

# City of Kaukauna, Wisconsin

## ANNUAL FINANCIAL REPORT

December 31, 2018

# City of Kaukauna, Wisconsin

DECEMBER 31, 2018

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# City of Kaukauna, Wisconsin

DECEMBER 31, 2018

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## 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, 2018, 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, 2018, 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.

**CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note 3.G to the financial statements, the City adopted new accounting guidance, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

**OTHER MATTERS****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the schedules relating to pensions and other postemployment benefits on pages 66 through 68 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.

**Prior Year Summarized Financial information**

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated August 13, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2019, 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 solely 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 effectiveness of the City's 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.



**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
August 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2018. You are encouraged to read this narrative in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

- The City's total net position decreased by \$159,183 to \$117,646,642; net position of governmental activities decreased \$2,562,006 to \$21,088,132 while business type activities net position increased \$2,402,823 to \$95,470,862.
- Total fund balance in governmental funds as of December 31, 2018 is \$11,168,917. Of this balance, \$37,344 is nonspendable, \$5,624,542 is restricted for debt service, \$1,375,729 is committed for improvements and equipment, \$4,830,800 is assigned to subsequent years' budgets, and unassigned and available for ongoing operations and capital improvement projects has a negative balance of \$699,498.
- General fund's total fund balance increased \$330,408 or 7.28%. The fund balance increase is due in part to the conservative budgeting approach of revenues/transfers allowing actual revenues and transfers to outpace the budgeted amounts. Furthermore, staff was able to hold expenditures close to the budgeted amounts.
- General fund revenues and operating transfers in for 2018 were over budget by \$1,317,591. Overall General fund expenditures and operating transfers out for 2018 were over budget by \$625,696 or 4.6% overall. Most expenditures were under budget primarily because of cost control measures in general government, public safety and culture and recreation. Public works, health and human services and non-departmental came in over budget.
- At the end of 2018, total fund balance for the general fund is \$4,863,395. The unassigned portion of fund balance \$4,426,051, increased \$479,510 or 12.2%, and it is equal to 32.3% of 2018 budgeted general fund expenditures.
- The City's outstanding general obligation debt increased \$1,615,000 from \$40,500,000 to \$42,115,000 for the fiscal year ended December 31, 2018. The city borrowed more general obligated debt in 2018 than it retired. This was primarily due to the large Street construction capital project and new Streets, Parks, and Recreation Office remodel project.
- The City's outstanding revenue bonds decreased \$3,155,000 from \$85,415,000 to \$82,260,000 for the fiscal year ended December 31, 2018.
- The Electric Utility's net position increased \$1,833,083 or 3.5% in 2018 as compared to 2017. This increase is in large part due to some favorable non-operating expenses in addition to an increase in operating revenue.
- The Water Utility's net position increased \$223,561 or 1.0% in 2018 as compared to 2017. This increase was due to an increase in operating revenue.
- The Electric Utility's cash and cash equivalents decreased \$3,036,604 in 2018. Most cash flow activities remained the same when compared to 2017. The decrease mentioned above is primarily from previously borrowed long term debt proceeds being spending on capital projects in 2018.
- The Water Utility's cash and cash equivalents decreased by \$1,753,843 in 2018. This significant decrease in case is also due to spending of long term bond proceeds in 2018.



# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**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 14 - 16 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 32 individual governmental type funds during 2018. 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 28 governmental type funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found later in this report.

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

The basic governmental fund financial statements can be found on pages 17 - 23 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 24 - 30 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 31 - 65 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 70 - 81 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 \$117,646,642 at yearend December 31, 2018.

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Current and other assets	\$ 46,986,534	\$ 44,677,217	\$ 42,613,828	\$ 43,373,966	\$ 89,600,362	\$ 88,051,183
Capital assets	52,701,698	50,907,590	147,727,986	143,560,603	200,429,684	194,468,193
<b>TOTAL ASSETS</b>	<b>99,688,232</b>	<b>95,584,807</b>	<b>190,341,814</b>	<b>186,934,569</b>	<b>290,030,046</b>	<b>282,519,376</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pension	3,363,968	3,831,505	1,734,069	4,200,259	5,098,037	8,031,764
<b>LIABILITIES</b>						
Noncurrent liabilities	46,923,748	41,505,736	88,641,092	90,496,310	135,564,840	132,002,046
Other liabilities	17,416,165	18,732,213	6,098,494	6,754,516	23,514,659	25,486,729
<b>TOTAL LIABILITIES</b>	<b>64,339,913</b>	<b>60,237,949</b>	<b>94,739,586</b>	<b>97,250,826</b>	<b>159,079,499</b>	<b>157,488,775</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes	12,946,482	12,849,424	-	-	12,946,482	12,849,424
Pension	3,590,025	1,591,153	1,865,435	815,963	5,455,460	2,407,116
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>16,536,507</b>	<b>14,440,577</b>	<b>1,865,435</b>	<b>815,963</b>	<b>18,401,942</b>	<b>15,256,540</b>
<b>NET POSITION</b>						
Net investment in capital assets	15,077,836	14,415,725	67,373,046	66,465,864	82,450,882	80,881,589
Restricted	7,266,888	4,536,176	8,785,075	7,904,263	16,051,963	12,440,439
Unrestricted	(168,944)	5,785,885	19,312,741	18,697,912	19,143,797	24,483,797
<b>TOTAL NET POSITION</b>	<b>\$ 22,175,780</b>	<b>\$ 24,737,786</b>	<b>\$ 95,470,862</b>	<b>\$ 93,068,039</b>	<b>\$ 117,646,642</b>	<b>\$ 117,805,825</b>

# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Management's Analysis**

By far the largest portion of the City's total net position, \$82,008,855 or 69.7%, 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 \$1,127,266 or 1.39 %. 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, \$16,051,963 or 13.6% represents resources that are subject to restrictions regarding their use. The remaining balance of unrestricted net position, \$19,585,824 or 16.7% 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 \$2,402,823 to \$95,470,862 in 2018, an increase of 2.6%. 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.

# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 2,002,017	\$ 2,057,235	\$ 56,283,543	\$ 63,728,146	\$ 58,285,560	\$ 65,785,381
Operating grants and contributions	1,233,132	1,503,537	-	-	1,233,132	1,503,537
Capital grants and contributions	761,018	2,371,954	308,564	524,943	1,069,582	2,896,897
General revenues						
Property taxes	10,013,569	9,325,941	-	-	10,013,569	9,325,941
Other taxes	326,523	152,221	-	-	326,523	152,221
State and federal aids not restricted to specific functions	2,549,805	2,569,054	-	-	2,549,805	2,569,054
Interest and investment earnings	342,601	246,014	750,844	517,353	1,093,445	763,367
Gain on sale of capital assets	24,000	-	-	-	24,000	-
Miscellaneous	777,233	203,846	-	-	777,233	203,846
<b>TOTAL REVENUES</b>	<b>18,029,898</b>	<b>18,429,802</b>	<b>57,342,951</b>	<b>64,770,442</b>	<b>75,372,849</b>	<b>83,200,244</b>
<b>EXPENSES</b>						
General government	3,542,301	3,731,708	-	-	3,542,301	3,731,708
Public safety	5,863,676	5,761,355	-	-	5,863,676	5,761,355
Public works	4,764,441	5,885,069	-	-	4,764,441	5,885,069
Health and human services	8,499	4,009	-	-	8,499	4,009
Culture and recreation	2,570,938	2,679,326	-	-	2,570,938	2,679,326
Development	1,618,934	1,026,514	-	-	1,618,934	1,026,514
Interest on debt	1,166,678	1,114,905	-	-	1,166,678	1,114,905
Electric utility	-	-	44,971,381	53,132,376	44,971,381	53,132,376
Water utility	-	-	3,254,891	2,884,291	3,254,891	2,884,291
Storm water utility	-	-	544,828	556,314	544,828	556,314
Sanitary sewer utility	-	-	2,678,764	2,697,485	2,678,764	2,697,485
<b>TOTAL EXPENSES</b>	<b>19,535,467</b>	<b>20,202,886</b>	<b>51,449,864</b>	<b>59,270,466</b>	<b>70,985,331</b>	<b>79,473,352</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>						
<b>BEFORE TRANSFERS</b>	<b>(1,505,569)</b>	<b>(1,773,084)</b>	<b>5,893,087</b>	<b>5,499,976</b>	<b>4,387,518</b>	<b>3,726,892</b>
<b>TRANSFERS</b>	<b>2,593,217</b>	<b>2,507,658</b>	<b>(2,593,217)</b>	<b>(2,507,658)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>1,087,648</b>	<b>734,574</b>	<b>3,299,870</b>	<b>2,992,318</b>	<b>4,387,518</b>	<b>3,726,892</b>
<b>BEGINNING NET POSITION</b>	<b>24,737,786</b>	<b>24,003,212</b>	<b>93,068,039</b>	<b>90,075,721</b>	<b>117,805,825</b>	<b>114,078,933</b>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<b>(3,649,654)</b>	<b>-</b>	<b>(897,047)</b>	<b>-</b>	<b>(4,546,701)</b>	<b>-</b>
<b>ENDING NET POSITION</b>	<b>\$ 22,175,780</b>	<b>\$ 24,737,786</b>	<b>\$ 95,470,862</b>	<b>\$ 93,068,039</b>	<b>\$ 117,646,642</b>	<b>\$ 117,805,825</b>

# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Management's Analysis

The decrease in net position for governmental activities for year ended December 31, 2018 was at 10.4% compared to previous years increase in net position of 3.0% for year ended December 31, 2017. Current year activity increased net position by \$1,087,648. The cumulative effect of the change in accounting principle related to OPEB decreased beginning net position by \$3,649,654.

Business-type activities growth in net position for year ended December 31, 2018 was 3.5% compared with 3.3% for year ended December 31, 2017. 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 \$7,427,491 or 11.7% 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 1/1/2018	Issued in 2018	Retired in 2018	Outstanding 12/31/2018	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation notes	\$ 17,133,538	\$ -	\$ 1,869,843	\$ 15,263,695	\$ 2,117,165
General obligation bonds	20,018,077	5,500,000	1,788,165	23,729,912	1,840,317
Premium	646,895	152,002	96,406	702,491	-
Compensated absences	584,815	-	4,698	580,117	145,029
<b>TOTAL GOVERNMENTAL ACTIVITIES DEBT</b>	<b>\$ 38,383,325</b>	<b>\$ 5,652,002</b>	<b>\$ 3,759,112</b>	<b>\$ 40,276,215</b>	<b>\$ 4,102,511</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation notes	\$ 966,462	\$ -	\$ 380,158	\$ 586,304	\$ 417,835
General obligation bonds	2,381,923	550,000	396,834	2,535,089	349,513
Revenue bonds	85,415,000	11,320,000	14,475,000	82,260,000	3,690,000
Premium	916,400	868,995	60,669	1,724,726	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES DEBT</b>	<b>\$ 89,679,785</b>	<b>\$ 12,738,995</b>	<b>\$ 15,312,661</b>	<b>\$ 87,106,119</b>	<b>\$ 4,457,348</b>

### Management's Analysis

Overall, long-term obligations decreased from \$128,063,110 in 2017 to \$127,382,334 in 2018. Governmental activities outstanding debt increased \$1,892,890 or 4.93%. Whereas the business-type activities outstanding debt decreased \$2,573,666 or 2.87%. 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 \$42,115,000 is 77.3% 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 \$2,500,000 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 2018	Actual 2018	Budget Variance Position (Negative)
<b>REVENUES</b>			
Taxes	\$ 6,261,571	\$ 6,442,471	\$ 180,900
Intergovernmental	3,686,427	3,693,937	7,510
Licenses and permits	347,400	400,895	53,495
Fines and forfeits	119,000	120,405	1,405
Changes for services	871,775	959,111	87,336
Other	193,000	88,830	(104,170)
Transfers in	1,856,142	2,687,257	831,115
<b>TOTAL REVENUES</b>	<b>13,335,315</b>	<b>14,392,906</b>	<b>1,057,591</b>
<b>EXPENDITURES</b>			
General government	2,035,956	2,014,929	21,027
Public safety	5,711,704	5,517,609	194,095
Public Works	2,816,322	3,318,622	(502,300)
Health and welfare	2,500	8,499	(5,999)
Culture and recreation	2,395,251	2,099,229	296,022
Non-departmental	735,068	1,103,610	(368,542)
<b>TOTAL EXPENDITURES</b>	<b>13,696,801</b>	<b>14,062,498</b>	<b>(365,697)</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>\$ (361,486)</b>	<b>\$ 330,408</b>	<b>\$ 691,894</b>

#### Management's Analysis

The 2018 general fund budget to actual comparison is showing a larger surplus than in previous years at \$691,894

Revenue Variances – Intergovernmental, licenses and permit, and charges for services were over budget because of conservative budgeting.

Expenditure Variances – The general fund expenditure budget was under budget because most general government departments spent less than they budgeted. Public works department was the one area that was significantly over budget that is due in large part to more hours worked than planned/budgeted.

# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### General Fund Budgetary Analysis

Within the public works budget, street maintenance, refuse disposal, and street lighting were over budget. The rest of the accounts were under budget. The overage was mainly due to additional hours worked and different actual benefits selected than what was budgeted.

Within the culture and recreation budget youth sports, Athletic Field, and swimming pool were under budget. Adult Sports, Dance, and Library, were over budget.

### Debt Service Fund Budgetary Analysis

	Final Budget 2018	Actual 2018	Budget Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 3,349,649	\$ 2,544,805	\$ (804,844)
<b>EXPENDITURES</b>			
Debt service principal	5,185,000	3,658,008	1,526,992
Debt service interest	1,846,291	1,261,383	584,908
<b>TOTAL EXPENDITURES</b>	<b>7,031,291</b>	<b>4,919,391</b>	<b>2,111,900</b>
Excess (Deficit) of Revenues Over Expenditures	(3,681,642)	(2,374,586)	1,307,056
<b>OTHER FINANCING SOURCES</b>			
Premium on debt issued	200,000	112,812	(87,188)
Transfers in	3,481,642	2,741,327	(740,315)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>3,681,642</b>	<b>2,854,139</b>	<b>(827,503)</b>
Net Change in Fund Balance	\$ -	\$ 479,553	\$ 479,553

### 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

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### 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, 2018, the City's governmental funds reported combined year ending fund balance of \$11,168,917, a increase of \$2,289,281 for the calendar year 2018. Of the total fund balance, the unassigned fund balance is a negative \$699,498, 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, \$37,344
- Restricted for debt service, \$5,624,542
- Committed, \$1,375,729
- Assigned, \$4,830,800

### Fund Balance Analysis – General Fund

The total general fund balance increased from \$4,532,987 at calendar year end 2017 to \$4,863,395 for calendar year end 2018. The city council adopted a policy in 2010 to maintain the fund balance at 15% of the operating budget. Fifteen percent of the 2018 operating budget is \$2,131,266. The unassigned general fund balance as of December 31, 2018 was \$4,426,051. The year-end fund balance for 2018 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 2018. Unassigned fund balance equals 32.3% of budgeted expenditures while total fund balance represents 35.5% of budgeted expenditures for 2018.

### Fund Balance Analysis – Debt Service Fund

The debt service fund balance has a balance of \$5,205,828 at year-end 2018, 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 2018 fund balance of \$1,875,434. The combined fund balance for special revenue funds increased \$559,797 for calendar year ended. The largest contributing fund balance increased included the environmental center as a change in accounting practice recognized all donations as revenue rather than deferred revenue. This increased the fund balance \$473,055.

### Fund Balance Analysis – Capital Project Funds

The combined non-major capital project funds have a calendar year end 2018 fund deficit of \$1,606,968. In the industrial park fund, deficit balance of \$282,397 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, 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, 2018, net of accumulated depreciation is \$200,429,684 outstanding debt and debt premium related to the purchase of capital assets is \$117,978,802 or 58.9% of asset value net of accumulated depreciation. Governmental activities capital assets increased in 2018 by \$1,794,018 from \$50,907,590 to \$52,701,698. The increase is because of the construction/remodel of the new Streets, Parks, Recreation Office building. The net increase of \$4,167,383 in business-type activities capital assets from \$143,560,603 to \$147,727,986 for the calendar year ended 2018 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 \$1.09 Billion (see following schedule), averaged a 1.23% 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 four years (2015-2018), the city saw an average increase of 4.65%. 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.

Assessment Year	Equalized Value Including TID's	% Change	Equalized Value Excluding TID's	% Change
2018	\$ 1,088,457,300	5.88%	\$ 1,034,627,000	5.50%
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%

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

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

### REQUESTS FOR INFORMATION

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

**BASIC FINANCIAL STATEMENTS**

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# City of Kaukauna, Wisconsin

STATEMENT OF NET POSITION  
 DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Totals		Component Unit
			2018	2017	Redevelopment Authority
<b>ASSETS</b>					
Cash and investments	\$ 17,264,533	\$ 13,460,579	\$ 30,725,112	\$ 28,957,659	\$ 56,175
Receivables					
Taxes and special charges	15,870,679	21,112	15,891,791	15,941,101	-
Delinquent taxes	27,033	-	27,033	6,163	-
Accounts, net	414,152	4,977,285	5,391,437	4,770,074	-
Special assessments	2,569,095	-	2,569,095	3,033,289	-
Loans	1,478,172	-	1,478,172	1,621,585	-
Internal balances	786,576	(786,576)	-	-	-
Due from other governments	762,424	-	762,424	497,925	-
Inventories and prepaid items	37,344	3,242,774	3,280,118	3,498,020	-
Investment in ATC LLC	-	280,710	280,710	3,115,324	-
Nonutility plant, net	-	3,330,290	3,330,290	287,594	-
Regulatory asset	-	1,981,221	1,981,221	2,201,357	-
Restricted assets					
Cash and investments	5,964,790	15,165,026	21,129,816	26,322,449	774,918
Net pension asset	1,811,736	941,407	2,753,143	-	-
Capital assets, nondepreciable	6,181,247	7,492,936	13,674,183	21,953,790	1,000,000
Capital assets, depreciable	46,520,451	140,235,050	186,755,501	172,514,403	9,163,352
Total assets	99,688,232	190,341,814	290,030,046	284,720,733	10,994,445
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related amounts	3,317,693	1,710,023	5,027,716	5,830,407	-
Other postemployment related amounts	46,275	24,046	70,321	-	-
Total deferred outflows of resources	3,363,968	1,734,069	5,098,037	5,830,407	-
<b>LIABILITIES</b>					
Accounts payable	1,466,900	2,589,172	4,056,072	6,386,949	-
Accrued and other current liabilities	839,410	673,694	1,513,104	1,475,078	-
Due to other governments	14,940,465	-	14,940,465	14,733,223	-
Accrued interest payable	169,390	222,541	391,931	413,557	30,945
Customer deposits	-	615,986	615,986	543,517	-
Unearned revenues	-	1,997,101	1,997,101	1,934,405	-
Long-term obligations					
Due within one year	4,102,511	4,457,348	8,559,859	8,285,001	425,000
Due in more than one year	36,173,704	82,648,771	118,822,475	119,778,109	8,985,104
Net pension liability	-	-	-	759,688	-
Other postemployment benefits	6,647,533	1,534,973	8,182,506	3,179,248	-
Total liabilities	64,339,913	94,739,586	159,079,499	157,488,775	9,441,049
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes levied for subsequent year	12,946,482	-	12,946,482	12,849,424	-
Pension related amounts	3,575,604	1,857,942	5,433,546	2,407,116	-
Other postemployment related amounts	14,421	7,493	21,914	-	-
Total deferred inflows of resources	16,536,507	1,865,435	18,401,942	15,256,540	-
<b>NET POSITION</b>					
Net investment in capital assets	15,077,836	67,373,046	82,450,882	80,881,589	1,528,166
Restricted	7,266,888	8,785,075	16,051,963	12,440,439	-
Unrestricted	(168,944)	19,312,741	19,143,797	24,483,797	25,230
Total net position	\$ 22,175,780	\$ 95,470,862	\$ 117,646,642	\$ 117,805,825	\$ 1,553,396

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, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 3,542,301	\$ 256,903	\$ -	\$ -
Public safety	5,863,676	976,779	59,708	5,788
Public works	4,764,441	434,323	859,218	752,480
Health and human services	8,499	10,438	-	-
Culture and recreation	2,570,938	323,044	301,064	2,750
Conservation and development	1,618,934	530	13,142	-
Interest and fiscal charges	1,166,678	-	-	-
Total governmental activities	19,535,467	2,002,017	1,233,132	761,018
<b>BUSINESS-TYPE ACTIVITIES</b>				
Electric utility	44,971,381	47,727,673	-	301,766
Water utility	3,254,891	3,916,835	-	-
Storm water utility	544,679	1,156,716	-	-
Sanitary sewer utility	2,678,913	3,482,319	-	6,798
Total business-type activities	51,449,864	56,283,543	-	308,564
Total primary government	\$ 70,985,331	\$ 58,285,560	\$ 1,233,132	\$ 1,069,582
Component Unit				
Redevelopment Authority	\$ 376,307	\$ -	\$ 804,844	\$ -
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				
<b>Change in net position</b>				
<b>Net position - January 1</b>				
<b>Cumulative effect of change in accounting principle</b>				
<b>Net position - January 1, restated</b>				
<b>Net position - December 31</b>				

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
		2018	2017	
\$ (3,285,398)	\$ -	\$ (3,285,398)	\$ (3,506,208)	\$ -
(4,821,401)	-	(4,821,401)	(4,811,160)	-
(2,718,420)	-	(2,718,420)	(1,792,991)	-
1,939	-	1,939	(3,156)	-
(1,944,080)	-	(1,944,080)	(2,033,168)	-
(1,605,262)	-	(1,605,262)	(1,008,572)	-
(1,166,678)	-	(1,166,678)	(1,114,905)	-
<u>(15,539,300)</u>	<u>-</u>	<u>(15,539,300)</u>	<u>(14,270,160)</u>	<u>-</u>
-	3,058,058	3,058,058	2,864,801	-
-	661,944	661,944	894,547	-
-	612,037	612,037	516,057	-
-	810,204	810,204	707,218	-
<u>-</u>	<u>5,142,243</u>	<u>5,142,243</u>	<u>4,982,623</u>	<u>-</u>
<u>(15,539,300)</u>	<u>5,142,243</u>	<u>(10,397,057)</u>	<u>(9,287,537)</u>	<u>-</u>
-	-	-	-	428,537
10,013,569	-	10,013,569	9,325,941	-
326,523	-	326,523	152,221	-
2,549,805	-	2,549,805	2,569,054	-
342,601	750,844	1,093,445	763,367	1,127
777,233	-	777,233	188,118	-
24,000	-	24,000	15,728	-
<u>2,593,217</u>	<u>(2,593,217)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>16,626,948</u>	<u>(1,842,373)</u>	<u>14,784,575</u>	<u>13,014,429</u>	<u>1,127</u>
1,087,648	3,299,870	4,387,518	3,726,892	429,664
24,737,786	93,068,039	117,805,825	114,078,933	1,123,732
<u>(3,649,654)</u>	<u>(897,047)</u>	<u>(4,546,701)</u>	<u>-</u>	<u>-</u>
<u>21,088,132</u>	<u>92,170,992</u>	<u>113,259,124</u>	<u>114,078,933</u>	<u>-</u>
<u>\$ 22,175,780</u>	<u>\$ 95,470,862</u>	<u>\$ 117,646,642</u>	<u>\$ 117,805,825</u>	<u>\$ 1,553,396</u>

# City of Kaukauna, Wisconsin

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Space Needs</u>
<b>ASSETS</b>			
Cash and investments	\$ 9,500,352	\$ -	\$ 1,484,136
Restricted cash and investments	3,314,741	1,327,503	-
Receivables			
Taxes and special charges	13,407,386	1,500,488	-
Delinquent taxes	27,033	-	-
Accounts, net	414,079	-	-
Special assessments	-	-	-
Loans	-	-	-
Due from other funds	2,551,447	5,247,839	-
Due from other governments	6,723	-	-
Inventories and prepaid items	37,344	-	-
	<u>\$ 29,259,105</u>	<u>\$ 8,075,830</u>	<u>\$ 1,484,136</u>
Total assets			
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 252,885	\$ -	\$ 855,382
Accrued and other current liabilities	834,818	-	-
Due to other funds	63,662	42,011	-
Due to other governments	14,940,465	-	-
Unearned revenues	-	-	-
	<u>16,091,830</u>	<u>42,011</u>	<u>855,382</u>
Total liabilities			
Deferred inflows of resources			
Property taxes levied for subsequent year	8,303,880	2,827,991	-
Loans receivable	-	-	-
Special assessments	-	-	-
	<u>8,303,880</u>	<u>2,827,991</u>	<u>-</u>
Total deferred inflows of resources			
Fund balances			
Nonspendable	37,344	-	-
Restricted	-	5,205,828	-
Committed	-	-	-
Assigned	400,000	-	628,754
Unassigned	4,426,051	-	-
	<u>4,863,395</u>	<u>5,205,828</u>	<u>628,754</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,259,105</u>	<u>\$ 8,075,830</u>	<u>\$ 1,484,136</u>

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

Streets and Sidewalks	Other Governmental Funds	Totals	
		2018	2017
\$ -	\$ 6,280,045	\$ 17,264,533	\$ 17,089,438
-	1,322,546	5,964,790	5,671,306
-	962,805	15,870,679	15,910,506
-	-	27,033	6,163
-	73	414,152	265,233
-	2,569,095	2,569,095	3,033,289
-	1,478,172	1,478,172	1,621,585
792,020	299,302	8,890,608	7,140,266
755,701	-	762,424	497,925
-	-	37,344	186,446
<u>\$ 1,547,721</u>	<u>\$ 12,912,038</u>	<u>\$ 53,278,830</u>	<u>\$ 51,422,157</u>
\$ 122,272	\$ 236,361	\$ 1,466,900	\$ 2,490,093
-	4,592	839,410	906,781
1,222,975	6,775,384	8,104,032	6,744,940
-	-	14,940,465	14,733,223
-	-	-	412,017
<u>1,345,247</u>	<u>7,016,337</u>	<u>25,350,807</u>	<u>25,287,054</u>
-	1,814,611	12,946,482	12,849,424
-	1,243,529	1,243,529	1,386,942
-	2,569,095	2,569,095	3,019,101
-	5,627,235	16,759,106	17,255,467
-	-	37,344	186,446
-	418,714	5,624,542	4,726,275
202,474	1,173,255	1,375,729	329,500
-	3,802,046	4,830,800	5,443,019
-	(5,125,549)	(699,498)	(1,805,604)
<u>202,474</u>	<u>268,466</u>	<u>11,168,917</u>	<u>8,879,636</u>
<u>\$ 1,547,721</u>	<u>\$ 12,912,038</u>	<u>\$ 53,278,830</u>	<u>\$ 51,422,157</u>

# City of Kaukauna, Wisconsin

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	<b>2018</b>	<b>2017</b>
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION</b>		
Total fund balances as shown on previous page	\$ 11,168,917	\$ 8,879,636
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.	52,701,698	50,907,590
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Loans receivable	1,243,529	1,386,942
Special assessments	2,569,095	3,019,101
Net pension asset	1,811,736	-
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	3,317,693	3,831,505
Deferred inflows related to pensions	(3,575,604)	(1,591,153)
Deferred outflows related to other postemployment benefits	46,275	-
Deferred inflows related to other postemployment benefits	(14,421)	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(38,993,607)	(37,151,615)
Premium on debt	(702,491)	(646,895)
Compensated absences	(580,117)	(584,815)
Net pension liability	-	(502,169)
Other postemployment benefit	(6,647,533)	(2,620,242)
Accrued interest on long-term obligations	(169,390)	(190,099)
Net position of governmental activities as reported on the statement of net position (see page 14)	<b>\$ 22,175,780</b>	<b>\$ 24,737,786</b>

*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, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Space Needs</u>
<b>REVENUES</b>			
Taxes	\$ 6,442,471	\$ 2,544,805	\$ -
Special assessments	-	-	-
Intergovernmental	3,693,937	-	-
Licenses and permits	400,895	-	-
Fines and forfeits	120,405	-	-
Public charges for services	959,111	-	-
Miscellaneous	88,830	-	103,301
Total revenues	<u>11,705,649</u>	<u>2,544,805</u>	<u>103,301</u>
<b>EXPENDITURES</b>			
Current			
General government	2,014,929	-	-
Public safety	5,517,609	-	-
Public works	3,318,622	-	-
Health and human services	8,499	-	-
Culture and recreation	2,099,229	-	-
Conservation and development	-	-	-
Nondepartmental	1,103,610	-	-
Debt service			
Principal	-	3,658,008	-
Interest and fiscal charges	-	1,261,383	-
Capital outlay	-	-	2,180,659
Total expenditures	<u>14,062,498</u>	<u>4,919,391</u>	<u>2,180,659</u>
Excess of revenues over (under) expenditures	<u>(2,356,849)</u>	<u>(2,374,586)</u>	<u>(2,077,358)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term debt issued	-	-	1,715,000
Premium on debt issued	-	112,812	-
Transfers in	2,947,257	2,741,327	260,000
Transfers out	(260,000)	-	-
Total other financing sources (uses)	<u>2,687,257</u>	<u>2,854,139</u>	<u>1,975,000</u>
<b>Net change in fund balances</b>	<b>330,408</b>	<b>479,553</b>	<b>(102,358)</b>
<b>Fund balances - January 1</b>	<u>4,532,987</u>	<u>4,726,275</u>	<u>731,112</u>
<b>Fund balances - December 31</b>	<u><u>\$ 4,863,395</u></u>	<u><u>\$ 5,205,828</u></u>	<u><u>\$ 628,754</u></u>

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

Streets and Sidewalks	Other Governmental Funds	Totals	
		2018	2017
\$ -	\$ 1,533,624	\$ 10,520,900	\$ 9,657,688
-	1,202,934	1,202,934	1,141,092
-	49,709	3,743,646	4,003,989
-	-	400,895	325,474
-	5,520	125,925	141,200
7,054	470,881	1,437,046	1,545,925
38,836	1,560,245	1,791,212	754,813
<u>45,890</u>	<u>4,822,913</u>	<u>19,222,558</u>	<u>17,570,181</u>
-	-	2,014,929	1,893,183
-	1,219	5,518,828	5,455,233
-	4,402	3,323,024	3,075,341
-	-	8,499	4,009
-	339,434	2,438,663	2,565,483
-	139,335	139,335	674,872
-	-	1,103,610	1,274,512
-	-	3,658,008	4,138,625
-	22,410	1,283,793	1,180,834
1,822,400	1,686,748	5,689,807	13,521,171
<u>1,822,400</u>	<u>2,193,548</u>	<u>25,178,496</u>	<u>33,783,263</u>
<u>(1,776,510)</u>	<u>2,629,365</u>	<u>(5,955,938)</u>	<u>(16,213,082)</u>
1,090,000	2,695,000	5,500,000	10,015,000
-	39,190	152,002	432,021
1,476,619	141,650	7,566,853	8,023,139
(1,650)	(4,711,986)	(4,973,636)	(5,515,481)
<u>2,564,969</u>	<u>(1,836,146)</u>	<u>8,245,219</u>	<u>12,954,679</u>
788,459	793,219	2,289,281	(3,258,403)
<u>(585,985)</u>	<u>(524,753)</u>	<u>8,879,636</u>	<u>12,138,039</u>
<u>\$ 202,474</u>	<u>\$ 268,466</u>	<u>\$ 11,168,917</u>	<u>\$ 8,879,636</u>

# City of Kaukauna, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
<b>RECONCILIATION TO THE STATEMENT OF ACTIVITIES</b>		
Net change in fund balances as shown on previous page	\$ 2,289,281	\$ (3,258,403)
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	5,367,824	12,643,901
Depreciation expense reported in the statement of activities	(2,092,472)	1,937,996
Net book value of disposals	(1,481,244)	(69,772)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(593,419)	636,629
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	(5,500,000)	(10,015,000)
Principal repaid	3,658,008	4,138,625
Interest accrued on long term debt	20,709	(39,114)
Premium on debt issued, including current year amortization	(55,596)	(326,978)
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:		
Compensated absences	4,698	37,987
Net pension liability (asset)	2,313,905	459,956
Deferred outflows of resources related to pensions	(513,812)	(1,653,820)
Deferred inflows of resources related to pensions	(1,984,451)	435,292
Other postemployment benefits	(377,637)	(328,179)
Deferred outflows of resources related to other postemployment benefits	46,275	-
Deferred inflows of resources related to other postemployment benefits	(14,421)	-
Change in net position of governmental activities as reported in the statement of activities (see pages 15 - 16)	<u>\$ 1,087,648</u>	<u>\$ 4,599,120</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, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
<b>REVENUES</b>					
Taxes	\$ 6,261,571	\$ 6,261,571	\$ 6,442,471	\$ 180,900	\$ 5,965,970
Intergovernmental	3,686,427	3,686,427	3,693,937	7,510	3,432,352
Licenses and permits	347,400	347,400	400,895	53,495	325,474
Fines and forfeits	119,000	119,000	120,405	1,405	129,600
Public charges for services	871,775	871,775	959,111	87,336	1,144,367
Miscellaneous	193,000	193,000	88,830	(104,170)	35,065
Total revenues	11,479,173	11,479,173	11,705,649	226,476	11,032,828
<b>EXPENDITURES</b>					
Current					
General government	2,035,956	2,035,956	2,014,929	21,027	1,893,183
Public safety	5,711,704	5,711,704	5,517,609	194,095	5,442,979
Public works	2,816,322	2,816,322	3,318,622	(502,300)	2,943,977
Health and human services	2,500	2,500	8,499	(5,999)	4,009
Culture and recreation	2,395,251	2,395,251	2,099,229	296,022	2,161,223
Nondepartmental	735,068	735,068	1,103,610	(368,542)	1,274,512
Total expenditures	13,696,802	13,696,802	14,062,498	(365,696)	13,719,883
Excess of revenues under expenditures	(2,217,629)	(2,217,629)	(2,356,849)	(139,220)	(2,687,055)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,856,142	1,856,142	2,947,257	1,091,115	2,685,847
Transfers out	-	-	(260,000)	(260,000)	-
Total other financing sources (uses)	1,856,142	1,856,142	2,687,257	831,115	2,685,847
<b>Net change in fund balance</b>	(361,487)	(361,487)	330,408	691,895	(1,208)
<b>Fund balance - January 1</b>	4,532,987	4,532,987	4,532,987	-	4,534,195
<b>Fund balance - December 31</b>	<u>\$ 4,171,500</u>	<u>\$ 4,171,500</u>	<u>\$ 4,863,395</u>	<u>\$ 691,895</u>	<u>\$ 4,532,987</u>

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, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Electric	Water	Stormwater	Sanitary	Totals	
	Utility	Utility	Utility	Sewer Utility	2018	2017
<b>ASSETS</b>						
Current assets						
Cash and investments	\$ 8,217,927	\$ 1,796,282	\$ 543,473	\$ 2,902,897	\$ 13,460,579	\$ 11,868,221
Receivables						
Taxes and special charges	-	-	3,847	17,265	21,112	30,595
Accounts, net	4,126,456	710,828	-	140,001	4,977,285	4,504,841
Due from other funds	43,907	30,974	195,442	545,864	816,187	1,147,159
Inventories and prepaid items	3,114,971	127,803	-	-	3,242,774	3,311,574
Total current assets	15,503,261	2,665,887	742,762	3,606,027	22,517,937	20,862,390
Noncurrent assets						
Restricted assets						
Cash and investments	11,901,750	2,218,516	523,485	521,275	15,165,026	20,651,143
Other assets						
Investment in ATC LLC	3,330,290	-	-	-	3,330,290	3,115,324
Regulatory asset	1,981,221	-	-	-	1,981,221	2,201,357
Nonutility plant, net	280,710	-	-	-	280,710	287,594
Net pension asset	707,354	176,659	36,927	20,467	941,407	-
Total other assets	6,299,575	176,659	36,927	20,467	6,533,628	5,604,275
Capital assets						
Nondepreciable	7,374,183	75,121	43,632	-	7,492,936	6,801,400
Depreciable	90,845,870	24,738,427	7,942,783	16,707,970	140,235,050	136,759,203
Total capital assets	98,220,053	24,813,548	7,986,415	16,707,970	147,727,986	143,560,603
Total assets	131,924,639	29,874,610	9,289,589	20,855,739	191,944,577	190,678,411
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related amounts	1,299,446	324,597	55,488	30,492	1,710,023	1,998,902
Other postemployment related amounts	18,067	4,512	944	523	24,046	-
Total deferred outflows of resources	1,317,513	329,109	56,432	31,015	1,734,069	1,998,902

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, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Electric Utility	Water Utility	Stormwater Utility	Sanitary Sewer Utility	Totals	
					2018	2017
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 1,997,287	\$ 69,669	\$ 40,553	\$ 481,663	\$ 2,589,172	\$ 3,896,856
Accrued and other current liabilities	573,634	93,586	4,348	2,126	673,694	568,297
Due to other funds	10,135	1,592,628	-	-	1,602,763	1,542,485
Customer deposits	615,986	-	-	-	615,986	543,517
Unearned revenues	1,882,164	75,148	7,250	32,539	1,997,101	1,522,388
Current portion of long-term debt	2,915,000	425,000	629,786	487,562	4,457,348	4,426,993
Accrued interest payable	139,177	14,430	23,513	45,421	222,541	223,458
<b>Total current liabilities</b>	<b>8,133,383</b>	<b>2,270,461</b>	<b>705,450</b>	<b>1,049,311</b>	<b>12,158,605</b>	<b>12,723,994</b>
Long-term obligations, less current portion						
General obligation debt	-	-	2,168,750	1,025,295	3,194,045	2,571,392
Revenue bonds	67,430,000	5,550,000	1,200,000	3,550,000	77,730,000	81,765,000
Debt premium	1,502,669	122,082	50,958	49,017	1,724,726	916,400
Net pension liability	-	-	-	-	-	257,519
Other postemployment benefits	1,217,168	304,250	8,721	4,834	1,534,973	559,006
<b>Total long-term liabilities</b>	<b>70,149,837</b>	<b>5,976,332</b>	<b>3,428,429</b>	<b>4,629,146</b>	<b>84,183,744</b>	<b>86,069,317</b>
<b>Total liabilities</b>	<b>78,283,220</b>	<b>8,246,793</b>	<b>4,133,879</b>	<b>5,678,457</b>	<b>96,342,349</b>	<b>98,793,311</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related amounts	1,396,020	348,650	72,879	40,393	1,857,942	815,963
Other postemployment related amounts	5,630	1,406	294	163	7,493	-
<b>Total deferred inflows of resources</b>	<b>1,401,650</b>	<b>350,056</b>	<b>73,173</b>	<b>40,556</b>	<b>1,865,435</b>	<b>815,963</b>
<b>NET POSITION</b>						
Net investment in capital assets	31,484,655	20,355,374	3,936,921	11,596,096	67,373,046	66,465,864
Restricted	7,357,657	741,837	162,927	522,654	8,785,075	7,904,263
Unrestricted	14,714,970	509,659	1,039,121	3,048,991	19,312,741	18,697,912
<b>Total net position</b>	<b>\$ 53,557,282</b>	<b>\$ 21,606,870</b>	<b>\$ 5,138,969</b>	<b>\$ 15,167,741</b>	<b>\$ 95,470,862</b>	<b>\$ 93,068,039</b>

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

# City of Kaukauna, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Electric Utility	Water Utility	Stormwater Utility	Sanitary Sewer Utility	Totals	
					2018	2017
<b>OPERATING REVENUES</b>						
Charges for services	\$ 47,290,835	\$ 3,807,573	\$ 1,137,645	\$ 3,482,319	\$ 55,718,372	\$ 63,341,766
Other	389,059	109,060	19,071	-	517,190	386,380
Total operating revenues	<u>47,679,894</u>	<u>3,916,633</u>	<u>1,156,716</u>	<u>3,482,319</u>	<u>56,235,562</u>	<u>63,728,146</u>
<b>OPERATING EXPENSES</b>						
Operation and maintenance	36,153,447	2,423,529	283,045	2,241,622	41,101,643	48,631,486
Depreciation	4,599,602	582,832	139,592	283,011	5,605,037	5,619,325
Taxes	1,391,123	57,890	10,378	-	1,459,391	1,535,847
Total operating expenses	<u>42,144,172</u>	<u>3,064,251</u>	<u>433,015</u>	<u>2,524,633</u>	<u>48,166,071</u>	<u>55,786,658</u>
Operating income	<u>5,535,722</u>	<u>852,382</u>	<u>723,701</u>	<u>957,686</u>	<u>8,069,491</u>	<u>7,941,488</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest income	666,563	80,296	-	3,985	750,844	517,353
Merchandising and jobbing	47,779	202	-	-	47,981	36,263
Interest and fiscal charges	(2,823,401)	(190,640)	(111,664)	(154,280)	(3,279,985)	(3,464,385)
Miscellaneous revenues (expenses)	(3,808)	-	-	-	(3,808)	(55,686)
Total nonoperating revenues (expenses)	<u>(2,112,867)</u>	<u>(110,142)</u>	<u>(111,664)</u>	<u>(150,295)</u>	<u>(2,484,968)</u>	<u>(2,966,455)</u>
Income before contributions and transfers	3,422,855	742,240	612,037	807,391	5,584,523	4,975,033
Capital contributions	301,766	-	-	6,798	308,564	524,943
Transfers out	(1,891,538)	(518,679)	(91,000)	(92,000)	(2,593,217)	(2,507,658)
<b>Change in net position</b>	<u>1,833,083</u>	<u>223,561</u>	<u>521,037</u>	<u>722,189</u>	<u>3,299,870</u>	<u>2,992,318</u>
<b>Net position - January 1, as originally stated</b>	52,432,868	21,560,441	4,625,168	14,449,562	93,068,039	90,075,721
<b>Cumulative effect of change in accounting principle</b>	<u>(708,669)</u>	<u>(177,132)</u>	<u>(7,236)</u>	<u>(4,010)</u>	<u>(897,047)</u>	<u>-</u>
<b>Net position- January 1, as restated</b>	<u>51,724,199</u>	<u>21,383,309</u>	<u>4,617,932</u>	<u>14,445,552</u>	<u>92,170,992</u>	<u>90,075,721</u>
<b>Net position - December 31</b>	<u>\$ 53,557,282</u>	<u>\$ 21,606,870</u>	<u>\$ 5,138,969</u>	<u>\$ 15,167,741</u>	<u>\$ 95,470,862</u>	<u>\$ 93,068,039</u>

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

# City of Kaukauna, Wisconsin

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

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

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 48,141,856	\$ 4,008,153	\$ 1,155,751	\$ 3,348,719
Cash paid for employee wages and benefits	(3,113,663)	(646,770)	(149,385)	(54,312)
Cash paid to suppliers	(34,885,972)	(1,744,783)	(103,442)	(1,995,712)
Net cash provided by operating activities	<u>10,142,221</u>	<u>1,616,600</u>	<u>902,924</u>	<u>1,298,695</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental revenues	-	-	-	-
Miscellaneous revenues (expenses)	3,076	-	-	-
Merchandising and jobbing	47,779	202	-	-
Due to/from other funds	65,157	(34,652)	(428)	36,861
Transfer out	(1,891,538)	(518,679)	(91,000)	(92,000)
Net cash used by noncapital financing activities	<u>(1,775,526)</u>	<u>(553,129)</u>	<u>(91,428)</u>	<u>(55,139)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(6,479,165)	(2,312,763)	(613,836)	(925,823)
Salvage value received on retirement of capital assets	164,544	21,774	-	-
Cost of removal of capital assets	(435,815)	(30,624)	-	-
Capital contributions	541,938	-	610	8,873
Principal paid on long-term debt	(13,775,000)	(375,000)	17,004	621,004
Interest paid on long-term debt	(3,350,732)	(201,097)	(113,544)	(156,537)
Proceeds of long-term debt	10,130,000	-	-	-
Interest subsidy received from Internal Revenue Service	687,668	-	-	-
Premium on long-term debt	868,995	-	-	-
Debt issuance costs paid	(207,329)	-	-	-
Net cash used by capital and related financing activities	<u>(11,854,896)</u>	<u>(2,897,710)</u>	<u>(709,766)</u>	<u>(452,483)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	666,563	80,296	-	3,985
Investment in ATC LLC	(214,966)	-	-	-
Net cash provided by investing activities	<u>451,597</u>	<u>80,296</u>	<u>-</u>	<u>3,985</u>
<b>Change in cash and cash equivalents</b>	<b>(3,036,604)</b>	<b>(1,753,943)</b>	<b>101,730</b>	<b>795,058</b>
<b>Cash and cash equivalents - January 1</b>	<b>23,156,281</b>	<b>5,768,741</b>	<b>965,228</b>	<b>2,629,114</b>
<b>Cash and cash equivalents - December 31</b>	<b><u>\$ 20,119,677</u></b>	<b><u>\$ 4,014,798</u></b>	<b><u>\$ 1,066,958</u></b>	<b><u>\$ 3,424,172</u></b>

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



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<b>Totals</b>	
<b>2018</b>	<b>2017</b>
\$ 56,654,479	\$ 62,096,617
(3,964,130)	(3,944,807)
<u>(38,729,909)</u>	<u>(46,396,925)</u>
13,960,440	11,754,885
-	64,098
3,076	(48,802)
47,981	36,263
66,938	249,942
<u>(2,593,217)</u>	<u>(2,507,658)</u>
<u>(2,475,222)</u>	<u>(2,206,157)</u>
(10,331,587)	(9,141,827)
186,318	80,537
(466,439)	(161,075)
551,421	(2,529)
(13,511,992)	(4,076,373)
(3,821,910)	(3,805,301)
10,130,000	15,100,000
687,668	703,976
868,995	462,649
<u>(207,329)</u>	<u>(337,567)</u>
<u>(15,914,855)</u>	<u>(1,177,510)</u>
750,844	517,353
<u>(214,966)</u>	<u>(227,149)</u>
<u>535,878</u>	<u>290,204</u>
(3,893,759)	8,661,422
<u>32,519,364</u>	<u>23,857,942</u>
<u>\$ 28,625,605</u>	<u>\$ 32,519,364</u>

# City of Kaukauna, Wisconsin

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 5,535,722	\$ 852,382	\$ 723,701	\$ 957,686
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	4,599,602	582,832	139,592	283,011
Depreciation charged to operating accounts	157,102	66,646	-	-
Change in liability (asset) and deferred outflows and inflows of resources				
Pension	87,212	21,695	14,110	8,915
Other postemployment benefits	48,857	12,211	835	464
Regulatory asset	220,136	-	-	-
Change in operating assets and liabilities				
Accounts receivables, net of allowance	(58,212)	70,338	-	(140,001)
Due to/from municipality	(350,642)	(390)	-	-
Inventories and prepaid items	60,776	8,024	-	-
Accounts payable	(783,019)	(17,100)	22,938	182,438
Accrued and other current liabilities	104,513	(1,610)	2,713	(219)
Customer deposits	72,469	-	-	-
Unearned revenues	447,705	21,572	(965)	6,401
Net cash provided by operating activities	<u>\$ 10,142,221</u>	<u>\$ 1,616,600</u>	<u>\$ 902,924</u>	<u>\$ 1,298,695</u>
Reconciliation of cash and cash equivalents to the statement of net position				
Cash and cash equivalents in current assets	\$ 8,217,927	\$ 1,796,282	\$ 543,473	\$ 2,902,897
Cash and cash equivalents in restricted assets	<u>11,901,750</u>	<u>2,218,516</u>	<u>523,485</u>	<u>521,275</u>
Total cash and cash equivalents	<u>\$ 20,119,677</u>	<u>\$ 4,014,798</u>	<u>\$ 1,066,958</u>	<u>\$ 3,424,172</u>
Noncash capital and related financing activities				
None				

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

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<b>Totals</b>	
<b>2018</b>	<b>2017</b>
\$ 8,069,491	\$ 7,941,488
5,605,037	5,619,325
223,748	191,139
131,932	384,711
62,367	62,481
220,136	(2,201,357)
(127,875)	551,962
(351,032)	45,814
68,800	7,243
(594,743)	(924,758)
105,397	59,815
72,469	(57,672)
474,713	74,694
<u>\$ 13,960,440</u>	<u>\$ 11,754,885</u>
\$ 13,460,579	\$ 11,868,221
<u>15,165,026</u>	<u>20,651,143</u>
<u>\$ 28,625,605</u>	<u>\$ 32,519,364</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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### 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, 2018

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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, 2018

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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, 2018

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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.

### 3. **Accounts Receivable**

Accounts receivable have been shown net of allowance for uncollectible accounts of \$331,805.

### 4. **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 2018 tax roll are recognized as revenue in 2019.)

### 5. **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.

### 6. **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.

### 7. **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.

### 8. **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, 2018

### 9. 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 value at \$3,330,180 as of December 31, 2018, and is reported on the Statement of Net Position as an asset.

### 10. 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

### 11. 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.

### 12. 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, 2018

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### 13. 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.

### 14. 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.

### 15. 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.

### 16. Other Postemployment Benefits Other Than Pensions (OPEB)

#### *Defined Benefit Plan*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

#### *Local Retiree Life Insurance Fund*

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

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### 17. 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.

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.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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### 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, 2017, 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.

## 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, 2018.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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### B. DEFICIT FUND EQUITY

The following funds had deficit fund balance as of December 31, 2018:

Funds	Deficit Fund Balance
Special Revenue Funds	
Grignon Home	\$ 2,097
Capital Projects Funds	
Industrial Park	282,397
Tax Incremental District #4	254,625
Tax Incremental District #5	3,620,508
Tax Incremental District #9	110,341
Environmental Remediation TID 2015 Projects	842,292 13,289

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

### 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 2018 and 2019 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 2018 budget was 1.47%. The actual limit for the City for the 2019 budget was 2.01%. 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.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

The carrying amount of the City's cash and investments totaled \$52,686,021 on December 31, 2018, consisting of \$51,854,928 reported by the City and \$831,093 reported by the City's Redevelopment Authority, as summarized below:

Petty cash and cash on hand	\$ 1,712
Deposits with financial institutions	11,713,915
Beneficial interest in assets held by Community Foundation of the Fox Valley	17,527
Investments	
U.S. agency securities	3,349,721
Bond mutual funds	301,985
Wisconsin Investment Series Cooperative (WISC)	
Investment series	26,812
Cash management series	255,084
Negotiable certificates of deposit	2,540,402
Repurchase agreements	13,288,130
Money market mutual funds	936,470
Wisconsin local government investment pool	20,254,263
	<u>\$ 52,686,021</u>

Reconciliation to the basic financial statements:

	Primary Government	Component Unit	Total
Government-wide statement of net position			
Cash and investments	\$ 30,725,112	\$ 56,175	\$ 30,781,287
Restricted cash and investments	21,129,816	774,918	21,904,734
	<u>\$ 51,854,928</u>	<u>\$ 831,093</u>	<u>\$ 52,686,021</u>

### 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, 2018:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
U.S. agency securities	\$ -	\$ 3,349,721	\$ -
Bond mutual funds	301,985	-	-
Negotiable certificates of deposit	-	2,540,402	-
Money market mutual funds	936,470	-	-
Beneficial interest in assets held by Community Foundation of the Fox Valley	-	-	17,527
	<u>\$ 1,238,455</u>	<u>\$ 5,890,123</u>	<u>\$ 17,527</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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, 2018, \$4,856,098 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, 2018, the City held repurchase agreement investments of \$13,288,130 of which the underlying securities are, held by the investment's counterparty, not in the name of the City.

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit 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	\$ 936,470	\$ -	\$ -	\$ -	\$ 936,470
Mutual bond funds	301,985	-	-	-	301,985
Federal National Mortgage	746,034	-	-	746,034	-
Federal Home Loan Bank	796,040	-	-	796,040	-
Federal Home Loan Mortgage	1,308,800	-	-	1,308,800	-
Federal Farm Credit bank	498,847	-	-	498,847	-
Negotiable Certificates of Deposit	2,540,402	-	-	-	2,540,402
WISC Investments					
Investment series	26,812	-	-	-	26,812
Cash management series	255,084	-	-	-	255,084
Wisconsin local government investment pool	- 20,254,263	- -	- -	- -	- 20,254,263
<b>Totals</b>	<b>\$27,664,737</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$3,349,721</b>	<b>\$ 24,315,016</b>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. At December 31, 2018, the City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

### Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Money market mutual funds	\$ 936,470	\$ 936,470	\$ -	\$ -
Mutual funds	301,985	301,985	-	-
Federal National Mortgage	746,034	746,034	-	-
Federal Home Loan Bank	796,040	547,428	248,612	-
Federal Home Loan Mortgage	1,308,800	222,102	1,086,698	-
Federal Farm Credit Bank	498,847	248,288	250,559	-
WISC Investments				
Investment series	26,812	26,812	-	-
Cash management series	255,084	255,084	-	-
Repurchase agreements	13,288,130	13,288,130	-	-
Negotiable certificates of deposit	2,540,402	2,540,402	-	-
Wisconsin local government investment pool	20,254,263	20,254,263	-	-
Totals	<u>\$ 40,952,867</u>	<u>\$ 39,366,998</u>	<u>\$ 1,585,869</u>	<u>\$ -</u>

### Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin Local Government Investment Pool of \$20,254,263 at year-end. The 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, 2018, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

### Investment in Wisconsin Investment Series Cooperative

The City has investments in the Wisconsin Investment Series Cooperative (WISC) of \$281,896 at year end consisting of \$255,084 invested in the Cash Management Series and \$26,812 invested in the Investment Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin intergovernmental Cooperation Statute, Wisconsin Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

### B. RESTRICTED ASSETS

Restricted assets of the primary government on December 31, 2018 totaled \$21,127,066 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
<b>General</b>		
Advance tax collections	\$ 2,898,045	Tax collections to be distributed to appropriate taxing jurisdictions in To be used for insurance related expenditures
HRA account	416,696	
Total general	<u>3,314,741</u>	
<b>Special revenue</b>		
Thousand Islands Environmental Center	492,870	To be used for future activities of the Environmental Center
Revolving Economic Development Loans	504	To be used for future expenditures relating to infrastructure improvements
Subdivision Fees	31	To be used for future expenditures relating to subdivisions
Total special revenue	<u>493,405</u>	
<b>Debt service</b>		
	<u>1,327,503</u>	
<b>Capital projects</b>		
Special assessments	194,753	To be used for future capital expenditures
Pools and Parks	2,750	To be used for future capital expenditures relating to space improvements
Tax Incremental District #4	27,295	To be used for future expenses relating to the tax incremental district
Tax Incremental District #5	58,109	To be used for future expenses relating to the tax incremental district
Tax Incremental District #6	439,464	To be used for future expenses relating to the tax incremental district
Tax Incremental District #8	56,184	To be used for future expenses relating to the tax incremental district
Tax Incremental District #9	6,858	To be used for future expenses relating to the tax incremental district
Environmental Remediation TID	43,728	To be used for future expenses relating to the tax incremental district
Total capital projects	<u>829,141</u>	
Total governmental activities	<u>5,964,790</u>	
<b>Enterprise</b>		
<b>Electric Utility</b>		
Debt reserve	6,355,785	To be used for subsequent year payments and to reserve additional funds for debt retirement
Unspent bond proceeds	5,112,270	To be used for future electric capital projects
HRA/FSA cash	433,695	To be used for insurance related expenses
Total electric utility	<u>11,901,750</u>	
<b>Water utility</b>		
Debt reserve/special redemption	596,636	To be used for subsequent year payments and to reserve additional funds for debt retirement
Unspent bond proceeds	1,621,880	To be used for future water capital projects
Total water utility	<u>2,218,516</u>	
<b>Stormwater Utility</b>		
Capital improvements	397,485	To be used for future stormwater capital projects
Debt reserve	126,000	To reserve additional funds for debt retirement
Total stormwater utility	<u>523,485</u>	
<b>Sanitary sewer utility</b>		
Capital improvements	3,814	To be used for future sanitary sewer capital projects
Debt reserve	517,461	To reserve additional funds for debt retirement
Total sanitary sewer utility	<u>521,275</u>	
Total business-type activities	<u>15,165,026</u>	
Total restricted assets	<u>\$ 21,129,816</u>	



# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Restricted assets of the component unit total \$774,918 and consist of amounts held for the retirement of the Taxable Redevelopment Lease Revenue Bonds dated July 1, 2015.

### C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 7,662,491	\$ -	\$ 1,481,244	\$ 6,181,247
Construction in progress	7,489,899	-	7,489,899	-
Total capital assets, nondepreciable	<u>15,152,390</u>	<u>-</u>	<u>8,971,143</u>	<u>6,181,247</u>
Capital assets, depreciable:				
Land improvements	1,330,160	-	-	1,330,160
Buildings and improvements	3,353,293	9,957,838	-	13,311,131
Machinery and equipment	8,230,945	530,003	233,459	8,527,489
Infrastructure	49,652,936	2,369,882	-	52,022,818
Subtotals	<u>62,567,334</u>	<u>12,857,723</u>	<u>233,459</u>	<u>75,191,598</u>
Less accumulated depreciation	<u>26,812,134</u>	<u>2,092,472</u>	<u>233,459</u>	<u>28,671,147</u>
Total capital assets, depreciable, net	<u>35,755,200</u>	<u>10,765,251</u>	<u>-</u>	<u>46,520,451</u>
Governmental activities capital assets, net	<u>\$ 50,907,590</u>	<u>\$ 10,765,251</u>	<u>\$ 8,971,143</u>	52,701,698
Less: Debt incurred for capital assets				36,921,371
Less: Premium				702,491
Net investment in capital assets				<u>\$ 15,077,836</u>
<b>Business-type activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 1,953,292	\$ 131,101	\$ -	\$ 2,084,393
Construction in progress	4,848,108	3,518,839	2,958,404	5,408,543
Total capital assets, nondepreciable	<u>6,801,400</u>	<u>3,649,940</u>	<u>2,958,404</u>	<u>7,492,936</u>
Capital assets, depreciable:				
Buildings	25,474,782	51,036	-	25,525,818
Improvements other than buildings	123,439,726	6,874,277	1,216,881	129,097,122
Machinery and equipment	29,804,900	719,637	249,665	30,274,872
Infrastructure	27,861,158	1,369,891	-	29,231,049
Subtotals	<u>206,580,566</u>	<u>9,014,841</u>	<u>1,466,546</u>	<u>214,128,861</u>
Less accumulated depreciation	<u>69,821,363</u>	<u>5,538,994</u>	<u>1,466,546</u>	<u>73,893,811</u>
Total capital assets, depreciable, net	<u>136,759,203</u>	<u>3,475,847</u>	<u>-</u>	<u>140,235,050</u>
Business-type activities capital assets, net	<u>\$ 143,560,603</u>	<u>\$ 7,125,787</u>	<u>\$ 2,958,404</u>	147,727,986
Less: Capital related debt				78,630,214
Less: Debt premium				1,724,726
Net investment in capital assets				<u>\$ 67,373,046</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Nonutility property:</b>				
Capital assets, nondepreciable:				
Land	\$ 67,303	\$ -	\$ -	\$ 67,303
Capital assets, depreciable:				
Buildings and improvements	251,798	-	-	251,798
Less accumulated depreciation	31,507	6,884	-	38,391
Total capital assets, depreciable, net	220,291	(6,884)	-	213,407
Nonutility property, net	<u>\$ 287,594</u>	<u>\$ (6,884)</u>	<u>\$ -</u>	<u>\$ 280,710</u>

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

<b>Governmental activities</b>	
General government	\$ 13,265
Public safety	187,924
Public works	1,742,928
Culture and recreation	148,355
Total depreciation expense - governmental activities	<u>\$ 2,092,472</u>
<b>Business-type activities</b>	
Electric utility	\$ 4,756,705
Water utility	649,479
Stormwater utility	139,592
Sanitary sewer utility	283,011
Salvage and other adjustments	(289,793)
Total increase in accumulated depreciation - business-type activities	<u>\$ 5,538,994</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Component unit capital asset activity is as follows:

Component unit:	Beginning Balance	Increases	Decreases	Ending Balance
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>8,635,186</u>
Net investment in capital assets				<u>\$ 1,528,166</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, 2018 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds		
General Fund	\$ 2,551,447	\$ 63,662
Debt Service Fund	5,247,839	42,011
Streets & Sidewalks Fund	792,020	1,222,975
Nonmajor Governmental Funds		
Industrial Park	240,000	522,358
Special Assessments	-	11,219
Environmental Remediation TID	-	1,015,071
Tax Incremental District #4	-	489,268
Tax Incremental District #5	-	4,354,550
Tax Incremental District #8	-	270,000
Tax Incremental District #9	-	111,300
Solid Waste	59,302	-
Grignon Home	-	1,618
Enterprise Funds		
Electric Utility	43,907	10,135
Water Utility	30,974	1,592,628
Stormwater Utility	195,442	-
Sanitary Sewer Utility	545,864	-
Totals	<u>\$ 9,706,795</u>	<u>\$ 9,706,795</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Interfund transfers for the year ended December 31, 2018 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 2,947,257	\$ 260,000
Debt Service	2,741,327	-
Space needs	260,000	-
Streets and sidewalks	1,476,619	1,650
Nonmajor governmental	141,650	4,711,986
Electric utility	-	1,891,538
Water utility	-	518,679
Stormwater utility	-	91,000
Sanitary sewer	-	92,000
	<u>\$ 7,566,853</u>	<u>\$ 7,566,853</u>

Transfers are used for the following purposes:

Tax equivalent payment made by water and electric utility to general fund	\$ 2,410,217
Administration fees from the storm water and sewer utilities	183,000
Tax incremental district transfers for debt retirement	1,546,980
Special revenue transfers for debt retirement	1,454,347
To finance construction project costs	140,000
To consolidate capital project funds	1,478,269
To move unrestricted revenues to the fund that is required or allowed to expend	354,040
Transfers - fund statements	7,566,853
Less: Eliminating transfers out	(4,973,636)
Transfers - Government-wide statements	<u>\$ 2,593,217</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, 2018:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation debt					
Bonds	\$ 17,133,538	\$ -	\$ 1,869,843	\$ 15,263,695	\$ 2,117,165
Notes	20,018,077	5,500,000	1,788,165	23,729,912	1,840,317
Total general obligation debt	<u>37,151,615</u>	<u>5,500,000</u>	<u>3,658,008</u>	<u>38,993,607</u>	<u>3,957,482</u>
Premium on outstanding debt	646,895	152,002	96,406	702,491	-
Compensated absences	584,815	-	4,698	580,117	145,029
Governmental activities Long-term obligations	<u>\$ 38,383,325</u>	<u>\$ 5,652,002</u>	<u>\$ 3,759,112</u>	<u>\$ 40,276,215</u>	<u>\$ 4,102,511</u>
<b>Business-type activities:</b>					
General obligation debt					
Bonds	\$ 966,462	\$ -	\$ 380,158	\$ 586,304	\$ 417,835
Notes	2,381,923	550,000	396,834	2,535,089	349,513
Total general obligation debt	<u>3,348,385</u>	<u>550,000</u>	<u>776,992</u>	<u>3,121,393</u>	<u>767,348</u>
Revenue bonds	85,415,000	11,320,000	14,475,000	82,260,000	3,690,000
Premium on outstanding debt	916,400	868,995	60,669	1,724,726	-
Business-type activities Long-term obligations	<u>\$ 89,679,785</u>	<u>\$ 12,738,995</u>	<u>\$ 15,312,661</u>	<u>\$ 87,106,119</u>	<u>\$ 4,457,348</u>

Total interest paid during the year on long-term debt totaled \$5,017,526.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### 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 12/31/18</u>
General obligation notes	09/01/10	09/01/20	2.00 - 2.55%	\$ 1,350,000	\$ 425,000
General obligation bonds	11/04/10	12/01/26	3.75 - 4.70%	6,575,000	6,000,000
General obligation bonds	11/04/10	12/01/26	2.25 - 4.00%	3,950,000	3,625,000
General obligation notes	10/04/11	10/01/21	2.00 - 3.00%	2,755,000	2,100,000
General obligation notes	08/01/12	04/01/22	2.00 - 3.00%	2,800,000	2,400,000
General obligation notes	09/04/13	12/31/23	2.00 - 4.00%	1,125,000	850,000
General obligation bonds	12/03/13	09/01/20	3.00 - 4.00%	5,900,000	2,075,000
General obligation notes	05/20/14	11/01/24	2.00 - 3.00%	875,000	250,000
General obligation notes	05/20/14	11/01/24	2.00 - 4.00%	1,000,000	750,000
General obligation notes	09/02/14	09/01/24	1.50 - 3.00%	1,300,000	1,125,000
General obligation bonds	03/17/15	09/01/25	2.00 - 3.00%	2,435,000	1,185,000
General obligation bonds	09/01/15	12/01/27	2.00 - 4.00%	1,650,000	1,500,000
General obligation notes	09/01/15	12/01/25	2.00 - 3.00%	3,550,000	2,990,000
General obligation notes	11/01/16	11/01/24	2.00 - 3.00%	1,525,000	975,000
General obligation bonds	08/15/17	12/01/30	2.00 - 3.00%	1,565,000	1,465,000
General obligation notes	08/15/17	12/01/17	2.00 - 3.00%	8,450,000	8,350,000
General obligation notes	09/05/18	06/01/28	2.00 - 3.25%	5,200,000	5,200,000
General obligation notes	09/18/18	09/05/23	4.25%	300,000	300,000
General obligation notes	09/18/18	03/05/21	4.00%	550,000	550,000
Total outstanding general obligation debt					<u>\$42,115,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$42,115,000 on December 31, 2018 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>
2019	\$ 3,957,482	\$ 1,212,431	\$ 767,348	\$ 99,487	\$ 4,724,830	\$ 1,311,918
2020	4,073,826	1,080,337	624,897	72,720	4,698,723	1,153,057
2021	4,234,940	968,311	828,668	45,016	5,063,608	1,013,327
2022	4,447,482	839,382	240,480	23,407	4,687,962	862,789
2023	4,754,877	704,682	180,000	17,100	4,934,877	721,782
2024-2028	17,250,000	1,336,183	480,000	14,880	17,730,000	1,351,063
2029-2030	275,000	8,625	-	-	275,000	8,625
	<u>\$ 38,993,607</u>	<u>\$ 6,149,951</u>	<u>\$ 3,121,393</u>	<u>\$ 272,610</u>	<u>\$ 42,115,000</u>	<u>\$ 6,422,561</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, 2018

### Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2018 was \$17,513,693 as follows:

Equalized valuation of the City		\$1,088,457,300
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>54,422,865</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 42,115,000	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>5,205,828</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>36,909,172</u>
Legal margin for new debt		<u><u>\$ 17,513,693</u></u>

### Revenue Bonds

Revenue bonds outstanding on December 31, 2018 totaled \$82,260,000 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
<b>Electric Utility</b>					
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	525,000
Revenue Bond	02/01/12	12/15/30	5%	25,350,000	21,125,000
Revenue Bond	06/02/15	12/15/30	2.0-4.0%	9,415,000	6,450,000
Revenue Bond	12/15/15	12/15/25	2.0-3.0%	3,365,000	3,065,000
Revenue Bond	03/08/18	12/15/37	4.0%	11,150,000	10,825,000
Revenue Bond	10/09/18	12/15/28	3.00-5.00%	10,130,000	10,130,000
Total Electric Utility revenue bonds					<u>70,345,000</u>
<b>Water Utility</b>					
Revenue Bond	08/29/14	12/01/23	2.0-2.65%	2,500,000	2,025,000
Revenue Bond	10/03/17	12/01/37	2.0-3.25%	3,950,000	3,950,000
Total Water Utility revenue bonds					<u>5,975,000</u>
<b>Stormwater</b>					
Revenue Bond	11/01/16	09/01/31	2.0-3.25%	1,350,000	1,200,000
<b>Sanitary Sewer</b>					
Revenue Bond	09/04/13	09/01/28	3.0-5.0%	1,950,000	1,400,000
Revenue Bond	09/01/15	09/01/30	3.0-4.0%	1,225,000	1,025,000
Revenue Bond	11/01/16	09/01/31	2.0-3.25%	1,225,000	1,125,000
Revenue Bond	09/05/18	09/01/33	2.0-4.00%	1,190,000	1,190,000
Total Sanitary Sewer revenue bonds					<u>4,740,000</u>
Total outstanding revenue bonds					<u><u>\$ 82,260,000</u></u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Annual principal and interest maturities of the outstanding revenue bonds of \$82,260,000 on December 31, 2018 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 3,690,000	\$ 3,626,525	\$ 7,316,525
2020	3,955,000	3,428,344	7,383,344
2021	4,095,000	3,274,174	7,369,174
2022	4,265,000	3,112,050	7,377,050
2023	4,435,000	2,941,674	7,376,674
2024-2028	23,745,000	11,868,932	35,613,932
2029-2033	25,350,000	6,300,939	31,650,939
2034-2037	12,725,000	1,039,781	13,764,781
	<u>\$ 82,260,000</u>	<u>\$ 35,592,419</u>	<u>\$ 117,852,419</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	\$ 47,679,894	\$ 3,916,633	\$ 1,156,716	\$ 3,482,319
Other income	714,342	80,498	-	3,985
Total revenues	<u>48,394,236</u>	<u>3,997,131</u>	<u>1,156,716</u>	<u>3,486,304</u>
Less: operating expenses	37,544,570	2,481,419	293,423	2,241,622
Net customer revenues	<u>\$ 10,849,666</u>	<u>\$ 1,515,712</u>	<u>\$ 863,293</u>	<u>\$ 1,244,682</u>
Debt service				
Principal	\$ 2,950,000	\$ 375,000	\$ 75,000	\$ 250,000
Interest	3,350,732	201,097	33,500	131,656
Total debt service	<u>\$ 6,300,732</u>	<u>\$ 576,097</u>	<u>\$ 108,500</u>	<u>\$ 381,656</u>
Remaining principal and interest	<u>\$ 102,615,710</u>	<u>\$ 7,750,844</u>	<u>\$ 1,459,000</u>	<u>\$ 6,026,865</u>

### Component Unit Redevelopment Authority Long-term Debt

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

	Outstanding 1/1/18	Issued	Retired	Outstanding 12/31/18	Due Within One Year
<b>Component Unit:</b>					
Taxable redevelopment lease revenue bonds	\$ 9,775,000	\$ -	\$ 425,000	\$ 9,350,000	\$ 425,000
Premium	62,836	-	2,732	60,104	-
	<u>\$ 9,837,836</u>	<u>\$ -</u>	<u>\$ 427,732</u>	<u>\$ 9,410,104</u>	<u>\$ 425,000</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### Revenue Bonds

Revenue bond debt service requirements are financed from operations of the Redevelopment Authority. Revenue bond debt outstanding on December 31, 2018 totaled \$9,350,000 and was composed of the following issue:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
Revenue Bond	7/1/15	12/1/40	2.00 - 4.125%	\$ 10,500,000	<u>\$ 9,350,000</u>

Annual principal maturities of the outstanding debt of \$9,350,000 on December 31, 2018 are detailed below:

Year Ended December 31,	Component Unit		
	Principal	Interest	Total
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	425,000	294,844	719,844
2024-2028	2,125,000	1,219,219	3,344,219
2029-2033	2,125,000	811,750	2,936,750
2034-2038	2,125,000	393,391	2,518,391
2039-2040	850,000	35,063	885,063
	<u>\$ 9,350,000</u>	<u>\$ 4,103,643</u>	<u>\$ 13,453,643</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 executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.



# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

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)
2017	2	4

### 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 year ending December 31, 2018, the WRS recognized \$980,740 in contributions from the City.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2018, the City reported an asset of \$2,753,143 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.09272600%, which was an increase of 0.00055762% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$1,191,467.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,497,939	\$ 1,636,220
Net differences between projected and actual earnings on pension plan investments	-	3,783,942
Changes in assumptions	543,967	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,070	13,384
Employer contributions subsequent to the measurement date	980,740	-
Total	\$ 5,027,716	\$ 5,433,546

\$980,740 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Expense
2019	\$ 295,107
2020	(27,498)
2021	(947,233)
2022	(713,560)
2023	6,614
Total	\$ (1,386,570)

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### 5. Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability:	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Market Value
Long-term expected rate of return:	7.2%
Discount rate:	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 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>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%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	100%	7.9%	5.0%

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

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

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

**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 3.31%. 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)	\$ 7,123,326	\$ (2,753,143)	\$ (1,025,568)

**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, 2018, the City has no outstanding amount of contributions to the pension plan for the year ended December 31, 2018.

### G. OTHER POSTEMPLOYMENT BENEFITS

The City has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended December 31, 2017 have not been restated.

The cumulative effect of this change was to decrease the December 31, 2017 net position by \$4,546,701 as follows:

Other postemployment liability	
OPEB asset balance previously reported	\$ 3,179,248
Actuarially determined balance	7,725,949
Change in other postemployment liability	<u>\$ (4,546,701)</u>

The City reports OPEB related balances at December 31, 2018 as summarized below:

	<u>OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
Local Retiree Life Insurance Fund (LRLIF)	\$ 650,235	\$ 70,321	\$ 21,914	\$ 66,853
Single-employer defined OPEB plan	7,532,271	-	-	657,231
Total pension liability	<u>\$ 8,182,506</u>	<u>\$ 70,321</u>	<u>\$ 21,914</u>	<u>\$ 724,084</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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### 1. Single-employer Defined Postemployment Benefit Plan

#### **Plan Description**

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the Utilities. Eligible retired employees have access to group medical coverage through the City's group plan until they reach the age of 65. The retired employee is required to have served 15 years for the City in order to be eligible.

#### **Benefits Provided**

The City provides medical (including prescription drugs) for retired employees through the City's insured plans.

#### **Employees Covered by Benefit Terms**

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	17
Active employees	143
	<hr/>
	160
	<hr/>

#### **Contributions**

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of insurance premiums based on the employee group and their retirement date. 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).

#### **Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2%
Salary increases:	2%
Investment rate of return:	4%
Healthcare cost trend rates:	0.7% for 2019 increasing to 5.5% for 2020 - 2021, and decreasing to 5.0% thereafter

Mortality rates are the same as those used in the December 2014 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the January 1, 2018 valuation were based on the "Wisconsin Retirement System 2015 - 2017 Experience Study".

The discount rate of 4.0% used for all years of benefit payments was based on the current yield for 20 year, tax-exempt AA Municipal bond rate or higher as of the measurement date.

**Discount Rate.** The discount rate used to measure the total OPEB liability was 4.0%. The projection of cash flows used to determine the discount rate assumed that Utilities contributions will be made at rates equal to the actuarially determined contribution rates.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### *Changes in the Total OPEB Liability*

	<u>Increase (Decrease)</u>
	<u>Total OPEB</u>
	<u>Liability</u>
Balance at December 31, 2017	\$ 7,186,515
Changes for the year:	
Service cost	355,549
Interest	301,682
Contributions - employer	-
Net investment income	-
Benefit payments	(311,475)
Net changes	<u>345,756</u>
Balance at December 31, 2018	<u>\$ 7,532,271</u>

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the Utility, as well as what the Utilities' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0%) or 1-percentage-point higher (5.0%) than the current rate:

	<u>1% Decrease to</u>	<u>Current</u>	<u>1% Increase to</u>
	<u>Discount Rate</u>	<u>Discount Rate</u>	<u>Discount Rate</u>
	<u>(3.0%)</u>	<u>(4.0%)</u>	<u>(5.0%)</u>
Total OPEB liability	\$ 8,347,051	\$ 7,532,271	\$ 6,803,016

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following presents the total OPEB liability of the Utilities, as well as what the Utilities' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0% decreasing to 1.0%) or 1-percentage-point higher (7.0% decreasing to 3.0%) than the current healthcare cost trend rates:

	<u>Healthcare Cost</u>		
	<u>1% Decrease</u>	<u>Trend Rates</u>	<u>1% Increase</u>
	<u>(-0.3% increasing</u>	<u>(0.7% increasing</u>	<u>(1.7% increasing</u>
	<u>to 4.0%)</u>	<u>to 5.0%)</u>	<u>to 6.0%)</u>
Total OPEB liability	\$ 6,359,321	\$ 7,532,271	\$ 9,040,937

### ***OPEB Expense***

For the year ended December 31, 2018, the City recognized OPEB expense of \$657,231.

### ***Payable to the OPEB Plan***

At December 31, 2018, the City had no outstanding amount of contributions to the Plan required for the year ended December 31, 2018.

## **2. Local Retiree Life Insurance Fund**

### ***Plan Description***

The LRLIF is a cost-sharing, multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### ***OPEB Plan Fiduciary Net Position***

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

### ***Benefits Provided***

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

### ***Contributions***

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2018 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are listed below:

<b>Life Insurance</b>	
<b>Employee Contribution Rates</b>	
<b>For the Year Ended December 31, 2017</b>	
<u>Attained Age</u>	<u>Basic</u>
Under 30	\$0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the year ending December 31, 2018, the LRLIF recognized \$4,537 in contributions from the employer.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### ***OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At December 31, 2018, the City reported a liability (asset) of \$539,434 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net OPEB liability (asset) was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.21612700%, which was a decrease of 0.006057% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized OPEB expense of \$66,853.

At December 31, 2018, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,162
Net differences between projected and actual earnings on OPEB plan investments	7,487	-
Changes in assumptions	62,834	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	12,752
Total	<u>\$ 70,321</u>	<u>\$ 21,914</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 30,</u>	<u>Expense</u>
2019	\$ 8,138
2020	8,138
2021	8,138
2022	8,137
2023	6,266
Thereafter	9,590
Total	<u>\$ 48,407</u>



# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

**Actuarial assumptions.** The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2017
Measurement date of net OPEB liability (asset):	December 31, 2017
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	3.44%
Long-term expected rate of return:	5.00%
Discount rate:	3.63%
Salary increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

**Long-term expected return on plan assets.** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return %</u>
U.S. Government Bonds	Barclays Government	1%	1.13%
U.S. Credit Bonds	Barclays Credit	65%	2.61%
U.S. Long Credit Bonds	Barclays Long Credit	3%	3.08%
U.S. Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-term expected rate of return			5.00%

**Single discount rate.** A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

**Sensitivity of the City's proportionate share of net OPEB liability (asset) to changes in the discount rate.** The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63%) or 1-percentage-point higher (4.63%) than the current rate:

	<u>1% Decrease to Discount Rate (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase to Discount Rate (4.63%)</u>
City's proportionate share of the net OPEB liability	\$ 919,030	\$ 650,235	\$ 4,443,964

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

### ***Payable to the OPEB Plan***

At December 31, 2018, the City had no outstanding amount of contributions to the Plan required for the year ended December 31, 2018.

## **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, 2018, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Inventories and prepaid items	<u>\$ 37,344</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, 2018, restricted fund balance was as follows:

Debt Service Fund	
Restricted for	
Debt service	\$ 5,205,828
Special Revenue Fund	
Restricted for	
Donations	<u>418,714</u>
Total Restricted Fund Balance	<u>\$ 5,624,542</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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### Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by County Board action. At December 31, 2018, General Fund balance was committed as follows:

Special Revenue Funds	
Committed for	
Subdivision fees	\$ 53,495
Capital Projects Fund	
Committed for	
Streets and sidewalks	202,474
Equipment	93,482
Pools and parks	401,476
Buildings and miscellaneous	624,802
Total Committed Fund Balance	<u>\$ 1,375,729</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, 2018, fund balance was assigned as follows:

General Fund	
Subsequent year's expenditures	\$ 400,000
Special Revenue Funds	
1000 Islands Environmental Center	54,341
Revolving Economic Development Loans	837,780
Rental Rehabilitation Grants	3,165
Housing Development Grants	21,559
CDBG Grant	38,790
Public Safety Grants	125,793
Library Foundation	81,085
PACE Loan Fund	39,902
Vehicle Registration	80,134
Solid Waste	99,409
Red Hill Landfill	23,364
Subtotal	<u>1,405,322</u>
Capital Projects Funds	
Assigned for subsequent year's expenditures	
Capital Improvements	
Park Development	83,452
Special Assessments	995,279
Space Needs	628,754
Tax Incremental District #6	217,872
Tax Incremental District #8	519,076
Tax Incremental District #10	581,045
Subtotal	<u>3,025,478</u>
Total	<u>\$ 4,830,800</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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### Net Position

The City reports restricted net position at December 31, 2018 as follows:

Governmental activities	
Restricted for	
Debt service	\$ 5,036,438
Donations	418,714
Pension benefits	1,811,736
Total governmental activities restricted net position	<u>7,266,888</u>
Business-type activities	
Restricted for	
Debt service	7,409,973
HRA/FSA monies	433,695
Pension benefits	941,407
Total business-type activities restricted net position	<u>8,785,075</u>
Total restricted net position	<u>\$ 16,051,963</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 \$29.3 million in 2018.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

### 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, 2018 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>\$ 685,625</u>	<u>\$ 13,245,508</u>	<u>\$ 1,327,128</u>
	<u>Tax Incremental District #8</u>	<u>Tax Incremental District #9</u>	<u>ERTIF</u>
Net Unreimbursed (Reimbursed) Project Costs	<u>\$ 945,924</u>	<u>\$ 110,341</u>	<u>\$ 1,833,632</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. CONTINGENCIES

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

### E. ENTERPRISE FUNDS - SIGNIFICANT CUSTOMERS

Revenue from three industrial customers aggregated approximately 18% of total Electric Utility enterprise fund operating revenue in 2018. Current accounts receivable at December 31, 2018 includes approximately \$472,278 due from these customers.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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### F. UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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# City of Kaukauna, Wisconsin

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

<u>Plan Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered 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>
12/31/14	0.09136299%	\$ (2,244,125)	\$ 10,905,307	20.58%	102.74%
12/31/15	0.09115131%	1,481,191	10,808,317	13.70%	98.20%
12/31/16	0.09216838%	759,688	11,279,812	6.73%	99.12%
12/31/17	0.09272600%	(2,753,143)	11,297,910	24.37%	102.93%

## 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 Payroll (fiscal year)</u>	<u>Contributions as a Percentage of Covered 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	956,240	956,240	-	11,297,910	8.46%
12/31/18	980,740	980,740	-	11,511,789	8.52%

See notes to required supplementary information.



# City of Kaukauna, Wisconsin

## SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS

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	<u>2018</u>
Total OPEB liability	
Service cost	\$ 355,549
Interest	301,683
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	<u>(311,475)</u>
Net change in total OPEB liability	345,757
Total OPEB liability - beginning	<u>7,186,515</u>
Total OPEB liability - ending	<u>\$ 7,532,272</u>
Covered-employee payroll	\$ 12,210,002
City's total OPEB liability as a percentage of covered-employee payroll	61.69%

*See notes to required supplementary information.*

# City of Kaukauna, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)  
 LOCAL RETIREE LIFE INSURANCE FUND  
 LAST 10 FISCAL YEARS

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net OPEB Liability (Asset)</u>	<u>Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Covered-employee Payroll</u>	<u>Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)</u>
12/31/17	0.21612700%	\$ 539,434	\$ 11,297,910	4.77%	44.81%

SCHEDULE OF CONTRIBUTIONS  
 LOCAL RETIREE LIFE INSURANCE FUND  
 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</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/18	\$ 4,357	\$ 4,357	\$ -	\$ 11,511,789	0.04%

See notes to required supplementary information.

# City of Kaukauna, Wisconsin

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2018

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### **A. WISCONSIN RETIREMENT SYSTEM**

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

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.

### **B. OTHER POSTEMPLOYMENT BENEFITS**

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2018. 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.

#### ***Single-employer Defined Postemployment Benefit Plan***

There were no changes in benefit terms. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

#### ***Local Retiree Life Insurance Fund (LRLIF)***

There were no changes of benefit terms or assumptions for any participating employer in LRLIF. The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

## SUPPLEMENTARY INFORMATION

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# City of Kaukauna, Wisconsin

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	<b>Special Revenue</b>				
	<b>1000 Islands Environmental Center</b>	<b>Revolving Economic Development Loans</b>	<b>Rental Rehabilitation Grants</b>	<b>Housing Development Grants</b>	<b>CDBG Grant</b>
<b>ASSETS</b>					
Cash and investments	\$ 75,671	\$ 838,461	\$ 3,165	\$ 21,559	\$ 38,790
Restricted cash and investments	492,870	504	-	-	-
Receivables					
Taxes and special charges	83,057	569	-	-	-
Accounts, net	-	-	-	-	-
Special assessments	-	-	-	-	-
Loans	-	638,132	13,960	75,191	267,780
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ 651,598</b>	<b>\$ 1,477,666</b>	<b>\$ 17,125</b>	<b>\$ 96,750</b>	<b>\$ 306,570</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 17,413	\$ 681	\$ -	\$ -	\$ -
Accrued and other current liabilities	4,592	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>22,005</b>	<b>681</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources</b>					
Property taxes levied for subsequent year	156,538	1,073	-	-	-
Loans receivable	-	638,132	13,960	75,191	267,780
Special assessments	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>156,538</b>	<b>639,205</b>	<b>13,960</b>	<b>75,191</b>	<b>267,780</b>
<b>Fund balances</b>					
Restricted	418,714	-	-	-	-
Committed	-	-	-	-	-
Assigned	54,341	837,780	3,165	21,559	38,790
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>473,055</b>	<b>837,780</b>	<b>3,165</b>	<b>21,559</b>	<b>38,790</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 651,598</b>	<b>\$ 1,477,666</b>	<b>\$ 17,125</b>	<b>\$ 96,750</b>	<b>\$ 306,570</b>

**Special Revenue**

<b>Public Safety Grants</b>	<b>Library Foundation</b>	<b>Subdivision Fees</b>	<b>PACE Loan Fund</b>	<b>Grignon Home</b>	<b>Vehicle Registration</b>	<b>Solid Waste</b>	<b>Red Hill Landfill</b>
\$ 125,793	\$ 81,085	\$ 53,494	\$ 39,902	\$ -	\$ 80,134	\$ 40,034	\$ 23,364
-	-	31	-	-	-	-	-
-	-	35	-	-	-	-	-
-	-	7,641	-	-	-	73	-
-	-	-	678	-	-	-	-
-	-	-	-	-	-	59,302	-
<u>\$ 125,793</u>	<u>\$ 81,085</u>	<u>\$ 61,201</u>	<u>\$ 40,580</u>	<u>\$ -</u>	<u>\$ 80,134</u>	<u>\$ 99,409</u>	<u>\$ 23,364</u>
\$ -	\$ -	\$ -	\$ -	\$ 479	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	1,618	-	-	-
-	-	-	-	2,097	-	-	-
-	-	65	-	-	-	-	-
-	-	-	678	-	-	-	-
-	-	7,641	-	-	-	-	-
-	-	7,706	678	-	-	-	-
-	-	-	-	-	-	-	-
125,793	81,085	53,495	39,902	-	80,134	99,409	23,364
-	-	-	-	(2,097)	-	-	-
<u>125,793</u>	<u>81,085</u>	<u>53,495</u>	<u>39,902</u>	<u>(2,097)</u>	<u>80,134</u>	<u>99,409</u>	<u>23,364</u>
<u>\$ 125,793</u>	<u>\$ 81,085</u>	<u>\$ 61,201</u>	<u>\$ 40,580</u>	<u>\$ -</u>	<u>\$ 80,134</u>	<u>\$ 99,409</u>	<u>\$ 23,364</u>

# City of Kaukauna, Wisconsin

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	<b>Capital Projects</b>			
	<b>Industrial Park</b>	<b>Park Development</b>	<b>Special Assessments</b>	<b>Tax Incremental District #4</b>
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 83,452	\$ 1,006,499	\$ -
Restricted cash and investments	-	-	194,753	27,295
Receivables				
Taxes and special charges	-	-	220,131	30,852
Accounts, net	-	-	-	-
Special assessments	-	-	2,561,454	-
Loans	23,934	-	-	234,643
Due from other funds	240,000	-	-	-
<b>Total assets</b>	<b>\$ 263,934</b>	<b>\$ 83,452</b>	<b>\$ 3,982,837</b>	<b>\$ 292,790</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 39	\$ -	\$ -	\$ -
Accrued and other current liabilities	-	-	-	-
Due to other funds	522,358	-	11,219	489,268
<b>Total liabilities</b>	<b>522,397</b>	<b>-</b>	<b>11,219</b>	<b>489,268</b>
<b>Deferred inflows of resources</b>				
Property taxes levied for subsequent year	-	-	414,885	58,147
Loans receivable	23,934	-	-	-
Special assessments	-	-	2,561,454	-
<b>Total deferred inflows of resources</b>	<b>23,934</b>	<b>-</b>	<b>2,976,339</b>	<b>58,147</b>
<b>Fund balances</b>				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	83,452	995,279	-
Unassigned	(282,397)	-	-	(254,625)
<b>Total fund balances</b>	<b>(282,397)</b>	<b>83,452</b>	<b>995,279</b>	<b>(254,625)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 263,934</b>	<b>\$ 83,452</b>	<b>\$ 3,982,837</b>	<b>\$ 292,790</b>

**Capital Projects**

<b>Tax Incremental District #5</b>	<b>Tax Incremental District #6</b>	<b>Tax Incremental District #7</b>	<b>Tax Incremental District #8</b>	<b>Tax Incremental District #9</b>	<b>Tax Incremental District #10</b>
\$ 687,690	\$ 218,393	\$ -	\$ 979,179	\$ 959	\$ 581,045
58,109	439,464	-	56,184	6,858	-
10,748	496,730	-	63,505	7,752	-
-	-	-	-	-	-
-	-	-	-	-	-
-	223,854	-	-	-	-
-	-	-	-	-	-
<b>\$ 756,547</b>	<b>\$ 1,378,441</b>	<b>\$ -</b>	<b>\$ 1,098,868</b>	<b>\$ 15,569</b>	<b>\$ 581,045</b>
\$ 2,248	\$ 521	\$ -	\$ 190,104	\$ -	\$ -
-	-	-	-	-	-
4,354,550	-	-	270,000	111,300	-
4,356,798	521	-	460,104	111,300	-
20,257	936,194	-	119,688	14,610	-
-	223,854	-	-	-	-
-	-	-	-	-	-
20,257	1,160,048	-	119,688	14,610	-
-	-	-	-	-	-
-	-	-	-	-	-
-	217,872	-	519,076	-	581,045
(3,620,508)	-	-	-	(110,341)	-
(3,620,508)	217,872	-	519,076	(110,341)	581,045
<b>\$ 756,547</b>	<b>\$ 1,378,441</b>	<b>\$ -</b>	<b>\$ 1,098,868</b>	<b>\$ 15,569</b>	<b>\$ 581,045</b>



# City of Kaukauna, Wisconsin

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	<b>Capital Projects</b>		
	<b>Environmental Remediation TID</b>	<b>2015 Projects</b>	<b>Equipment</b>
<b>ASSETS</b>			
Cash and investments	\$ 175,761	\$ -	\$ 93,887
Restricted cash and investments	43,728	-	-
Receivables			
Taxes and special charges	49,426	-	-
Accounts, net	-	-	-
Special assessments	-	-	-
Loans	-	-	-
Due from other funds	-	-	-
<b>Total assets</b>	<b>\$ 268,915</b>	<b>\$ -</b>	<b>\$ 93,887</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 2,982	\$ 13,289	\$ 405
Accrued and other current liabilities	-	-	-
Due to other funds	1,015,071	-	-
<b>Total liabilities</b>	<b>1,018,053</b>	<b>13,289</b>	<b>405</b>
Deferred inflows of resources			
Property taxes levied for subsequent year	93,154	-	-
Loans receivable	-	-	-
Special assessments	-	-	-
<b>Total deferred inflows of resources</b>	<b>93,154</b>	<b>-</b>	<b>-</b>
Fund balances			
Restricted	-	-	-
Committed	-	-	93,482
Assigned	-	-	-
Unassigned	(842,292)	(13,289)	-
<b>Total fund balances</b>	<b>(842,292)</b>	<b>(13,289)</b>	<b>93,482</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 268,915</b>	<b>\$ -</b>	<b>\$ 93,887</b>

<b>Capital Projects</b>		<b>Total</b>
<b>Pool and Parks</b>	<b>Buildings and Miscellaneous</b>	<b>2018</b>
\$ 406,926	\$ 624,802	\$ 6,280,045
2,750	-	1,322,546
-	-	962,805
-	-	73
-	-	2,569,095
-	-	1,478,172
-	-	299,302
<u>\$ 409,676</u>	<u>\$ 624,802</u>	<u>\$ 12,912,038</u>
\$ 8,200	\$ -	\$ 236,361
-	-	4,592
-	-	6,775,384
<u>8,200</u>	<u>-</u>	<u>7,016,337</u>
-	-	1,814,611
-	-	1,243,529
-	-	2,569,095
<u>-</u>	<u>-</u>	<u>5,627,235</u>
-	-	418,714
401,476	624,802	1,173,255
-	-	3,802,046
-	-	(5,125,549)
<u>401,476</u>	<u>624,802</u>	<u>268,466</u>
<u>\$ 409,676</u>	<u>\$ 624,802</u>	<u>\$ 12,912,038</u>

# City of Kaukauna, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue				
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants	CDBG Grant
<b>REVENUES</b>					
Taxes	\$ 156,076	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	25,000	-	-	-	-
Fines and forfeits	-	-	-	-	-
Public charges for services	16,942	-	-	-	-
Miscellaneous	447,556	189,925	-	4,673	5
<b>Total revenues</b>	<b>645,574</b>	<b>189,925</b>	<b>-</b>	<b>4,673</b>	<b>5</b>
<b>EXPENDITURES</b>					
Current					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	223,233	-	-	-	-
Conservation and development	4,109	91,848	13,960	23,110	-
Debt service					
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>227,342</b>	<b>91,848</b>	<b>13,960</b>	<b>23,110</b>	<b>-</b>
Excess of revenues over (under) expenditures	418,232	98,077	(13,960)	(18,437)	5
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>418,232</b>	<b>98,077</b>	<b>(13,960)</b>	<b>(18,437)</b>	<b>5</b>
<b>Fund balances - January 1</b>	<b>54,823</b>	<b>739,703</b>	<b>17,125</b>	<b>39,996</b>	<b>38,785</b>
<b>Fund balances - December 31</b>	<b>\$ 473,055</b>	<b>\$ 837,780</b>	<b>\$ 3,165</b>	<b>\$ 21,559</b>	<b>\$ 38,790</b>

**Special Revenue**

<b>Public Safety Grants</b>	<b>Library Foundation</b>	<b>Subdivision Fees</b>	<b>PACE Loan Fund</b>	<b>Grignon Home</b>	<b>Vehicle Registration</b>	<b>Solid Waste</b>	<b>Red Hill Landfill</b>
\$ -	\$ -	\$ 66	\$ -	\$ -	\$ 180,808	\$ -	\$ -
-	-	14,601	-	-	-	-	-
-	-	-	-	-	-	-	-
5,520	-	-	-	-	-	-	-
10,073	-	-	-	-	-	354,392	48,364
-	99,100	-	1,811	7,706	-	4,014	-
<u>15,593</u>	<u>99,100</u>	<u>14,667</u>	<u>1,811</u>	<u>7,706</u>	<u>180,808</u>	<u>358,406</u>	<u>48,364</u>
1,219	-	-	-	-	-	-	-
-	-	-	-	-	-	4,402	-
-	41,605	7,480	-	16,840	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	25,000
<u>1,219</u>	<u>41,605</u>	<u>7,480</u>	<u>-</u>	<u>16,840</u>	<u>-</u>	<u>4,402</u>	<u>25,000</u>
14,374	57,495	7,187	1,811	(9,134)	180,808	354,004	23,364
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(200,000)	(354,040)	-
-	-	-	-	-	(200,000)	(354,040)	-
14,374	57,495	7,187	1,811	(9,134)	(19,192)	(36)	23,364
111,419	23,590	46,308	38,091	7,037	99,326	99,445	-
<u>\$ 125,793</u>	<u>\$ 81,085</u>	<u>\$ 53,495</u>	<u>\$ 39,902</u>	<u>\$ (2,097)</u>	<u>\$ 80,134</u>	<u>\$ 99,409</u>	<u>\$ 23,364</u>

# City of Kaukauna, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<b>Capital Projects</b>			
	<b>Industrial Park</b>	<b>Park Development</b>	<b>Special Assessments</b>	<b>Tax Incremental District #4</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ 15,000	\$ -	\$ 37,992
Special assessments	-	-	1,188,333	-
Intergovernmental	-	-	-	3,410
Fines and forfeits	-	-	-	-
Public charges for services	-	-	-	41,110
Miscellaneous	50,021	-	61,878	7,900
<b>Total revenues</b>	<b>50,021</b>	<b>15,000</b>	<b>1,250,211</b>	<b>90,412</b>
<b>EXPENDITURES</b>				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	50,276
Conservation and development	-	-	-	-
Debt service				
Interest and fiscal charges	-	-	-	-
Capital outlay	4,644	319	-	19,397
<b>Total expenditures</b>	<b>4,644</b>	<b>319</b>	<b>-</b>	<b>69,673</b>
Excess of revenues over (under) expenditures	45,377	14,681	1,250,211	20,739
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(2,464,347)	(53,887)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(2,464,347)</b>	<b>(53,887)</b>
<b>Net change in fund balances</b>	<b>45,377</b>	<b>14,681</b>	<b>(1,214,136)</b>	<b>(33,148)</b>
<b>Fund balances - January 1</b>	<b>(327,774)</b>	<b>68,771</b>	<b>2,209,415</b>	<b>(221,477)</b>
<b>Fund balances - December 31</b>	<b>\$ (282,397)</b>	<b>\$ 83,452</b>	<b>\$ 995,279</b>	<b>\$ (254,625)</b>

**Capital Projects**

<b>Tax Incremental District #5</b>	<b>Tax Incremental District #6</b>	<b>Tax Incremental District #8</b>	<b>Tax Incremental District #9</b>	<b>Tax Incremental District #10</b>	<b>Environmental Remediation TID</b>
\$ 68,541	\$ 872,087	\$ 131,025	\$ 1,109	\$ -	\$ 70,920
-	-	-	-	-	-
148	7,567	13,584	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
597,379	25,610	13,608	-	4,739	-
<u>666,068</u>	<u>905,264</u>	<u>158,217</u>	<u>1,109</u>	<u>4,739</u>	<u>70,920</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,308	-	-	-	-	-
-	-	12,578	-	8,421	1,411
95,834	27,653	926,152	150	-	36,504
<u>102,142</u>	<u>27,653</u>	<u>938,730</u>	<u>150</u>	<u>8,421</u>	<u>37,915</u>
-	-	-	-	-	-
563,926	877,611	(780,513)	959	(3,682)	33,005
-	-	1,150,000	-	570,000	100,000
-	-	21,996	-	14,727	2,467
-	-	-	-	-	140,000
(685,250)	(672,538)	(172,618)	-	-	(102,688)
<u>(685,250)</u>	<u>(672,538)</u>	<u>999,378</u>	<u>-</u>	<u>584,727</u>	<u>139,779</u>
(121,324)	205,073	218,865	959	581,045	172,784
<u>(3,499,184)</u>	<u>12,799</u>	<u>300,211</u>	<u>(111,300)</u>	<u>-</u>	<u>(1,015,076)</u>
<u>\$ (3,620,508)</u>	<u>\$ 217,872</u>	<u>\$ 519,076</u>	<u>\$ (110,341)</u>	<u>\$ 581,045</u>	<u>\$ (842,292)</u>

# City of Kaukauna, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Capital Projects				Total
	2015 Projects	Equipment	Pool and Parks	Buildings and Miscellaneous	2018
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,533,624
Special assessments	-	-	-	-	1,202,934
Intergovernmental	-	-	-	-	49,709
Fines and forfeits	-	-	-	-	5,520
Public charges for services	-	-	-	-	470,881
Miscellaneous	-	4,201	34,165	5,954	1,560,245
<b>Total revenues</b>	<b>-</b>	<b>4,201</b>	<b>34,165</b>	<b>5,954</b>	<b>4,822,913</b>
<b>EXPENDITURES</b>					
Current					
Public safety	-	-	-	-	1,219
Public works	-	-	-	-	4,402
Culture and recreation	-	-	-	-	339,434
Conservation and development	-	-	-	-	139,335
Debt service					
Interest and fiscal charges	-	-	-	-	22,410
Capital outlay	(6,618)	418,170	120,881	18,662	1,686,748
<b>Total expenditures</b>	<b>(6,618)</b>	<b>418,170</b>	<b>120,881</b>	<b>18,662</b>	<b>2,193,548</b>
Excess of revenues over (under) expenditures	6,618	(413,969)	(86,716)	(12,708)	2,629,365
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	-	309,000	205,000	361,000	2,695,000
Premium on debt issued	-	-	-	-	39,190
Transfers in	1,650	-	-	-	141,650
Transfers out	(6,618)	-	-	-	(4,711,986)
<b>Total other financing sources (uses)</b>	<b>(4,968)</b>	<b>309,000</b>	<b>205,000</b>	<b>361,000</b>	<b>(1,836,146)</b>
<b>Net change in fund balances</b>	<b>1,650</b>	<b>(104,969)</b>	<b>118,284</b>	<b>348,292</b>	<b>793,219</b>
<b>Fund balances - January 1</b>	<b>(14,939)</b>	<b>198,451</b>	<b>283,192</b>	<b>276,510</b>	<b>(524,753)</b>
<b>Fund balances - December 31</b>	<b>\$ (13,289)</b>	<b>\$ 93,482</b>	<b>\$ 401,476</b>	<b>\$ 624,802</b>	<b>\$ 268,466</b>

# 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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,349,649	\$ 3,349,649	\$ 2,544,805	\$ (804,844)
<b>EXPENDITURES</b>				
Debt service				
Principal	5,185,000	5,185,000	3,658,008	1,526,992
Interest and fiscal charges	1,846,291	1,846,291	1,261,383	584,908
Total expenditures	7,031,291	7,031,291	4,919,391	2,111,900
Excess of revenues over (under) expenditures	(3,681,642)	(3,681,642)	(2,374,586)	1,307,056
<b>OTHER FINANCING SOURCES</b>				
Premium on debt issued	200,000	200,000	112,812	(87,188)
Transfers in	3,481,642	3,481,642	2,741,327	(740,315)
Total other financing sources	3,681,642	3,681,642	2,854,139	(827,503)
<b>Net change in fund balance</b>	-	-	479,553	479,553
<b>Fund balance - January 1</b>	4,726,275	4,726,275	4,726,275	-
<b>Fund balance - December 31</b>	\$ 4,726,275	\$ 4,726,275	\$ 5,205,828	\$ 479,553



ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS

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## 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, Wisconsin (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, dated August 12, 2019.

### **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 items 2018-001 and 2018-002 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 results 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
August 12, 2019

# City of Kaukauna, Wisconsin

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

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### SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

<b>FINDING NO.</b>	<b>CONTROL DEFICIENCIES</b>
2018-001	<b>Preparation of Annual Financial Report</b>
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.
Criteria:	The preparation and review of the annual financial 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.
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, 2018

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<b>FINDING NO.</b>	<b>CONTROL DEFICIENCIES</b>
2018-002	<b>Adjustments to the City's Financial Records</b>
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, 2018.