	(622,802)
Net pension liability	(502,169)	(962,125)
Other postemployment benefit	(2,620,242)	(2,292,063)
Accrued interest on long-term obligations	<u>(190,099)</u>	<u>(150,985)</u>
Net position of governmental activities as reported on the Statement of Net Position (see page 13)	<u>\$ 24,737,786</u>	<u>\$ 24,003,212</u>

The notes to the basic 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, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Space Needs</u>
REVENUES			
Taxes	\$ 5,965,970	\$ 2,149,690	\$ 138,220
Special assessments	-	-	-
Intergovernmental	3,432,352	-	-
Licenses and permits	325,474	-	-
Fines and forfeits	129,600	-	-
Public charges for services	1,144,367	-	-
Miscellaneous	35,065	-	-
Total revenues	<u>11,032,828</u>	<u>2,149,690</u>	<u>138,220</u>
EXPENDITURES			
Current			
General government	1,893,183	-	-
Public safety	5,442,979	-	-
Public works	2,943,977	-	-
Health and human services	4,009	-	-
Culture and recreation	2,161,223	-	-
Conservation and development	-	-	-
Nondepartmental	1,274,512	-	-
Debt service			
Principal	-	4,138,625	-
Interest and fiscal charges	-	1,180,834	-
Capital outlay	-	-	6,705,185
Total expenditures	<u>13,719,883</u>	<u>5,319,459</u>	<u>6,705,185</u>
Excess of revenues over (under) expenditures	<u>(2,687,055)</u>	<u>(3,169,769)</u>	<u>(6,566,965)</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	-	3,575,000
Premium on debt issued	-	432,021	-
Transfers in	2,685,847	3,434,633	10,451
Transfers out	-	-	-
Total other financing sources (uses)	<u>2,685,847</u>	<u>3,866,654</u>	<u>3,585,451</u>
Net change in fund balances	(1,208)	696,885	(2,981,514)
Fund balances - January 1	<u>4,534,195</u>	<u>4,029,390</u>	<u>3,712,626</u>
Fund balances - December 31	<u>\$ 4,532,987</u>	<u>\$ 4,726,275</u>	<u>\$ 731,112</u>

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

Streets and Sidewalks	Other Governmental Funds	Totals	
		2017	2016
\$ -	\$ 1,403,808	\$ 9,657,688	\$ 9,622,026
-	1,141,092	1,141,092	1,221,201
-	571,637	4,003,989	3,747,688
-	-	325,474	418,580
-	11,600	141,200	120,746
-	401,558	1,545,925	1,337,217
<u>21,970</u>	<u>697,778</u>	<u>754,813</u>	<u>3,105,055</u>
<u>21,970</u>	<u>4,227,473</u>	<u>17,570,181</u>	<u>19,572,513</u>
-	-	1,893,183	1,794,822
-	12,254	5,455,233	5,342,450
-	131,364	3,075,341	2,796,915
-	-	4,009	1,150
-	404,260	2,565,483	2,808,610
-	674,872	674,872	162,845
-	-	1,274,512	1,931,953
-	-	4,138,625	2,661,853
-	-	1,180,834	1,087,089
<u>5,328,985</u>	<u>1,487,001</u>	<u>13,521,171</u>	<u>3,648,667</u>
<u>5,328,985</u>	<u>2,709,751</u>	<u>33,783,263</u>	<u>22,236,354</u>
<u>(5,307,015)</u>	<u>1,517,722</u>	<u>(16,213,082)</u>	<u>(2,663,841)</u>
3,483,149	2,956,851	10,015,000	1,525,000
-	-	432,021	53,637
1,237,881	654,327	8,023,139	5,273,577
-	(5,515,481)	(5,515,481)	(2,721,807)
<u>4,721,030</u>	<u>(1,904,303)</u>	<u>12,954,679</u>	<u>4,130,407</u>
(585,985)	(386,581)	(3,258,403)	1,466,566
-	(138,172)	12,138,039	10,671,473
<u>\$ (585,985)</u>	<u>\$ (524,753)</u>	<u>\$ 8,879,636</u>	<u>\$ 12,138,039</u>

City of Kaukauna, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ (3,258,403)	\$ 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 those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	12,643,901	2,786,089
Depreciation expense reported in the statement of activities	(1,926,550)	(1,811,542)
Net book value of disposals	(69,772)	(1,768,068)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	636,629	117,111
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	(10,015,000)	(1,525,000)
Principal repaid	4,138,625	2,661,853
Interest accrued on long term debt	(39,114)	108,964
Premium on debt issued	(326,978)	33,721
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 the governmental funds:		
Unfunded pension liability	-	17,000
Compensated absences	37,987	(72,881)
Net pension asset	-	(1,487,231)
Net pension liability	459,956	(962,125)
Deferred outflows of resources related to pensions	(1,653,820)	3,905,361
Deferred inflows of resources related to pensions	435,292	(2,026,445)
Other postemployment benefits	(328,179)	(301,891)
Change in net position of governmental activities as reported in the statement of activities (see pages 14- 15)	<u>\$ 734,574</u>	<u>\$ 1,141,482</u>

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

City of Kaukauna, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance	2016 Actual
	Original	Final		Final Budget - Positive (Negative)	
REVENUES					
Taxes	\$ 6,439,460	\$ 6,439,460	\$ 5,965,970	\$ (473,490)	\$ 5,765,877
Intergovernmental	3,593,313	3,593,313	3,432,352	(160,961)	3,645,341
Licenses and permits	298,300	298,300	325,474	27,174	418,580
Fines and forfeits	119,000	119,000	129,600	10,600	117,901
Public charges for services	787,030	787,030	1,144,367	357,337	948,257
Miscellaneous	15,000	15,000	35,065	20,065	62,971
Total revenues	11,252,103	11,252,103	11,032,828	(219,275)	10,958,927
EXPENDITURES					
Current					
General government	1,929,725	1,929,725	1,893,183	36,542	1,794,822
Public safety	5,596,753	5,596,753	5,442,979	153,774	5,336,403
Public works	2,726,547	2,726,547	2,943,977	(217,430)	2,670,335
Health and human services	2,500	2,500	4,009	(1,509)	1,150
Culture and recreation	2,263,714	2,263,714	2,161,223	102,491	2,103,386
Nondepartmental	820,147	820,147	1,274,512	(454,365)	1,931,953
Total expenditures	13,339,386	13,339,386	13,719,883	(380,497)	13,838,049
Excess of revenues over (under) expenditures	(2,087,283)	(2,087,283)	(2,687,055)	(599,772)	(2,879,122)
OTHER FINANCING SOURCES (USES)					
Transfers in	2,050,616	2,050,616	2,685,847	635,231	2,738,496
Transfers out	-	-	-	-	(425,000)
Total other financing sources (uses)	2,050,616	2,050,616	2,685,847	635,231	2,313,496
Net change in fund balance	(36,667)	(36,667)	(1,208)	35,459	(565,626)
Fund balance - January 1	4,534,195	4,534,195	4,534,195	-	5,099,821
Fund balance - December 31	\$ 4,497,528	\$ 4,497,528	\$ 4,532,987	\$ 35,459	\$ 4,534,195

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

City of Kaukauna, Wisconsin

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2017
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>
ASSETS				
Current assets				
Cash and investments	\$ 8,053,774	\$ 1,208,942	\$ 389,241	\$ 2,216,264
Receivables				
Taxes and special charges	-	-	4,457	26,138
Customer accounts, net	3,723,675	781,166	-	-
Due from other funds	337,684	31,736	195,014	582,725
Inventories and prepaid items	<u>3,175,747</u>	<u>135,827</u>	<u>-</u>	<u>-</u>
Total current assets	<u>15,290,880</u>	<u>2,157,671</u>	<u>588,712</u>	<u>2,825,127</u>
Noncurrent assets				
Restricted assets				
Cash and investments	<u>15,102,507</u>	<u>4,559,799</u>	<u>575,987</u>	<u>412,850</u>
Other assets				
Net non-utility plant	287,594	-	-	-
Investment in ATC	<u>3,115,324</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets	<u>3,402,918</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets				
Nondepreciable	5,651,072	1,150,328	-	-
Depreciable	<u>91,008,303</u>	<u>22,047,436</u>	<u>7,645,104</u>	<u>16,058,360</u>
Total capital assets	<u>96,659,375</u>	<u>23,197,764</u>	<u>7,645,104</u>	<u>16,058,360</u>
Total assets	<u>130,455,680</u>	<u>29,915,234</u>	<u>8,809,803</u>	<u>19,296,337</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	1,506,205	376,354	75,720	40,623
Regulatory asset	<u>2,201,357</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>3,707,562</u>	<u>376,354</u>	<u>75,720</u>	<u>40,623</u>

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

<u>Totals</u>	
<u>2017</u>	<u>2016</u>
\$ 11,868,221	\$ 13,598,408
30,595	28,066
4,504,841	5,056,803
1,147,159	1,343,756
<u>3,311,574</u>	<u>3,318,817</u>
<u>20,862,390</u>	<u>23,345,850</u>
<u>20,651,143</u>	<u>10,259,534</u>
287,594	294,478
<u>3,115,324</u>	<u>2,888,175</u>
<u>3,402,918</u>	<u>3,182,653</u>
6,801,400	3,228,829
<u>136,759,203</u>	<u>135,644,635</u>
<u>143,560,603</u>	<u>138,873,464</u>
<u>188,477,054</u>	<u>175,661,501</u>
1,998,902	2,922,460
<u>2,201,357</u>	<u>-</u>
<u>4,200,259</u>	<u>2,922,460</u>

City of Kaukauna, Wisconsin

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2017
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 3,189,786	\$ 257,297	\$ 150,548	\$ 299,225
Accrued and other current liabilities	469,121	95,196	1,635	2,345
Due to other funds	28,230	1,514,255	-	-
Special deposits	543,517	-	-	-
Unearned revenue	1,434,459	53,576	8,215	26,138
Current portion of long-term debt	2,950,000	375,000	532,998	568,995
Accrued interest payable	139,615	18,462	21,474	43,907
Total current liabilities	<u>8,754,728</u>	<u>2,313,786</u>	<u>714,870</u>	<u>940,610</u>
Long-term obligations, less current portion				
General obligation debt	-	-	2,248,534	322,858
Revenue bonds	71,040,000	5,975,000	1,200,000	3,550,000
Debt premium	680,228	128,507	54,877	52,788
Net pension liability	193,883	48,471	10,093	5,072
Other postemployment benefits	447,205	111,801	-	-
Total long-term liabilities	<u>72,361,316</u>	<u>6,263,779</u>	<u>3,513,504</u>	<u>3,930,718</u>
Total liabilities	<u>81,116,044</u>	<u>8,577,565</u>	<u>4,228,374</u>	<u>4,871,328</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	<u>614,330</u>	<u>153,582</u>	<u>31,981</u>	<u>16,070</u>
NET POSITION				
Net investment in capital assets	30,178,637	20,668,584	4,054,924	11,563,719
Restricted	6,773,402	592,011	126,000	412,850
Unrestricted	<u>15,480,829</u>	<u>299,846</u>	<u>444,244</u>	<u>2,472,993</u>
Total net position	<u>\$ 52,432,868</u>	<u>\$ 21,560,441</u>	<u>\$ 4,625,168</u>	<u>\$ 14,449,562</u>

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

<u>Totals</u>	
<u>2017</u>	<u>2016</u>
\$ 3,896,856	\$ 3,913,642
568,297	508,482
1,542,485	1,536,905
543,517	601,189
1,522,388	1,447,694
4,426,993	4,112,492
<u>223,458</u>	<u>190,274</u>
<u>12,723,994</u>	<u>12,310,678</u>
2,571,392	3,312,268
81,765,000	70,315,000
916,400	461,440
257,519	519,066
<u>559,006</u>	<u>496,525</u>
<u>86,069,317</u>	<u>75,104,299</u>
<u>98,793,311</u>	<u>87,414,977</u>
<u>815,963</u>	<u>1,093,263</u>
66,465,864	63,262,134
7,904,263	7,832,906
<u>18,697,912</u>	<u>18,980,681</u>
<u>\$ 93,068,039</u>	<u>\$ 90,075,721</u>

City of Kaukauna, Wisconsin

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>
OPERATING REVENUES				
Charges for services	\$ 55,246,423	\$ 3,683,866	\$ 1,008,273	\$ 3,403,204
Other	291,408	94,972	-	-
Total operating revenues	<u>55,537,831</u>	<u>3,778,838</u>	<u>1,008,273</u>	<u>3,403,204</u>
OPERATING EXPENSES				
Operation and maintenance	44,050,306	2,039,629	291,821	2,249,730
Depreciation	4,648,352	565,510	141,180	264,283
Taxes	1,464,297	61,041	10,509	-
Total operating expenses	<u>50,162,955</u>	<u>2,666,180</u>	<u>443,510</u>	<u>2,514,013</u>
Operating income	<u>5,374,876</u>	<u>1,112,658</u>	<u>564,763</u>	<u>889,191</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	490,231	21,913	-	5,209
Merchandising and jobbing	36,263	-	-	-
Interest and fiscal charges	(2,962,202)	(205,907)	(112,804)	(183,472)
Other nonoperating revenues (expenses)	(43,482)	(12,204)	-	-
Total nonoperating revenues (expenses)	<u>(2,479,190)</u>	<u>(196,198)</u>	<u>(112,804)</u>	<u>(178,263)</u>
Income before contributions and transfers	2,895,686	916,460	451,959	710,928
Capital contributions	459,346	-	64,098	1,499
Transfers out	(1,754,278)	(465,252)	(91,000)	(197,128)
Change in net position	1,600,754	451,208	425,057	515,299
Net position - January 1	<u>50,832,114</u>	<u>21,109,233</u>	<u>4,200,111</u>	<u>13,934,263</u>
Net position - December 31	<u>\$ 52,432,868</u>	<u>\$ 21,560,441</u>	<u>\$ 4,625,168</u>	<u>\$ 14,449,562</u>

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

Totals	
2017	2016
\$ 63,341,766	\$ 65,220,718
<u>386,380</u>	<u>417,744</u>
<u>63,728,146</u>	<u>65,638,462</u>
48,631,486	51,069,899
5,619,325	5,408,679
<u>1,535,847</u>	<u>1,595,689</u>
<u>55,786,658</u>	<u>58,074,267</u>
<u>7,941,488</u>	<u>7,564,195</u>
517,353	376,367
36,263	44,247
(3,464,385)	(2,816,501)
<u>(55,686)</u>	<u>(53,726)</u>
<u>(2,966,455)</u>	<u>(2,449,613)</u>
4,975,033	5,114,582
524,943	647,106
<u>(2,507,658)</u>	<u>(2,551,770)</u>
2,992,318	3,209,918
<u>90,075,721</u>	<u>86,865,803</u>
<u>\$ 93,068,039</u>	<u>\$ 90,075,721</u>

City of Kaukauna, Wisconsin

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 53,974,548	\$ 3,727,053	\$ 1,009,038	\$ 3,385,978
Cash paid for employee wages and benefits	(2,883,755)	(746,601)	(202,203)	(112,248)
Cash paid to suppliers	<u>(42,951,360)</u>	<u>(1,172,281)</u>	<u>(84,397)</u>	<u>(2,188,887)</u>
Net cash provided by operating activities	<u>8,139,433</u>	<u>1,808,171</u>	<u>722,438</u>	<u>1,084,843</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental revenues	-	-	64,098	-
Miscellaneous revenues (expenses)	(36,598)	(12,204)	-	-
Merchandising and jobbing	36,263	-	-	-
Due to/from other funds	(65,157)	79,164	172,454	63,481
Transfer in (out)	<u>(1,754,278)</u>	<u>(465,252)</u>	<u>(91,000)</u>	<u>(197,128)</u>
Net cash provided (used) by noncapital financing activities	<u>(1,819,770)</u>	<u>(398,292)</u>	<u>145,552</u>	<u>(133,647)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(6,173,693)	(1,281,977)	(511,670)	(1,174,487)
Salvage value received on retirement of capital assets	53,405	27,132	-	-
Cost of removal of capital assets	(145,567)	(15,508)	-	-
Principal paid on long-term debt	(2,525,000)	(450,000)	(483,195)	(618,178)
Interest paid on long-term debt	(3,314,417)	(193,260)	(118,788)	(178,836)
Proceeds of long-term debt	11,150,000	3,950,000	-	-
Interest subsidy received from Internal Revenue Service	703,976	-	-	-
Customer contributions	-	-	(342)	(2,187)
Premium on long-term debt	334,142	128,507	-	-
Debt issuance costs paid	<u>(337,567)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(254,721)</u>	<u>2,164,894</u>	<u>(1,113,995)</u>	<u>(1,973,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Income on investments	490,231	21,913	-	5,209
Investment in ATC LLC	<u>(227,149)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>263,082</u>	<u>21,913</u>	<u>-</u>	<u>5,209</u>
Change in cash and cash equivalents	6,328,024	3,596,686	(246,005)	(1,017,283)
Cash and cash equivalents - January 1	<u>16,828,257</u>	<u>2,172,055</u>	<u>1,211,233</u>	<u>3,646,397</u>
Cash and cash equivalents - December 31	<u><u>\$ 23,156,281</u></u>	<u><u>\$ 5,768,741</u></u>	<u><u>\$ 965,228</u></u>	<u><u>\$ 2,629,114</u></u>

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

Totals	
<u>2017</u>	<u>2016</u>
\$ 62,096,617	\$ 66,875,872
(3,944,807)	(47,676,513)
<u>(46,396,925)</u>	<u>(4,292,833)</u>
11,754,885	14,906,526
64,098	20,903
(48,802)	(74,629)
36,263	44,247
249,942	-
<u>(2,507,658)</u>	<u>(2,770,401)</u>
(2,206,157)	(2,779,880)
(9,141,827)	(6,090,931)
80,537	26,070
(161,075)	(121,520)
(4,076,373)	(3,728,147)
(3,805,301)	(3,575,460)
15,100,000	2,575,000
703,976	722,077
(2,529)	22,447
462,649	115,353
<u>(337,567)</u>	<u>-</u>
(1,177,510)	(10,055,111)
517,353	376,367
<u>(227,149)</u>	<u>(200,921)</u>
290,204	175,446
8,661,422	2,246,981
<u>23,857,942</u>	<u>21,610,961</u>
<u>\$ 32,519,364</u>	<u>\$ 23,857,942</u>

City of Kaukauna, Wisconsin

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 5,374,876	\$ 1,112,658	\$ 564,763	\$ 889,191
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	4,648,352	565,510	141,180	264,283
Depreciation charged to operating accounts	135,131	56,008	-	-
Change in liability (asset) and deferred outflows and inflows of resources				
Pension	293,126	73,477	14,312	3,796
Other postemployment benefits	49,985	12,496	-	-
Regulatory asset	(2,201,357)	-	-	-
Change in operating assets and liabilities				
Accounts receivables, net of allowance	625,154	(73,192)	-	-
Due to/from municipality	44,970	844	-	-
Inventories and prepaid items	11,357	(4,114)	-	-
Accounts payable	(910,438)	38,639	2,100	(55,059)
Accrued and other current liabilities	55,357	5,282	(682)	(142)
Special deposits	(57,672)	-	-	-
Unearned revenue	70,592	20,563	765	(17,226)
Net cash provided by operating activities	<u>\$ 8,139,433</u>	<u>\$ 1,808,171</u>	<u>\$ 722,438</u>	<u>\$ 1,084,843</u>
Reconciliation of cash and cash equivalents to the statement of net position				
Cash and cash equivalents in current assets	\$ 8,053,774	\$ 1,208,942	\$ 389,241	\$ 2,216,264
Cash and cash equivalents in restricted assets	<u>15,102,507</u>	<u>4,559,799</u>	<u>575,987</u>	<u>412,850</u>
Total cash and cash equivalents	<u>\$ 23,156,281</u>	<u>\$ 5,768,741</u>	<u>\$ 965,228</u>	<u>\$ 2,629,114</u>
Noncash capital and related financing activities				
None				

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

Totals	
<u>2017</u>	<u>2016</u>
\$ 7,941,488	\$ 7,564,195
5,619,325	5,408,679
191,139	202,997
384,711	284,910
62,481	65,458
(2,201,357)	-
551,962	60,438
45,814	(353,084)
7,243	51,714
(924,758)	480,207
59,815	29,341
(57,672)	39,729
<u>74,694</u>	<u>1,071,942</u>
<u>\$ 11,754,885</u>	<u>\$ 14,906,526</u>
\$ 11,868,221	\$ 13,598,408
<u>20,651,143</u>	<u>10,259,534</u>
<u>\$ 32,519,364</u>	<u>\$ 23,857,942</u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The City 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.

Redevelopment Authority

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.

B. RELATED ORGANIZATION

The City's officials are also responsible for appointing the members of the Board of another organization, but the City's accountability for this organization does not extend beyond making the appointments. Therefore, this organization is not included in the City's reporting entity. The City Council appoints some or all of the members of the following related organization:

Housing Authority of the City of Kaukauna

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.

C. 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, 2017

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 primary 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.

Space Needs Fund

This fund accounts for the resources accumulated for capital expenditures related to buildings and building improvements.

Streets and Sidewalks Fund

This fund accounts for the resources accumulated for capital expenditures related to the streets and sidewalks in the City.

The City reports the following major enterprise 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.

Stormwater 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.

D. 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.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, 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 proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs 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.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. 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 from date of acquisition are considered to be cash equivalents.

2. Property Taxes and Special Charges/Receivable

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against City properties. 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 and special charges 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. Special charges not paid by January 31 are held in trust by the County and remitted to the City, including interest, when collected by the County.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

2. Accounts Receivable

Accounts receivable have been shown net of allowance for uncollectible accounts of \$381,805.

3. Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. (Installments placed on the 2017 tax roll are recognized as revenue in 2018.)

4. Loans Receivable

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs and has passed the funds to various businesses and individuals in the form of loans. The City records a loan receivable and expenditure when the loan has been made and the funds disbursed. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements. In the governmental funds, the City records a deferred inflow of resources for the net amount of the receivable. As the loans are repaid, revenue is recognized. Any unspent loan proceeds are presented as restricted fund balance in the fund financial statements.

5. 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 and business-type activities.

6. 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.

7. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

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

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

8. Investment in American Transmission Company (ATC)

The City's Electric Utility is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The Utility owns less than 1 percent of ATC.

The investment earns dividends quarterly, some of which are paid in cash and some of which are required to be reinvested. From time to time, the Utility has the option to contribute additional funds to maintain its proportionate share of ownership. The investment in American Transmission Company LLC is recorded at cost since it is privately held and has no readily available fair market value. The Utility's ownership share is valued at \$3,115,324 as of December 31, 2017, and is reported on the Statement of Net Position as an asset.

9. 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 a 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:

Assets	Governmental	Business-type
	Activities	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

10. Regulatory Asset

During 2017, a large industrial customer of the Utilities went into receivership, resulting in an uncollectible receivable of \$2,201,357. The Utilities subsequently requested the Public Service Commission of Wisconsin (PSC) to allow the Utilities to recover this cost in future years. The PSC subsequently authorized the Utilities to amortize this cost over 10 years and allowed an annual uncollectible expense of \$220,136 to be included in the Utilities revenue requirement beginning in 2018. The Utilities expects that the PSC will continue to include this amortization in its revenue requirement through 2028, and will amortize the asset in accordance with the PSC order.

11. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or 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.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

12. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Governmental funds may report deferred inflows of resources for unavailable revenues. The City reports unavailable revenues for special assessments and loan and developer receivables. These inflows are recognized as revenues in the government-wide financial statements.

13. 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. Bond issuance costs are expensed as incurred.

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

14. Pensions

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

15. 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.
- ▶ **Assigned fund balance.** Amounts that are constrained for specific purposes by action of City management. The City Council has authorized the City 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.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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 is 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.

F. SALES TAX

The City collects sales tax from certain customers and remits the entire amount to the appropriate governmental entities. The City accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

G. USE OF ESTIMATES

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

H. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

I. 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.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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.
2. 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.
3. 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.
4. 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.
5. 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, 2017.

B. DEFICIT FUND EQUITY

The following funds had deficit fund balance as of December 31, 2017:

<u>Funds</u>	<u>Deficit Fund Balance</u>
Capital Projects Funds	
Industrial Park	\$ 327,774
Tax Incremental District #4	221,477
Tax Incremental District #5	3,499,184
Tax Incremental District #9	111,300
Environmental Remediation TID	1,015,076
2015 Projects	14,939
Streets and Sidewalks	585,985

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, 2017

C. 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 2017 and 2018 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2017 budget was 1.20%. The actual limit for the City for the 2018 budget was 1.47%. 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.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. 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 on 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 \$55,280,108 on December 31, 2017 as summarized below:

Petty cash and cash on hand	\$ 2,207
Deposits with financial institutions	16,879,143
Beneficial interest in assets held by Community Foundation of the Fox Valley	19,862
Investments	
U.S. agency securities	3,378,959
Corporate bonds	445,598
Mutual bond funds	276,411
Commercial paper	1,947,179
Repurchase agreements	7,724,118
Money market mutual funds	136,223
Wisconsin local government investment pool	<u>24,470,408</u>
	<u>\$ 55,280,108</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 28,957,659
Restricted cash and investments	<u>26,322,449</u>
	<u>\$ 55,280,108</u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Fair Value Measurements

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, 2017:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
U.S. agencies	\$ -	\$ 3,378,959	\$ -
Corporate bonds	-	445,598	-
Mutual bond funds	-	276,411	-
Negotiable certificates of deposit	-	3,002,236	-
Beneficial interest in assets held by Community Foundation of the Fox Valley	-	-	19,862
	<u>\$ -</u>	<u>\$ 7,103,204</u>	<u>\$ 19,862</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.

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. The City does not have an additional custodial credit policy.

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. This coverage has been considered in determining custodial credit risk.

As of December 31, 2017, \$10,334,649 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, 2017, the City held repurchase agreement investments of \$7,724,118 of which the underlying securities are, held by the investment's counterparty, not in the name of the City.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
Money market mutual funds	\$ 136,223	\$ -	\$ -	\$ -	\$ 136,223
Mutual bond funds	276,411	-	-	-	276,411
Federal National Mortgage	1,542,432	-	-	1,542,432	-
Federal Home Loan Bank	821,303	-	-	821,303	-
Federal Home Loan Mortgage	940,656	-	-	940,656	-
Federal Farm Credit bank	74,568	-	-	74,568	-
Corporate Bonds	445,598	-	-	445,598	-
Commercial Paper	1,947,179	-	-	1,947,179	-
Wisconsin local government investment pool	24,470,408	-	-	-	24,470,408
Beneficial interest in assets held by Community Foundation of the Fox Valley	19,862	-	-	-	19,862
Totals	\$ 30,674,640	\$ -	\$ -	\$ 5,771,736	\$ 24,902,904

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Total Investments
Federal National Mortgage Association	Bonds	\$ 1,542,432	5.03%

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.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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
Money market mutual funds	\$ 136,223	\$ 136,223	\$ -	\$ -
Mutual funds	276,411	276,411	-	-
Federal National Mortgage	1,542,432	845,304	697,128	-
Federal Home Loan Bank	821,303	274,245	547,058	-
Federal Home Loan Mortgage	940,656	99,929	-	840,727
Federal Farm Credit Bank	74,568	74,568	-	-
Coporate Bonds	445,598	445,598	-	-
Commercial Paper	1,947,179	1,947,179	-	-
Repurchase agreements	7,724,118	7,724,118	-	-
Negotiable certificates of deposit	3,002,236	1,174,139	1,335,192	492,905
Wisconsin local government investment pool	24,470,408	24,470,408	-	-
Beneficial interest in assets held by Community Foundation of the Fox Valley	19,862	19,862	-	-
Totals	\$ 41,400,994	\$ 37,487,984	\$ 2,579,378	\$ 1,333,632

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.	\$ 3,378,959

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$24,470,408 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, 2017, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

Component Unit Cash and Investments

At year end, the carrying amount of the Redevelopment Authority's cash and investments was \$830,578, which included \$785,215 for bond reserve restricted cash. These amounts are not included in the total presented above.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

B. RESTRICTED ASSETS

Restricted assets on December 31, 2017 totaled \$26,322,449 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
General		
Advance tax collections	\$ 2,879,826	Tax collections to be distributed to appropriate taxing jurisdictions in
HRA account	<u>398,416</u>	To be used for insurance related expenditures
Total general	<u>3,278,242</u>	
Special revenue		
Thousand Islands Environmental Center	484,091	To be used for future activities of the Environmental Center
Revolving Economic Development Loans	<u>2,399</u>	To be used for future expenditures relating to infrastructure improvements
Total special revenue	<u>486,490</u>	
Debt service	<u>1,164,156</u>	
Capital projects		
Park development	6,862	To be used for future capital expenditures relating to park development
Special assessments	169,217	To be used for future capital expenditures
Space needs	48,000	To be used for future capital expenditures relating to space improvements
Tax Incremental District #4	17,380	To be used for future expenses relating to the tax incremental district
Tax Incremental District #5	9,122	To be used for future expenses relating to the tax incremental district
Tax Incremental District #6	398,948	To be used for future expenses relating to the tax incremental district
Tax Incremental District #7	59,939	To be used for future expenses relating to the tax incremental district
Tax Incremental District #8	507	To be used for future expenses relating to the tax incremental district
Environmental Remediation TID	<u>32,443</u>	To be used for future expenses relating to the tax incremental district
Total capital projects	<u>742,418</u>	
Total governmental activities	<u>5,671,306</u>	
Enterprise		
Electric Utility		
Debt reserve	6,469,792	To be used for subsequent year payments and to reserve additional funds for
Unspent bond proceeds	8,189,490	To be used for future electric capital projects
HRA/FSA cash	<u>443,225</u>	To be used for insurance related expenses
Total electric utility	<u>15,102,507</u>	
Water utility		
Debt reserve/special redepermtion	610,472	To be used for subsequent year payments and to reserve additional funds for
Unspent bond proceeds	<u>3,949,327</u>	To be used for future water capital projects
Total water utility	<u>4,559,799</u>	
Stormwater Utility		
Capital improvements	449,987	To be used for future stormwater capital projects
Debt reserve	<u>126,000</u>	To reserve additional funds for debt retirement
Total stormwater utility	<u>575,987</u>	
Sanitary sewer utility		
Debt reserve	<u>412,850</u>	To reserve additional funds for debt retirement
Total business-type activities	<u>20,651,143</u>	
Total restricted assets	<u>\$ 26,322,449</u>	

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 7,732,263	\$ -	\$ 69,772	\$ 7,662,491
Construction in progress	<u>1,029,178</u>	<u>6,705,186</u>	<u>244,465</u>	<u>7,489,899</u>
Total capital assets, nondepreciable	<u>8,761,441</u>	<u>6,705,186</u>	<u>314,237</u>	<u>15,152,390</u>
Capital assets, depreciable:				
Land improvements	1,330,160	-	-	1,330,160
Buildings and improvements	3,108,828	244,465	-	3,353,293
Machinery and equipment	7,976,480	369,945	115,480	8,230,945
Infrastructure	<u>44,084,166</u>	<u>5,568,770</u>	<u>-</u>	<u>49,652,936</u>
Subtotals	56,499,634	6,183,180	115,480	62,567,334
Less accumulated depreciation	<u>25,001,064</u>	<u>1,926,550</u>	<u>115,480</u>	<u>26,812,134</u>
Total capital assets, depreciable, net	<u>31,498,570</u>	<u>4,256,630</u>	<u>-</u>	<u>35,755,200</u>
Governmental activities capital assets, net	<u>\$ 40,260,011</u>	<u>\$ 10,961,816</u>	<u>\$ 314,237</u>	50,907,590
Less: Debt incurred for capital assets				35,844,972
Less: Premium				<u>646,893</u>
Net investment in capital assets				<u>\$ 14,415,725</u>
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 1,953,292	\$ -	\$ -	\$ 1,953,292
Construction in progress	<u>1,275,537</u>	<u>3,971,734</u>	<u>399,163</u>	<u>4,848,108</u>
Total capital assets, nondepreciable	<u>3,228,829</u>	<u>3,971,734</u>	<u>399,163</u>	<u>6,801,400</u>
Capital assets, depreciable:				
Buildings	25,450,829	23,953	-	25,474,782
Improvements other than buildings	120,003,386	3,959,359	523,019	123,439,726
Machinery and equipment	28,966,987	886,905	48,992	29,804,900
Infrastructure	<u>25,886,883</u>	<u>1,974,275</u>	<u>-</u>	<u>27,861,158</u>
Subtotals	200,308,085	6,844,492	572,011	206,580,566
Less accumulated depreciation	<u>64,663,440</u>	<u>5,729,934</u>	<u>572,011</u>	<u>69,821,363</u>
Total capital assets, depreciable, net	<u>135,644,645</u>	<u>1,114,558</u>	<u>-</u>	<u>136,759,203</u>
Business-type activities capital assets, net	<u>\$ 138,873,474</u>	<u>\$ 5,086,292</u>	<u>\$ 399,163</u>	143,560,603
Less: Capital related debt				76,178,339
Less: Debt premium				<u>916,400</u>
Net investment in capital assets				<u>\$ 66,465,864</u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Nonutility property:				
Capital assets, nondepreciable:				
Land	\$ 67,303	\$ -	\$ -	\$ 67,303
Capital assets, depreciable:				
Buildings and improvements	251,798	-	-	251,798
Less accumulated depreciation	24,623	6,884	-	31,507
Total capital assets, depreciable, net	227,175	(6,884)	-	220,291
Nonutility property, net	<u>\$ 294,478</u>	<u>\$ (6,884)</u>	<u>\$ -</u>	<u>\$ 287,594</u>

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

Governmental activities	
General government	\$ 12,223
Public safety	115,129
Public works	1,680,844
Culture and recreation	118,354
Total depreciation expense - governmental activities	<u>\$ 1,926,550</u>
Business-type activities	
Water utility	\$ 4,783,483
Sewer utility	621,518
Stormwater utility	141,180
Sanitary sewer utility	264,283
Salvage and other adjustments	(80,530)
Total increase in accumulated depreciation - business-type activities	<u>\$ 5,729,934</u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Component unit capital asset activity is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component unit:				
Capital assets, nondepreciable:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Capital assets, depreciable:				
Buildings	8,572,222	-	-	8,572,222
Machinery and equipment	880,313	-	-	880,313
Infrastructure	175,361	-	-	175,361
Subtotals	9,627,896	-	-	9,627,896
Less accumulated depreciation	154,848	309,696	-	464,544
Total capital assets, depreciable, net	9,473,048	(309,696)	-	9,163,352
Component unit capital assets, net	<u>\$ 10,473,048</u>	<u>\$ (309,696)</u>	<u>\$ -</u>	10,163,352
Less: capital related debt				<u>9,052,624</u>
Net investment in capital assets				<u>\$ 1,110,728</u>

D. 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, 2017 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Operating Accounts Between Funds		
General Fund	\$ 1,631,473	\$ 118,163
Debt Service Fund	4,508,702	-
Streets & Sidewalks Fund	701,418	477,309
Nonmajor Governmental Funds		
Industrial Park	240,000	567,830
Special Assessments	-	11,086
Environmental Remediation TID	-	1,015,071
Tax Incremental District #4	-	456,103
Tax Incremental District #5	-	3,669,300
Tax Incremental District #8	-	301,392
Tax Incremental District #9	-	111,300
Solid Waste	58,673	-
Library Foundation	-	17,386
Enterprise Funds		
Electric Utility	337,684	28,230
Water Utility	31,736	1,514,255
Stormwater Utility	195,014	-
Sanitary Sewer Utility	582,725	-
Totals	<u>\$ 8,287,425</u>	<u>\$ 8,287,425</u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Interfund transfers for the year ended December 31, 2017 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 2,685,847	\$ -
Debt Service	3,434,633	-
Space needs	10,451	-
Streets and sidewalks	1,237,881	-
Nonmajor governmental	654,327	5,515,481
Electric utility	-	1,754,278
Water utility	-	465,252
Stormwater utility	-	91,000
Sanitary sewer	-	197,128
	<u>\$ 8,023,139</u>	<u>\$ 8,023,139</u>

Transfers are used for the following purposes:

Tax equivalent payment made by water and electric utility to general fund	\$ 2,219,530
Administration fees from the storm water and sewer utilities	288,128
Tax incremental district transfers for debt retirement	2,964,401
Special revenue transfers for debt retirement	470,232
To finance construction project costs	10,451
To consolidate capital project funds	1,892,209
To move unrestricted revenues to the fund that is required or allowed to expend	<u>178,188</u>
Transfers - fund statements	8,023,139
Less: Eliminating transfers out	<u>(5,515,481)</u>
Transfers - Government-wide statements	<u>\$ 2,507,658</u>

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2017:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Bonds	\$ 16,802,748	\$ 1,565,000	\$ 1,234,210	\$ 17,133,538	\$ 1,869,843
Notes	14,472,492	8,450,000	2,904,415	20,018,077	1,988,165
Total general obligation debt	<u>31,275,240</u>	<u>10,015,000</u>	<u>4,138,625</u>	<u>37,151,615</u>	<u>3,858,008</u>
Premium on outstanding debt	319,917	432,021	105,043	646,895	-
Compensated absences	622,802	-	37,987	584,815	-
Governmental activities Long-term obligations	<u>\$ 32,217,959</u>	<u>\$ 10,447,021</u>	<u>\$ 4,281,655</u>	<u>\$ 38,383,325</u>	<u>\$ 3,858,008</u>
Business-type activities:					
General obligation debt					
Bonds	\$ 1,457,252	\$ -	\$ 490,790	\$ 966,462	\$ 380,158
Notes	2,667,508	-	285,585	2,381,923	396,835
Total general obligation debt	<u>4,124,760</u>	<u>-</u>	<u>776,375</u>	<u>3,348,385</u>	<u>776,993</u>
Revenue bonds	73,615,000	15,100,000	3,300,000	85,415,000	3,650,000
Premium on outstanding debt	461,440	491,075	36,115	916,400	-
Business-type activities Long-term obligations	<u>\$ 78,201,200</u>	<u>\$ 15,591,075</u>	<u>\$ 4,112,490</u>	<u>\$ 89,679,785</u>	<u>\$ 4,426,993</u>

Total interest paid during the year on long-term debt totaled \$4,671,897.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
General obligation notes	09/01/08	09/01/18	3.70 - 3.85%	\$ 3,000,000	\$ 725,000
General obligation notes	09/01/10	09/01/20	2.00 - 2.55%	1,350,000	625,000
General obligation bonds	11/04/10	12/01/26	3.75 - 4.70%	6,575,000	6,200,000
General obligation bonds	11/04/10	12/01/26	2.25 - 4.00%	3,950,000	3,725,000
General obligation notes	10/04/11	10/01/21	2.00 - 3.00%	2,755,000	2,425,000
General obligation notes	08/01/12	04/01/22	2.00 - 3.00%	2,800,000	2,525,000
General obligation notes	09/04/13	12/31/23	2.00 - 4.00%	1,125,000	925,000
General obligation bonds	12/03/13	09/01/20	3.00 - 4.00%	5,900,000	3,550,000
General obligation notes	05/20/14	11/01/24	2.00 - 3.00%	875,000	275,000
General obligation notes	05/20/14	11/01/24	2.00 - 4.00%	1,000,000	825,000
General obligation notes	09/02/14	09/01/24	1.50 - 3.00%	1,300,000	1,200,000
General obligation bonds	03/17/15	09/01/25	2.00 - 3.00%	2,435,000	1,510,000
General obligation bonds	09/01/15	12/01/27	2.00 - 4.00%	1,650,000	1,550,000
General obligation notes	09/01/15	12/01/25	2.00 - 3.00%	3,550,000	3,200,000
General obligation notes	11/01/16	11/01/24	2.00 - 3.00%	1,525,000	1,225,000
General obligation bonds	08/15/17	12/01/30	2.00 - 3.00%	1,565,000	1,565,000
General obligation notes	08/15/17	12/01/17	1.50 - 2.75%	4,875,000	4,875,000
General obligation notes	08/15/17	12/01/32	1.50 - 3.00%	3,575,000	<u>3,575,000</u>
Total outstanding general obligation debt					<u>\$ 40,500,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$40,500,000 on December 31, 2017 are detailed below:

<u>Year Ended December 31,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 3,858,008	\$ 1,148,041	\$ 776,993	\$ 104,893	\$ 4,635,001	\$ 1,252,934
2019	3,972,837	968,176	697,162	77,287	4,669,999	1,045,463
2020	4,123,120	875,203	551,880	53,328	4,675,000	928,531
2021	4,183,130	764,863	421,870	36,780	4,605,000	801,643
2022	4,194,520	640,262	240,480	23,407	4,435,000	663,669
2023 - 2027	15,165,000	1,440,820	660,000	31,980	15,825,000	1,472,800
2028-2032	1,655,000	112,263	-	-	1,655,000	112,263
	<u>\$37,151,615</u>	<u>\$ 5,949,628</u>	<u>\$ 3,348,385</u>	<u>\$ 327,675</u>	<u>\$40,500,000</u>	<u>\$ 6,277,303</u>

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

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2017 was \$15,624,960 as follows:

Equalized valuation of the City		\$ 1,027,973,700
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>51,398,685</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 40,500,000	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>4,726,275</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>35,773,725</u>
Legal margin for new debt		<u>\$ 15,624,960</u>

Revenue Bonds

Revenue bonds outstanding on December 31, 2017 totaled \$85,415,000 and were comprised of the following issues:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
Electric Utility					
Revenue Bond	11/15/06	12/15/26	4%	\$ 5,650,000	\$ 4,500,000
Revenue Bond	06/01/08	12/15/28	4.50-5.25%	9,000,000	6,800,000
Revenue Bond	06/01/09	12/15/18	4.50%	3,965,000	475,000
Revenue Bond	02/01/12	12/15/35	5%	18,225,000	18,225,000
Revenue Bond	02/01/12	12/15/22	2.75-3.625%	1,300,000	650,000
Revenue Bond	02/01/12	12/15/30	5%	25,350,000	21,775,000
Revenue Bond	06/02/15	12/15/30	2.0-4.0%	9,415,000	7,250,000
Revenue Bond	12/15/15	12/15/25	2.0-3.0%	3,365,000	3,165,000
Revenue Bond	03/08/18	12/15/37	4.0%	11,150,000	<u>11,150,000</u>
Total Electric Utility revenue bonds					<u>73,990,000</u>
Water Utility					
Revenue Bond	08/29/14	12/01/23	2.0-2.65%	2,500,000	2,400,000
Revenue Bond	10/03/17	12/01/37	2.0-3.25%	3,950,000	<u>3,950,000</u>
Total Water Utility revenue bonds					<u>6,350,000</u>
Stormwater					
Revenue Bond	11/01/16	09/01/31	2.0-3.25%	1,350,000	<u>1,275,000</u>
Sanitary Sewer					
Revenue Bond	09/04/13	09/01/28	3.0-5.0%	1,950,000	1,525,000
Revenue Bond	09/01/15	09/01/30	3.0-4.0%	1,225,000	1,100,000
Revenue Bond	11/01/16	09/01/31	2.0-3.25%	1,225,000	<u>1,175,000</u>
Total Sanitary Sewer revenue bonds					<u>3,800,000</u>
Total outstanding revenue bonds					<u>\$ 85,415,000</u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Annual principal and interest maturities of the outstanding revenue bonds of \$85,415,000 on December 31, 2017 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2018	\$ 3,650,000	\$ 3,716,985	\$ 7,366,985
2019	3,800,000	3,569,793	7,369,793
2020	3,975,000	3,439,169	7,414,169
2021	4,100,000	3,289,824	7,389,824
2022	4,275,000	3,126,450	7,401,450
2023 - 2027	23,090,000	12,870,912	35,960,912
2028-2032	25,025,000	7,372,094	32,397,094
2033-2037	17,500,000	1,829,468	19,329,468
	<u>\$ 85,415,000</u>	<u>\$ 39,214,695</u>	<u>\$ 124,629,695</u>

Utility Revenues Pledged

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 2037, 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	Stormwater Utility	Sanitary Sewer Utility
Net customer revenues				
Operating revenues	\$ 55,537,831	\$ 3,778,838	\$ 1,008,273	\$ 3,403,204
Other income	526,494	21,913	-	5,209
Total revenues	<u>56,064,325</u>	<u>3,800,751</u>	<u>1,008,273</u>	<u>3,408,413</u>
Less: operating expenses	45,514,603	2,100,670	302,330	2,249,730
Net customer revenues	<u>\$ 10,549,722</u>	<u>\$ 1,700,081</u>	<u>\$ 705,943</u>	<u>\$ 1,158,683</u>
Debt service				
Principal	\$ 2,525,000	\$ 450,000	\$ 75,000	\$ 250,000
Interest	3,342,843	69,781	29,167	135,281
Total debt service	<u>\$ 5,867,843</u>	<u>\$ 519,781</u>	<u>\$ 104,167</u>	<u>\$ 385,281</u>
Remaining principal and interest	<u>\$ 109,977,037</u>	<u>\$ 8,326,941</u>	<u>\$ 1,567,500</u>	<u>\$ 4,758,217</u>

Component Unit Redevelopment Authority Long-term Debt

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

Component Unit:	Outstanding 1/1/17	Issued	Retired	Outstanding 12/31/17	Due Within One Year
Taxable redevelopment lease revenue bonds	\$ 10,200,000	\$ -	\$ 425,000	\$ 9,775,000	\$ 425,000
Premium	65,568	-	2,732	62,836	2,732
	<u>\$ 10,265,568</u>	<u>\$ -</u>	<u>\$ 427,732</u>	<u>\$ 9,837,836</u>	<u>\$ 427,732</u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Revenue Bonds

Revenue bond debt service requirements are financed from operations of the Redevelopment Authority. Revenue bond debt outstanding on December 31, 2017 totaled \$9,775,000 and was composed of the following issue:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
Revenue Bond	7/1/15	12/1/40	2.00 - 4.125%	\$ 10,500,000	<u>\$ 9,775,000</u>

Annual principal maturities of the outstanding debt of \$9,775,000 on December 31, 2017 are detailed below:

<u>Year Ended December 31,</u>	<u>Component Unit</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	425,000	311,844	736,844
2023-2027	2,125,000	1,304,219	3,429,219
2028-2032	2,125,000	891,437	3,016,437
2033-2037	2,125,000	479,719	2,604,719
2038-2040	1,275,000	78,890	1,353,890
	<u>\$ 9,775,000</u>	<u>\$ 4,483,485</u>	<u>\$ 14,258,485</u>

F. PENSION PLAN

1. Plan Description

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

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

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.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

2. 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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3%	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
2016	0.5	(5)

3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. 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 ending December 31, 2016, the WRS recognized \$890,178 in contributions from the City.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2017, the City reported a liability of \$759,688 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the City's proportion was 0.09216838%, which was an increase of 0.00101707% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$1,951,091.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 289,669	\$ 2,389,152
Net differences between projected and actual earnings on pension plan investments	3,781,484	-
Changes in assumptions	794,283	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,111	17,964
Employer contributions subsequent to the measurement date	962,860	-
Total	<u>\$ 5,830,407</u>	<u>\$ 2,407,116</u>

\$962,860 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 (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Expense</u>
2017	\$ 1,003,711
2018	1,003,711
2019	683,042
2020	(231,161)
2021	1,128
Total	<u>\$ 2,460,431</u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

5. Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2015
Measurement date of net pension liability (asset):	December 31, 2016
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.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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:

	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
<u>Core Fund Asset Class</u>				
Global equities	50%	45%	8.3%	5.4%
Fixed income	24.5%	37%	4.2%	1.4%
Inflation sensitive assets	15.5%	20%	4.3%	1.5%
Real estate	8%	7%	6.5%	3.6%
Private equity/debt	8%	7%	9.4%	6.5%
Multi-asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	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%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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 3.78%. 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 members 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 7.2 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:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 9,994,176	\$ 759,688	\$ (6,351,287)

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>.

6. Payables to the Pension Plan

At December 31, 2017, the City has no outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

G. OTHER POSTEMPLOYMENT 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.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Annual OPEB Cost and Net OPEB Obligation. The City's other postemployment 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 City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Component	Utilities	City	Total
Annual required contribution	\$ 147,498	\$ 699,029	\$ 846,527
Interest on net OPEB	19,861	91,683	111,544
Adjustment to annual required contribution	<u>(35,392)</u>	<u>(163,378)</u>	<u>(198,770)</u>
Annual OPEB cost (expense)	131,967	627,334	759,301
Contributions made	<u>69,486</u>	<u>299,155</u>	<u>368,641</u>
Change in net OPEB obligation	62,481	328,179	390,660
OPEB obligation - beginning of year	<u>496,525</u>	<u>2,292,063</u>	<u>2,788,588</u>
OPEB obligation - end of year	<u>\$ 559,006</u>	<u>\$ 2,620,242</u>	<u>\$ 3,179,248</u>

The annual required contribution for the current year was determined as part of the December 31, 2016 actuarial valuation using the projected unit credit method. The actuarial assumptions include (a) 4.0% discount rate, and (b) projected salary increases as 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, 2017 is 22 years, and the remaining amount is \$1,067,409 for the Utilities' plan and \$4,961,480 for the City's plan.

Trend Information. The annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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
12/31/15	\$ 170,007	40.87%	\$ 431,065
12/31/16	134,944	51.49%	496,525
12/31/17	131,967	52.65%	559,006

The annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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
12/31/15	\$ 696,883	49.85%	\$ 1,990,172
12/31/16	633,032	52.31%	2,292,063
12/31/17	627,334	47.69%	2,620,242

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Funded Status and Funding Progress. As of the most recent actuarial valuations, conducted during 2017, the Utilities' plan unfunded actuarial accrued liability (UAAL) was \$1,067,409. The annual payroll for active employees covered by the plan for the 2017 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 2017 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 in 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 December 31, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions include 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, 2017 was 22 years.

H. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2017, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Inventories and prepaid items	<u>\$ 186,446</u>

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2017, restricted fund balance was as follows:

Debt Service Fund	
Restricted for	
Debt service	<u>\$ 4,726,275</u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by County Board action. At December 31, 2017, General Fund balance was committed as follows:

Special Revenue Funds	
Committed for	
Subdivision fees	<u>\$ 46,308</u>
Capital Projects Fund	
Committed for	
Pool and Parks	<u>283,192</u>
Total Committed Fund Balance	<u><u>\$ 329,500</u></u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2017, fund balance was assigned as follows:

General Fund	
Subsequent year's expenditures	<u>\$ 400,000</u>
Special Revenue Funds	
1000 Islands Environmental Center	54,823
Revolving Economic Development Loans	739,703
Rental Rehabilitation Grants	17,125
Housing Development Grants	39,996
CDBG Grant	38,785
Public Safety Grants	111,419
PACE Loan Fund	38,091
Grignon Home	7,037
Vehicle Registration	99,326
Solid Waste	99,445
Subtotal	<u>1,245,750</u>
Capital Projects Funds	
Assigned for subsequent year's expenditures	
Capital Improvements	
Park Development	68,771
Special Assessments	2,209,415
Space Needs	731,112
Tax Incremental District #6	12,799
Tax Incremental District #8	300,211
Equipment	198,451
Buildings and Miscellaneous	276,510
Subtotal	<u>3,797,269</u>
Total	<u><u>\$ 5,443,019</u></u>

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Net Position

The City reports restricted net position at December 31, 2017 as follows:

Governmental activities	
Restricted for	
Debt service	<u>\$ 4,536,176</u>
Business-type activities	
Restricted for	
Debt service	7,461,038
HRA/FSA monies	<u>443,225</u>
Total business-type activities restricted net position	<u>7,904,263</u>
Total restricted net position	<u>\$ 12,440,439</u>

NOTE 4: OTHER INFORMATION

A. 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 \$37.4 million in 2017.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

B. TAX INCREMENTAL FINANCING DISTRICTS

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.

Since creation of the above Districts, the City has provided various financing sources to the TID. Detail of the amounts recoverable by the City as of December 31, 2017 from future excess tax increment revenues of the TID's are as follows:

	<u>Tax Incremental District #4</u>	<u>Tax Incremental District #5</u>	<u>Tax Incremental District #6</u>
Net Unreimbursed (Reimbursed) Project Costs	<u>\$ 696,477</u>	<u>\$ 13,424,185</u>	<u>\$ 2,057,201</u>
	<u>Tax Incremental District #8</u>	<u>Tax Incremental District #9</u>	<u>ERTIF</u>
Net Unreimbursed (Reimbursed) Project Costs	<u>\$ 1,460,057</u>	<u>\$ 111,300</u>	<u>\$ 1,981,416</u>

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the Districts. Unless terminated by the City prior thereto, each TID has a statutory termination year as follows:

	<u>Termination Year</u>
TID No. 4	2023
TID No. 5	2030
TID No. 6	2026
TID No. 8	2033
TID No. 9	2043

C. 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.

D. ENTERPRISE FUNDS - SIGNIFICANT CUSTOMERS

Revenue from two industrial customers aggregated approximately 33% of total Electric Utility enterprise fund operating revenue in 2017. Current accounts receivable at December 31, 2017 includes approximately \$474,000 due from these customers.

City of Kaukauna, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

E. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued a new standard addressing accounting and financial reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment 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 OPEB liability. GASB No. 75 is effective for fiscal years beginning after June 15, 2017. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

City of Kaukauna, Wisconsin

SCHEDULE OF FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFIT PLAN FOR THE YEAR ENDED DECEMBER 31, 2017

Utilities' Plan

Actual Valuation Date January 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(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	61.39%
2010	-	2,141,160	0.00%	2,141,160	4,123,268	51.93%
2013	-	1,353,291	0.00%	1,353,291	4,360,213	31.04%
2016	-	1,067,409	0.00%	1,067,409	4,902,456	21.77%

City's Plan

Actual Valuation Date January 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(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	111.63%
2010	-	5,235,602	0.00%	5,235,602	4,674,201	112.01%
2013	-	5,691,683	0.00%	5,691,683	5,970,000	95.34%
2016	-	4,961,480	0.00%	4,961,480	6,957,939	71.31%

See notes to required supplementary information.

City of Kaukauna, Wisconsin

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017**

Utilities' Plan				
Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	
2013	\$ 126,037	\$ 175,879	71.66%	
2014	95,548	178,247	53.60%	
2015	69,486	179,034	38.81%	
2016	69,486	147,530	47.10%	
2017	69,486	147,498	47.11%	

City's Plan				
Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	
2013	\$ 395,745	\$ 739,267	53.53%	
2014	390,902	740,378	52.80%	
2015	347,383	741,688	46.84%	
2016	331,141	691,143	47.91%	
2017	299,155	699,029	42.80%	

See notes to required supplementary information.

City of Kaukauna, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered-Employee Payroll (plan year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
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%
12/31/17	0.09216838%	759,688	11,279,812	6.73%	99.12%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll (fiscal year)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
12/31/15	\$ 870,444	\$ 870,444	\$ -	\$ 10,808,317	8.05%
12/31/16	890,178	890,178	-	11,279,812	7.89%
12/31/17	962,860	962,860	-	11,297,910	8.52%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

There were no changes of benefit terms or assumptions 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

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

	Special Revenue			
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants
ASSETS				
Cash and investments	\$ 62,237	\$ 739,883	\$ 17,125	\$ 39,996
Restricted cash and investments	484,091	2,399	-	-
Receivables				
Taxes and special charges	84,677	2,845	-	-
Accounts, net	-	-	-	-
Special assessments	-	-	-	-
Loans	-	764,549	-	56,754
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 631,005</u>	<u>\$ 1,509,676</u>	<u>\$ 17,125</u>	<u>\$ 96,750</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 5,361	\$ 180	\$ -	\$ -
Accrued and other current liabilities	2,728	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	412,017	-	-	-
Total liabilities	<u>420,106</u>	<u>180</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	156,076	5,244	-	-
Loans receivable	-	764,549	-	56,754
Special assessments	-	-	-	-
Total deferred inflows of resources	<u>156,076</u>	<u>769,793</u>	<u>-</u>	<u>56,754</u>
Fund balances				
Committed	-	-	-	-
Assigned	54,823	739,703	17,125	39,996
Unassigned	-	-	-	-
Total fund balances	<u>54,823</u>	<u>739,703</u>	<u>17,125</u>	<u>39,996</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 631,005</u>	<u>\$ 1,509,676</u>	<u>\$ 17,125</u>	<u>\$ 96,750</u>

Special Revenue

CDBG Grant	Public Safety Grants	Library Foundation	Subdivision Fees	PACE Loan Fund	Grignon Home	Vehicle Registration	Solid Waste
\$ 38,785	\$ 111,419	\$ 40,976	\$ 52,041	\$ 38,091	\$ 7,519	\$ 99,326	\$ 40,772
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	272	-	-	-	-
267,780	-	-	-	528	-	-	-
-	-	-	-	-	-	-	58,673
-	-	-	-	-	-	-	-
<u>\$ 306,565</u>	<u>\$ 111,419</u>	<u>\$ 40,976</u>	<u>\$ 52,313</u>	<u>\$ 38,619</u>	<u>\$ 7,519</u>	<u>\$ 99,326</u>	<u>\$ 99,445</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 482	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	17,386	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	17,386	-	-	482	-	-
-	-	-	-	-	-	-	-
267,780	-	-	-	528	-	-	-
-	-	-	6,005	-	-	-	-
<u>267,780</u>	<u>-</u>	<u>-</u>	<u>6,005</u>	<u>528</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	46,308	-	-	-	-
38,785	111,419	-	-	38,091	7,037	99,326	99,445
-	-	23,590	-	-	-	-	-
<u>38,785</u>	<u>111,419</u>	<u>23,590</u>	<u>46,308</u>	<u>38,091</u>	<u>7,037</u>	<u>99,326</u>	<u>99,445</u>
<u>\$ 306,565</u>	<u>\$ 111,419</u>	<u>\$ 40,976</u>	<u>\$ 52,313</u>	<u>\$ 38,619</u>	<u>\$ 7,519</u>	<u>\$ 99,326</u>	<u>\$ 99,445</u>

City of Kaukauna, Wisconsin

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

	<u>Capital Projects</u>		
	<u>Industrial Park</u>	<u>Park Development</u>	<u>Special Assessments</u>
ASSETS			
Cash and investments	\$ 56	\$ 71,696	\$ 2,200,574
Restricted cash and investments	-	6,862	169,217
Receivables			
Taxes and special charges	-	8,138	200,686
Accounts, net	-	-	7
Special assessments	-	-	3,033,017
Loans	47,867	-	-
Due from other funds	240,000	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 287,923</u>	<u>\$ 86,696</u>	<u>\$ 5,603,501</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 2,925	\$ -
Accrued and other current liabilities	-	-	-
Due to other funds	567,830	-	11,086
Unearned revenues	-	-	-
Total liabilities	<u>567,830</u>	<u>2,925</u>	<u>11,086</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	-	15,000	369,904
Loans receivable	47,867	-	-
Special assessments	-	-	3,013,096
Total deferred inflows of resources	<u>47,867</u>	<u>15,000</u>	<u>3,383,000</u>
Fund balances			
Committed	-	-	-
Assigned	-	68,771	2,209,415
Unassigned	(327,774)	-	-
Total fund balances	<u>(327,774)</u>	<u>68,771</u>	<u>2,209,415</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 287,923</u>	<u>\$ 86,696</u>	<u>\$ 5,603,501</u>

Capital Projects

Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6	Tax Incremental District #7	Tax Incremental District #8	Tax Incremental District #9
\$ -	\$ 170,116	\$ 13,320	\$ -	\$ 737,942	\$ -
17,380	9,122	398,948	59,939	507	-
20,612	10,819	473,139	71,086	602	-
-	-	-	-	-	-
-	-	-	-	-	-
234,643	-	249,464	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 272,635</u>	<u>\$ 190,057</u>	<u>\$ 1,134,871</u>	<u>\$ 131,025</u>	<u>\$ 739,051</u>	<u>\$ -</u>
\$ 17	\$ -	\$ 521	\$ -	\$ 136,339	\$ -
-	-	-	-	-	-
456,103	3,669,300	-	-	301,392	111,300
-	-	-	-	-	-
<u>456,120</u>	<u>3,669,300</u>	<u>521</u>	<u>-</u>	<u>437,731</u>	<u>111,300</u>
37,992	19,941	872,087	131,025	1,109	-
-	-	249,464	-	-	-
-	-	-	-	-	-
<u>37,992</u>	<u>19,941</u>	<u>1,121,551</u>	<u>131,025</u>	<u>1,109</u>	<u>-</u>
-	-	-	-	-	-
-	-	12,799	-	300,211	-
<u>(221,477)</u>	<u>(3,499,184)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,300)</u>
<u>(221,477)</u>	<u>(3,499,184)</u>	<u>12,799</u>	<u>-</u>	<u>300,211</u>	<u>(111,300)</u>
<u>\$ 272,635</u>	<u>\$ 190,057</u>	<u>\$ 1,134,871</u>	<u>\$ 131,025</u>	<u>\$ 739,051</u>	<u>\$ -</u>

City of Kaukauna, Wisconsin

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	Capital Projects		
	Environmental Remediation TID	2015 Projects	2016 Projects
ASSETS			
Cash and investments	\$ 9	\$ -	\$ 10,493
Restricted cash and investments	32,443	-	-
Receivables			
Taxes and special charges	38,477	-	-
Accounts, net	-	-	-
Special assessments	-	-	-
Loans	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total assets	\$ 70,929	\$ -	\$ 10,493
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 14	\$ 14,939	\$ 10,493
Accrued and other current liabilities	-	-	-
Due to other funds	1,015,071	-	-
Unearned revenues	-	-	-
Total liabilities	1,015,085	14,939	10,493
Deferred inflows of resources			
Property taxes levied for subsequent year	70,920	-	-
Loans receivable	-	-	-
Special assessments	-	-	-
Total deferred inflows of resources	70,920	-	-
Fund balances			
Committed	-	-	-
Assigned	-	-	-
Unassigned	(1,015,076)	(14,939)	-
Total fund balances	(1,015,076)	(14,939)	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 70,929	\$ -	\$ 10,493

Capital Projects			Totals	
Equipment	Pool and Parks	Buildings and Miscellaneous	2017	2016
\$ 204,819	\$ 289,232	\$ 276,510	\$ 5,262,937	\$ 9,206,394
-	-	-	1,180,908	1,188,620
-	-	-	911,081	1,002,189
-	-	-	7	7
-	-	-	3,033,289	1,790,362
-	-	-	1,621,585	1,970,683
-	-	-	298,673	537,247
-	-	-	-	217,075
<u>\$ 204,819</u>	<u>\$ 289,232</u>	<u>\$ 276,510</u>	<u>\$ 12,308,480</u>	<u>\$ 15,912,577</u>
\$ 6,368	\$ 6,040	\$ -	\$ 183,679	\$ 949,057
-	-	-	2,728	2,897
-	-	-	6,149,468	5,385,381
-	-	-	412,017	416,869
<u>6,368</u>	<u>6,040</u>	<u>-</u>	<u>6,747,892</u>	<u>6,754,204</u>
-	-	-	1,679,298	1,814,505
-	-	-	1,386,942	1,970,683
-	-	-	3,019,101	1,798,731
-	-	-	6,085,341	5,583,919
-	283,192	-	329,500	91,369
198,451	-	276,510	4,311,907	8,417,230
-	-	-	(5,166,160)	(4,934,145)
<u>198,451</u>	<u>283,192</u>	<u>276,510</u>	<u>(524,753)</u>	<u>3,574,454</u>
<u>\$ 204,819</u>	<u>\$ 289,232</u>	<u>\$ 276,510</u>	<u>\$ 12,308,480</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, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	Special Revenue			
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants
REVENUES				
Taxes	\$ 146,989	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	25,000	-	-	-
Fines and forfeits	-	-	-	-
Public charges for services	14,910	-	-	-
Miscellaneous	35,068	190,377	-	4,854
Total revenues	<u>221,967</u>	<u>190,377</u>	<u>-</u>	<u>4,854</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	209,331	-	-	-
Conservation and development	-	164,923	1	10,089
Debt service				
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>209,331</u>	<u>164,923</u>	<u>1</u>	<u>10,089</u>
Excess of revenues over (under) expenditures	<u>12,636</u>	<u>25,454</u>	<u>(1)</u>	<u>(5,235)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,636	25,454	(1)	(5,235)
Fund balances - January 1	<u>42,187</u>	<u>714,249</u>	<u>17,126</u>	<u>45,231</u>
Fund balances - December 31	<u>\$ 54,823</u>	<u>\$ 739,703</u>	<u>\$ 17,125</u>	<u>\$ 39,996</u>

Special Revenue

CDBG Grant	Public Safety Grants	Library Foundation	Subdivision Fees	PACE Loan Fund	Grignon Home	Vehicle Registration	Solid Waste
\$ -	\$ -	\$ -	\$ 4,400	\$ -	\$ -	\$ 179,526	\$ -
-	-	-	14,268	-	-	-	-
-	-	-	-	-	-	-	-
-	11,600	-	-	-	-	-	-
-	10,492	-	-	-	-	-	349,573
<u>5</u>	<u>-</u>	<u>107,141</u>	<u>-</u>	<u>2,190</u>	<u>9,978</u>	<u>-</u>	<u>-</u>
<u>5</u>	<u>22,092</u>	<u>107,141</u>	<u>18,668</u>	<u>2,190</u>	<u>9,978</u>	<u>179,526</u>	<u>349,573</u>
-	12,254	-	-	-	-	-	-
-	-	-	-	-	-	-	131,364
-	-	68,610	63,729	-	18,726	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>12,254</u>	<u>68,610</u>	<u>63,729</u>	<u>-</u>	<u>18,726</u>	<u>-</u>	<u>131,364</u>
<u>5</u>	<u>9,838</u>	<u>38,531</u>	<u>(45,061)</u>	<u>2,190</u>	<u>(8,748)</u>	<u>179,526</u>	<u>218,209</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(150,000)	(178,188)
-	-	-	-	-	-	(150,000)	(178,188)
5	9,838	38,531	(45,061)	2,190	(8,748)	29,526	40,021
<u>38,780</u>	<u>101,581</u>	<u>(14,941)</u>	<u>91,369</u>	<u>35,901</u>	<u>15,785</u>	<u>69,800</u>	<u>59,424</u>
<u>\$ 38,785</u>	<u>\$ 111,419</u>	<u>\$ 23,590</u>	<u>\$ 46,308</u>	<u>\$ 38,091</u>	<u>\$ 7,037</u>	<u>\$ 99,326</u>	<u>\$ 99,445</u>

City of Kaukauna, Wisconsin

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Capital Projects</u>			
	<u>Industrial Park</u>	<u>Park Development</u>	<u>Special Assessments</u>	<u>Tax Incremental District #4</u>
REVENUES				
Taxes	\$ -	\$ 15,000	\$ -	\$ 18,567
Special assessments	-	-	1,126,824	-
Intergovernmental	-	-	-	3,360
Fines and forfeits	-	-	-	-
Public charges for services	-	-	-	26,583
Miscellaneous	109,433	-	66,248	21,500
Total revenues	<u>109,433</u>	<u>15,000</u>	<u>1,193,072</u>	<u>70,010</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	43,864
Conservation and development	-	-	-	235,158
Debt service				
Interest and fiscal charges	-	-	-	-
Capital outlay	2,586	3,691	3	2,700
Total expenditures	<u>2,586</u>	<u>3,691</u>	<u>3</u>	<u>281,722</u>
Excess of revenues over (under) expenditures	<u>106,847</u>	<u>11,309</u>	<u>1,193,069</u>	<u>(211,712)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	200,000
Premium on debt issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(2,111,534)	(33,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,111,534)</u>	<u>167,000</u>
Net change in fund balances	106,847	11,309	(918,465)	(44,712)
Fund balances - January 1	<u>(434,621)</u>	<u>57,462</u>	<u>3,127,880</u>	<u>(176,765)</u>
Fund balances - December 31	<u>\$ (327,774)</u>	<u>\$ 68,771</u>	<u>\$ 2,209,415</u>	<u>\$ (221,477)</u>

Capital Projects

Tax Incremental District #5	Tax Incremental District #6	Tax Incremental District #7	Tax Incremental District #8	Tax Incremental District #9	Environmental Remediation TID
\$ 17,822	\$ 840,444	\$ 8,311	\$ 125,434	\$ -	\$ 47,315
-	-	-	-	-	-
146	7,457	175	13,388	-	-
-	-	-	-	-	-
-	-	-	-	-	-
100,000	26,726	-	7,741	-	-
<u>117,968</u>	<u>874,627</u>	<u>8,486</u>	<u>146,563</u>	<u>-</u>	<u>47,315</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,266	128,804	18,465	6,917	100,000	9,249
-	-	-	-	-	-
-	61,892	-	37,712	-	18,099
<u>1,266</u>	<u>190,696</u>	<u>18,465</u>	<u>44,629</u>	<u>100,000</u>	<u>27,348</u>
<u>116,702</u>	<u>683,931</u>	<u>(9,979)</u>	<u>101,934</u>	<u>(100,000)</u>	<u>19,967</u>
-	-	-	1,765,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(565,688)</u>	<u>(665,038)</u>	<u>(10,451)</u>	<u>(1,596,300)</u>	<u>-</u>	<u>(104,375)</u>
<u>(565,688)</u>	<u>(665,038)</u>	<u>(10,451)</u>	<u>168,700</u>	<u>-</u>	<u>(104,375)</u>
(448,986)	18,893	(20,430)	270,634	(100,000)	(84,408)
<u>(3,050,198)</u>	<u>(6,094)</u>	<u>20,430</u>	<u>29,577</u>	<u>(11,300)</u>	<u>(930,668)</u>
<u>\$ (3,499,184)</u>	<u>\$ 12,799</u>	<u>\$ -</u>	<u>\$ 300,211</u>	<u>\$ (111,300)</u>	<u>\$ (1,015,076)</u>

City of Kaukauna, Wisconsin

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Capital Projects</u>			
	<u>2012 Projects</u>	<u>2014 Projects</u>	<u>2015 Projects</u>	<u>2016 Projects</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	-	-	522,111
Fines and forfeits	-	-	-	-
Public charges for services	-	-	-	-
Miscellaneous	<u>2,484</u>	<u>1,551</u>	<u>3,825</u>	<u>4,911</u>
Total revenues	<u>2,484</u>	<u>1,551</u>	<u>3,825</u>	<u>527,022</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Debt service				
Interest and fiscal charges	-	-	-	-
Capital outlay	<u>1,429</u>	<u>1,200</u>	<u>325,502</u>	<u>759,485</u>
Total expenditures	<u>1,429</u>	<u>1,200</u>	<u>325,502</u>	<u>759,485</u>
Excess of revenues over (under) expenditures	<u>1,055</u>	<u>351</u>	<u>(321,677)</u>	<u>(232,463)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Transfers in	-	-	616,076	2,993
Transfers out	<u>(835)</u>	<u>(35,037)</u>	<u>-</u>	<u>(65,035)</u>
Total other financing sources (uses)	<u>(835)</u>	<u>(35,037)</u>	<u>616,076</u>	<u>(62,042)</u>
Net change in fund balances	220	(34,686)	294,399	(294,505)
Fund balances - January 1	<u>(220)</u>	<u>34,686</u>	<u>(309,338)</u>	<u>294,505</u>
Fund balances - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,939)</u>	<u>\$ -</u>

Capital Projects				Totals	
2017 Projects	Equipment	Pool and Parks	Buildings and Miscellaneous	2017	2016
\$ -	\$ -	\$ -	\$ -	\$ 1,403,808	\$ 1,479,173
-	-	-	-	1,141,092	1,221,201
-	-	-	-	571,637	102,347
-	-	-	-	11,600	2,845
-	-	-	-	401,558	388,960
3,746	-	-	-	697,778	3,042,084
<u>3,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,227,473</u>	<u>6,236,610</u>
-	-	-	-	12,254	6,047
-	-	-	-	131,364	126,580
-	-	-	-	404,260	705,224
-	-	-	-	674,872	162,845
-	-	-	-	-	53,637
39,004	176,885	56,813	-	1,487,001	3,648,667
<u>39,004</u>	<u>176,885</u>	<u>56,813</u>	<u>-</u>	<u>2,709,751</u>	<u>4,703,000</u>
(35,258)	(176,885)	(56,813)	-	1,517,722	1,533,610
-	375,336	340,005	276,510	2,956,851	1,525,000
-	-	-	-	-	53,637
35,258	-	-	-	654,327	518,439
-	-	-	-	(5,515,481)	(2,296,807)
<u>35,258</u>	<u>375,336</u>	<u>340,005</u>	<u>276,510</u>	<u>(1,904,303)</u>	<u>(199,731)</u>
-	198,451	283,192	276,510	(386,581)	1,333,879
-	-	-	-	(138,172)	2,240,575
<u>\$ -</u>	<u>\$ 198,451</u>	<u>\$ 283,192</u>	<u>\$ 276,510</u>	<u>\$ (524,753)</u>	<u>\$ 3,574,454</u>

City of Kaukauna, Wisconsin

**DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,149,690	\$ 2,149,690	\$ 2,149,690	\$ -
EXPENDITURES				
Debt service				
Principal	5,340,000	5,340,000	4,138,625	1,201,375
Interest and fiscal charges	1,474,856	1,474,856	1,180,834	294,022
Total expenditures	6,814,856	6,814,856	5,319,459	1,495,397
Excess of revenues over (under) expenditures	(4,665,166)	(4,665,166)	(3,169,769)	1,495,397
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	1,565,000	1,565,000	-	(1,565,000)
Premium on debt issued	-	-	432,021	432,021
Transfers in	3,100,166	3,100,166	3,434,633	334,467
Total other financing sources (uses)	4,665,166	4,665,166	3,866,654	(798,512)
Net change in fund balance	-	-	696,885	696,885
Fund balance - January 1	4,029,390	4,029,390	4,029,390	-
Fund balance - December 31	\$ 4,029,390	\$ 4,029,390	\$ 4,726,275	\$ 696,885

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaukauna (the "City") as of and for the year ended December 31, 2017, and the related notes to the financial statements, dated August 13, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2017-001 and 2017-002 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City'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*.

CITY OF KAUKAUNA'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the City'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Green Bay, Wisconsin

August 13, 2018

City of Kaukauna, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

<u>FINDING NO.</u>	<u>CONTROL DEFICIENCIES</u>
2017-001	Preparation of Annual Financial Report
Condition:	Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the City contracts with us to compile the Wisconsin Municipal Report Form C and the Public Service Commission Report.
Criteria:	The preparation and review of the annual financial report, Municipal Financial Report, and Public Service Commission Report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.
Cause:	City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the City continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report, Municipal Financial Report and Public Service Commission Report.
Management Response:	Management believes that the cost of hiring additional staff to prepare year-end adjusting and closing entries and to prepare financial reports outweigh the benefits to be received. Management will continue to review financial statements and information prior to issuance.

City of Kaukauna, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2017

FINDING NO.	CONTROL DEFICIENCIES
2017-002	Adjustments to the City's Financial Records
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the City's financial statements.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	While City staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year-end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Effect:	Year-end financial records prepared by the City may contain material misstatements.
Recommendation:	We recommend the City continue to review the adjusting and closing entries. We are available to assist the individual in obtaining the understanding of these entries.
Management Response:	The Finance Director will continue to review adjusting and closing entries, as well as work to implement a month-end/year-end close process to minimize the amount of adjustments made to the City's Financial Records.

SECTION II. COMPLIANCE AND OTHER MATTERS

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2017.