

# City of Kaukauna, Wisconsin

## ANNUAL FINANCIAL REPORT

December 31, 2019



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AUDIT, TAX, AND  
CONSULTING

# City of Kaukauna, Wisconsin

DECEMBER 31, 2019

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# City of Kaukauna, Wisconsin

DECEMBER 31, 2019

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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, 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, 2019, 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 did not audit the financial statements of the Kaukauna Utilities Fund, which is both a major fund and 82 percent, 79 percent, and 91 percent of the assets, net position, and revenues of the City of Kaukauna's business-type activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kaukauna Utilities Fund of the City of Kaukauna, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards are 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2019, 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.

**EMPHASIS OF MATTER**

During 2019 the Redevelopment Authority was determined to not be a discretely presented component unit of the City since the nature and significance of its relationship to the City requires inclusion in the primary government. The Redevelopment Authority is presented as a blended component unit in the 2019 financial statements.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedules relating to pensions and other postemployment benefits on pages 59 through 61 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

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

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

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2020, 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 11, 2020

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, 2019. You are encouraged to read this narrative in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$4,222,477 to \$123,422,515; net position of governmental activities increased \$762,544 to \$23,491,720 while business type activities net position increased \$3,459,933 to \$98,930,795.
- Total fund balance in governmental funds as of December 31, 2019 is \$12,227,834. Of this balance, \$46,764 is nonspendable, \$6,817,105 is restricted for debt service and donations, \$2,039,400 is committed for improvements, equipment and redevelopment, \$4,116,400 is assigned to subsequent years' budgets, and unassigned has a negative balance of \$791,835.
- General fund's total fund balance increased \$194,984 or 4.00%. 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 2019 were over budget by \$1,052,560. Overall General fund expenditures and operating transfers out for 2019 were over budget by \$457,576 or 3.2% 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 2019, total fund balance for the general fund is \$5,058,379. The unassigned portion of fund balance \$4,611,615, increased \$185,564 or 4.2%, and it is equal to 32.4% of 2019 budgeted general fund expenditures.
- The City's outstanding general obligation debt increased \$200,000 from \$42,115,000 to \$42,315,000 for the fiscal year ended December 31, 2019. The city borrowed more general obligated debt in 2019 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 increased \$4,710,000 from \$82,260,000 to \$86,970,000 for the fiscal year ended December 31, 2019.
- Kaukauna Utility's net position increased \$2,509,853 or 3.3% in 2019 as compared to 2018. This increase is in large part due to some favorable non-operating expenses in addition to an increase in operating revenue.
- Kaukauna Utility's cash and cash equivalents decreased \$1,526,402 in 2019. Most cash flow activities remained the same when compared to 2018. The decrease mentioned above is primarily from previously borrowed long term debt proceeds being spending on capital projects in 2019.

# 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 Kaukauna Utilities (electric and water utilities), Sanitary Sewer Utility and Storm Water Utility.

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

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

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

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

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

The City maintained 31 individual governmental type funds during 2019. 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 for the general fund and debt service fund, which are considered major funds. Data from the remaining 29 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 several funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with these budgets.

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



# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The basic proprietary fund financial statements can be found on pages 21 - 25 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 26 - 58 of this report.

**Supplementary Information** - The combining statements referring to 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 59 - 74 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 \$122,072,299 at yearend December 31, 2019.

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Current and other assets	\$ 46,003,445	\$ 46,986,534	\$ 44,885,067	\$ 42,613,828	\$ 90,888,512	\$ 89,600,362
Capital assets	66,099,917	52,701,698	151,238,106	147,727,986	217,338,023	200,429,684
<b>TOTAL ASSETS</b>	<b>112,103,362</b>	<b>99,688,232</b>	<b>196,123,173</b>	<b>190,341,814</b>	<b>308,226,535</b>	<b>290,030,046</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Loss on advance refunding	-	-	1,990,907	-	1,990,907	-
Related to pension	5,972,318	3,317,693	3,089,440	1,710,023	9,061,758	5,027,716
Related to OPEB	45,503	46,275	23,487	24,046	68,990	70,321
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,017,821</b>	<b>3,363,968</b>	<b>5,103,834</b>	<b>1,734,069</b>	<b>11,121,655</b>	<b>5,098,037</b>
<b>LIABILITIES</b>						
Noncurrent liabilities	59,925,777	46,923,748	93,261,601	88,641,092	153,187,378	135,564,840
Other liabilities	17,275,628	17,416,165	7,402,161	6,098,494	24,677,789	23,514,659
<b>TOTAL LIABILITIES</b>	<b>77,201,405</b>	<b>64,339,913</b>	<b>100,663,762</b>	<b>94,739,586</b>	<b>177,865,167</b>	<b>159,079,499</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes	13,265,453	12,946,482	-	-	13,265,453	12,946,482
Related to pension	3,056,673	3,575,604	1,577,772	1,857,942	4,634,445	5,433,546
Related to OPEB	105,932	14,421	54,678	7,493	160,610	21,914
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>16,428,058</b>	<b>16,536,507</b>	<b>1,632,450</b>	<b>1,865,435</b>	<b>18,060,508</b>	<b>18,401,942</b>
<b>NET POSITION</b>						
Net investment in capital assets	19,394,798	15,077,836	66,776,625	67,373,046	86,171,423	82,450,882
Restricted	5,858,310	7,266,888	7,766,611	8,785,075	13,624,921	16,051,963
Unrestricted	(761,388)	(168,944)	24,387,559	19,312,741	23,626,171	19,143,797
<b>TOTAL NET POSITION</b>	<b>\$ 24,491,720</b>	<b>\$ 22,175,780</b>	<b>\$ 98,930,795</b>	<b>\$ 95,470,862</b>	<b>\$ 123,422,515</b>	<b>\$ 117,646,642</b>

# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Management's Analysis

By far the largest portion of the City's total net position, \$86,171,423 or 69.8%, is its investment in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure), less any related outstanding indebtedness used to acquire those assets. The 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, \$13,624,921 or 11.0% represents resources that are subject to restrictions regarding their use. The remaining balance of unrestricted net position, \$23,626,171 or 19.1% may be used to meet the government's ongoing obligations to creditors and provide services to its citizens.

Business-type activities total net position increased by \$3,459,933 to \$98,930,795 in 2019, an increase of 3.6%. 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.

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 2,019,554	\$ 2,002,017	\$ 54,088,467	\$ 56,283,543	\$ 56,108,021	\$ 58,285,560
Operating grants and contributions	1,370,591	2,037,976	-	-	1,370,591	2,037,976
Capital grants and contributions	1,663,215	761,018	387,111	308,564	2,050,326	1,069,582
General revenues						
Property taxes	10,215,832	10,013,569	-	-	10,215,832	10,013,569
Other taxes	403,958	326,523	-	-	403,958	326,523
State and federal aids not restricted to specific functions	2,630,233	2,549,805	-	-	2,630,233	2,549,805
Interest and investment earnings	508,256	343,728	828,882	750,844	1,337,138	1,094,572
Gain on sale of capital assets	-	24,000	-	-	-	24,000
Miscellaneous	457,735	777,233	-	-	457,735	777,233
<b>TOTAL REVENUES</b>	<b>19,269,374</b>	<b>18,835,869</b>	<b>55,304,460</b>	<b>57,342,951</b>	<b>74,573,834</b>	<b>76,178,820</b>
<b>EXPENSES</b>						
General government	3,363,779	3,542,301	-	-	3,363,779	3,542,301
Public safety	6,771,753	5,863,676	-	-	6,771,753	5,863,676
Public works	5,901,764	4,764,441	-	-	5,901,764	4,764,441
Health and human services	10,417	8,499	-	-	10,417	8,499
Culture and recreation	2,347,088	2,570,938	-	-	2,347,088	2,570,938
Development	928,728	1,618,934	-	-	928,728	1,618,934
Interest on debt	1,816,214	1,542,985	-	-	1,816,214	1,542,985
Electric utility	-	-	42,495,126	44,971,381	42,495,126	44,971,381
Water utility	-	-	3,015,591	3,254,891	3,015,591	3,254,891
Storm water utility	-	-	736,626	544,828	736,626	544,828
Sanitary sewer utility	-	-	2,964,271	2,678,764	2,964,271	2,678,764
<b>TOTAL EXPENSES</b>	<b>21,139,743</b>	<b>19,911,774</b>	<b>49,211,614</b>	<b>51,449,864</b>	<b>70,351,357</b>	<b>71,361,638</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>						
BEFORE TRANSFERS	(1,870,369)	(1,075,905)	6,092,846	5,893,087	4,222,477	4,817,182
TRANSFERS	2,632,913	2,593,217	(2,632,913)	(2,593,217)	-	-
<b>CHANGE IN NET POSITION</b>	<b>762,544</b>	<b>1,517,312</b>	<b>3,459,933</b>	<b>3,299,870</b>	<b>4,222,477</b>	<b>4,817,182</b>
BEGINNING NET POSITION	23,729,176	25,861,518	95,470,862	93,068,039	119,200,038	118,929,557
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	(3,649,654)	-	(897,047)	-	(4,546,701)
<b>ENDING NET POSITION</b>	<b>\$ 24,491,720</b>	<b>\$ 23,729,176</b>	<b>\$ 98,930,795</b>	<b>\$ 95,470,862</b>	<b>\$ 123,422,515</b>	<b>\$ 119,200,038</b>

# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Management's Analysis

The increase in net position for governmental activities for year ended December 31, 2019 was at 3.2% compared to previous years decrease in net position of 5.9% for year ended December 31, 2018. Current year activity increased net position by \$762,544.

Business-type activities growth in net position for year ended December 31, 2019 was 3.6% compared with 3.5% for year ended December 31, 2018. Management expects growth to continue at a modest rate especially for business-type activities.

Business-type activities revenue decreased \$2,038,491 or 3.6% during 2019 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 1/1/2019	Issued in 2019	Retired in 2019	Outstanding 12/31/2019	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation notes	\$ 23,729,912	\$ 5,025,000	\$ 2,115,670	\$ 26,639,242	\$ 1,116,530
General obligation bonds	15,263,695	6,305,000	7,767,167	13,801,528	2,681,590
Taxable redevelopment lease revenue bonds	9,350,000	-	425,000	8,925,000	425,000
Premium	762,595	224,531	113,305	873,821	-
Compensated absences	580,117	34,061	29,005	585,173	146,293
<b>TOTAL GOVERNMENTAL ACTIVITIES DEBT</b>	<b>\$ 49,686,319</b>	<b>\$ 11,588,592</b>	<b>\$ 10,450,147</b>	<b>\$ 50,824,764</b>	<b>\$ 4,369,413</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
General obligation notes	\$ 586,304	\$ -	\$ 417,835	\$ 168,469	\$ 168,470
General obligation bonds	2,535,089	-	829,328	1,705,761	383,410
Revenue bonds	82,260,000	26,625,000	21,915,000	86,970,000	4,100,000
Premium	1,724,726	170,752	153,359	1,742,119	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES DEBT</b>	<b>\$ 87,106,119</b>	<b>\$ 26,795,752</b>	<b>\$ 23,315,522</b>	<b>\$ 90,586,349</b>	<b>\$ 4,651,880</b>

### Management's Analysis

Overall, long-term obligations increased from \$136,792,438 in 2018 to \$141,411,113 in 2019. Governmental activities outstanding debt increased \$1,138,445 or 2.3%. Whereas the business-type activities outstanding debt increased \$3,480,230 or 4.0%. 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 \$42,315,000 is 73.3% 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 \$4,000,000 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 2019	Actual 2019	Budget Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 6,153,873	\$ 6,175,753	\$ 21,880
Intergovernmental	3,913,049	3,899,989	(13,060)
Licenses and permits	369,750	341,135	(28,615)
Fines and forfeits	115,300	113,660	(1,640)
Changes for services	999,349	1,083,803	84,454
Other	192,000	245,189	53,189
Transfers in	2,065,119	3,001,471	936,352
<b>TOTAL REVENUES</b>	<b>13,808,440</b>	<b>14,861,000</b>	<b>1,052,560</b>
<b>EXPENDITURES</b>			
General government	2,264,974	2,087,772	177,202
Public safety	5,925,942	5,751,900	174,042
Public Works	3,405,450	3,718,531	(313,081)
Health and welfare	4,800	10,417	(5,617)
Culture and recreation	1,922,790	1,865,684	57,106
Non-departmental	684,484	1,196,687	(512,203)
Transfers out	-	35,025	(35,025)
<b>TOTAL EXPENDITURES</b>	<b>14,208,440</b>	<b>14,666,016</b>	<b>(457,576)</b>
Excess (Deficit) of Revenues Over Expenditures	\$ (400,000)	\$ 194,984	\$ 594,984

#### Management's Analysis

The 2019 general fund budget to actual comparison is showing a larger surplus than in previous years at \$457,576.

Revenue Variances –Charges for services was over budget because of conservative budgeting.

Expenditure Variances – The general government expenditures were under budget because most 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

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### 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 2019	Actual 2019	Budget Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 2,827,991	\$ 2,827,991	\$ -
<b>EXPENDITURES</b>			
Debt service principal	5,499,830	9,882,888	(4,383,058)
Debt service interest	1,873,520	1,574,193	299,327
<b>TOTAL EXPENDITURES</b>	<u>7,373,350</u>	<u>11,457,081</u>	<u>(4,083,731)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(4,545,359)</u>	<u>(8,629,090)</u>	<u>(4,083,731)</u>
<b>OTHER FINANCING SOURCES</b>			
Long-term debt issued	-	6,305,000	6,305,000
Premium on debt issued	244,952	224,531	(20,421)
Transfers in	1,472,416	2,517,447	1,045,031
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>1,717,368</u>	<u>9,046,978</u>	<u>7,329,610</u>
Net Change in Fund Balance	<u>\$ (2,827,991)</u>	<u>\$ 417,888</u>	<u>\$ 3,245,879</u>

### 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 \$12,227,834, an increase of \$227,824 for the calendar year 2019. Of the total fund balance, the unassigned fund balance is a negative \$791,835, 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, \$46,764
- Restricted for debt service and donations, \$6,817,105
- Committed, \$2,039,400
- Assigned, \$4,116,400

### Fund Balance Analysis – General Fund

The total general fund balance increased from \$4,863,395 at calendar year end 2018 to \$5,058,379 for calendar year end 2019. The city council adopted a policy in 2010 to maintain the fund balance at 15% of the operating budget. Fifteen percent of the 2019 operating budget is \$2,131,266. The unassigned general fund balance as of December 31, 2019 was \$4,611,615. The year-end fund balance for 2019 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 2019. Unassigned fund balance equals 32.45% of budgeted expenditures while total fund balance represents 35.6% of budgeted expenditures for 2019.

### Fund Balance Analysis – Debt Service Fund

The debt service fund balance has a balance of \$5,623,716 at year-end 2019, 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 2019 fund balance of \$1,975,143. The combined fund balance for special revenue funds increased \$99,709 for calendar year ended.

### Fund Balance Analysis – Capital Project Funds

The combined non-major capital project funds have a calendar year end 2019 deficit fund balance of \$429,404. 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.

### POPRIETARY FUNDS

#### Net Position Analysis – Stormwater Utility

Unrestricted net position of the Stormwater Utility at the end of the year amounted to \$4,071,622. The total increase in net position was \$592,673.

#### Net Position Analysis – Sanitary Sewer Utility

Unrestricted net position of the Sanitary Sewer Utility at the end of the year amounted to \$5,321,886. The total increase in net position was \$357,407.

# 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, 2019, net of accumulated depreciation is \$217,338,023 outstanding debt, debt premium and accounts payable related to the purchase of capital assets is \$131,166,600 or 60.4% of asset value net of accumulated depreciation. Governmental activities capital assets increased in 2019 by \$3,234,867 from \$62,865,050 to \$66,099,917. The increase is because of the construction/remodel of the new Streets, Parks, Recreation Office building. The net increase of \$3,510,122 in business-type activities capital assets from \$147,727,984 to \$151,238,106 for the calendar year ended 2019 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 2009 - 2019, the City's tax base, which currently stands at \$1.15 Billion (see following schedule), averaged a 2.29% annual increase; however, the decrease over five years (2009 – 2013) averages 0.74% 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 five years (2015 - 2019), the city saw an average increase of 5.12%. This increase gets the city to a value that eclipses the pre-2009 year where the city average 5.93% growth from 2005-2008.

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

Summary of Changes in Equalized Value

Assessment Year	Equalized Value Including TID's	% Change	Equalized Value Excluding TID's	% Change
2019	\$ 1,153,840,300	6.01%	\$ 1,097,194,600	6.05%
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		899,406,800	

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

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

# City of Kaukauna, Wisconsin

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Kaukauna has not been immune to the effects of the COVID19 virus. The pandemic struck weeks before the spring election causing incurred costs with Personal Protective Equipment to run the in person election as safe as possible. Measures were taken to prevent the spread of this virus with some staff working from home as well as installing plexi-glass barriers to continue to have the interaction with the public. The Emergency Operation Center team has been meeting regularly to keep abreast of the situation and take measures to continue operations as safe and effectively as possible. All these measures have caused some unbudgeted expenses. The City's current COVID19 related expenses is around \$75,000. The encouraging news is that the City has been allocated \$264,000 from the Cares Act grant that it plans to submit for reimbursement. With the ever changing environment, the city is planning for a long term operational plan to help stop the spread. As expected, this plan will incur additional expense that should also be covered under the Cares Act Grant.

### **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, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 17,405,131	\$ 15,562,541	\$ 32,967,672
Receivables			
Taxes and special charges	16,318,277	20,184	16,338,461
Delinquent taxes	5,395	-	5,395
Accounts, net	1,151,179	4,168,625	5,319,804
Special assessments	2,399,238	-	2,399,238
Loans	1,262,089	-	1,262,089
Internal balances	(8,033)	8,033	-
Due from other governments	431,428	-	431,428
Inventories and prepaid items	41,369	2,919,848	2,961,217
Investment in ATC LLC	-	3,566,604	3,566,604
Nonutility plant, net	-	334,885	334,885
Regulatory asset	-	1,761,086	1,761,086
Restricted assets			
Cash and investments	6,997,372	16,543,261	23,540,633
Capital assets, nondepreciable	8,172,157	8,802,942	16,975,099
Capital assets, depreciable, net	57,927,760	142,435,164	200,362,924
<b>Total assets</b>	<b>112,103,362</b>	<b>196,123,173</b>	<b>308,226,535</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on advance refunding	-	1,990,907	1,990,907
Pension related amounts	5,972,318	3,089,440	9,061,758
Other postemployment related amounts	45,503	23,487	68,990
<b>Total deferred outflows of resources</b>	<b>6,017,821</b>	<b>5,103,834</b>	<b>11,121,655</b>
<b>LIABILITIES</b>			
Accounts payable	1,273,520	4,280,233	5,553,753
Accrued and other current liabilities	924,153	661,033	1,585,186
Due to other governments	14,879,539	-	14,879,539
Accrued interest payable	192,154	209,995	402,149
Customer deposits	-	741,419	741,419
Unearned revenues	6,262	1,509,481	1,515,743
Long-term obligations			
Due within one year	4,369,413	4,651,880	9,021,293
Due in more than one year	46,455,351	85,934,469	132,389,820
Net pension liability	2,209,587	1,140,529	3,350,116
Other postemployment benefits	6,891,426	1,534,723	8,426,149
<b>Total liabilities</b>	<b>77,201,405</b>	<b>100,663,762</b>	<b>177,865,167</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for subsequent year	13,265,453	-	13,265,453
Pension related amounts	3,056,673	1,577,772	4,634,445
Other postemployment related amounts	105,932	54,678	160,610
<b>Total deferred inflows of resources</b>	<b>16,428,058</b>	<b>1,632,450</b>	<b>18,060,508</b>
<b>NET POSITION</b>			
Net investment in capital assets	19,394,798	66,776,625	86,171,423
Restricted	5,858,310	7,766,611	13,624,921
Unrestricted	(761,388)	24,387,559	23,626,171
<b>Total net position</b>	<b>\$ 24,491,720</b>	<b>\$ 98,930,795</b>	<b>\$ 123,422,515</b>

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

# City of Kaukauna, Wisconsin

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 3,363,779	\$ 263,529	\$ -	\$ -
Public safety	6,771,753	816,328	68,234	4,612
Public works	5,901,764	472,127	973,169	1,021,208
Health and human services	10,417	1,650	-	-
Culture and recreation	2,347,088	464,940	294,711	637,395
Conservation and development	928,728	980	34,477	-
Interest and fiscal charges	1,816,214	-	-	-
Total governmental activities	21,139,743	2,019,554	1,370,591	1,663,215
<b>BUSINESS-TYPE ACTIVITIES</b>				
Kaukauna Utilities	45,510,717	49,415,136	-	192,829
Storm water utility	736,626	1,237,692	-	185,940
Sanitary sewer utility	2,964,271	3,435,639	-	8,342
Total business-type activities	49,211,614	54,088,467	-	387,111
Total primary government	<u>\$ 70,351,357</u>	<u>\$ 56,108,021</u>	<u>\$ 1,370,591</u>	<u>\$ 2,050,326</u>

General revenues  
 Taxes  
   Property taxes  
   Other taxes  
 Federal and state grants and other contributions  
   not restricted to specific functions  
 Interest and investment earnings  
 Miscellaneous  
 Transfers  
 Total general revenues and transfers

**Change in net position**

**Net position - January 1**

**Net position - December 31**

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

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,100,250)	\$ -	\$ (3,100,250)
(5,882,579)	-	(5,882,579)
(3,435,260)	-	(3,435,260)
(8,767)	-	(8,767)
(950,042)	-	(950,042)
(893,271)	-	(893,271)
(1,816,214)	-	(1,816,214)
<u>(16,086,383)</u>	<u>-</u>	<u>(16,086,383)</u>
-	4,097,248	4,097,248
-	687,006	687,006
-	479,710	479,710
<u>-</u>	<u>5,263,964</u>	<u>5,263,964</u>
<u>(16,086,383)</u>	<u>5,263,964</u>	<u>(10,822,419)</u>
10,215,832	-	10,215,832
403,958	-	403,958
2,630,233	-	2,630,233
508,256	828,882	1,337,138
457,735	-	457,735
2,632,913	(2,632,913)	-
<u>16,848,927</u>	<u>(1,804,031)</u>	<u>15,044,896</u>
762,544	3,459,933	4,222,477
<u>23,729,176</u>	<u>95,470,862</u>	<u>119,200,038</u>
<u>\$ 24,491,720</u>	<u>\$ 98,930,795</u>	<u>\$ 123,422,515</u>

# City of Kaukauna, Wisconsin

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2019

	General	Debt Service	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and investments	\$ 10,766,858	\$ 12,596	\$ 6,625,677	\$ 17,405,131
Restricted cash and investments	3,168,186	1,683,791	2,145,395	6,997,372
Receivables				
Taxes and special charges	13,316,665	1,992,705	1,008,907	16,318,277
Delinquent taxes	5,395	-	-	5,395
Accounts, net	380,713	-	770,466	1,151,179
Special assessments	-	-	2,399,238	2,399,238
Loans	-	-	1,262,089	1,262,089
Due from other funds	1,118,723	5,611,120	62,602	6,792,445
Due from other governments	13,539	-	417,889	431,428
Inventories and prepaid items	41,369	-	-	41,369
<b>Total assets</b>	<b><u>\$ 28,811,448</u></b>	<b><u>\$ 9,300,212</u></b>	<b><u>\$ 14,692,263</u></b>	<b><u>\$ 52,803,923</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 182,523	\$ -	\$ 1,090,997	\$ 1,273,520
Accrued and other current liabilities	917,581	-	6,572	924,153
Due to other funds	40,059	-	6,760,419	6,800,478
Due to other governments	14,879,539	-	-	14,879,539
Unearned revenues	5,822	-	-	5,822
<b>Total liabilities</b>	<b><u>16,025,524</u></b>	<b><u>-</u></b>	<b><u>7,857,988</u></b>	<b><u>23,883,512</u></b>
Deferred inflows of resources				
Property taxes levied for subsequent year	7,727,545	3,676,496	1,861,412	13,265,453
Loans receivable	-	-	1,027,446	1,027,446
Special assessments	-	-	2,399,678	2,399,678
<b>Total deferred inflows of resources</b>	<b><u>7,727,545</u></b>	<b><u>3,676,496</u></b>	<b><u>5,288,536</u></b>	<b><u>16,692,577</u></b>
Fund balances				
Nonspendable	46,764	-	-	46,764
Restricted	-	5,623,716	1,193,389	6,817,105
Committed	-	-	2,039,400	2,039,400
Assigned	400,000	-	3,716,400	4,116,400
Unassigned	4,611,615	-	(5,403,450)	(791,835)
<b>Total fund balances</b>	<b><u>5,058,379</u></b>	<b><u>5,623,716</u></b>	<b><u>1,545,739</u></b>	<b><u>12,227,834</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 28,811,448</u></b>	<b><u>\$ 9,300,212</u></b>	<b><u>\$ 14,692,263</u></b>	<b><u>\$ 52,803,923</u></b>

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

# City of Kaukauna, Wisconsin

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2019

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### RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 12,227,834
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.	66,099,917
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	
Loans receivable	1,027,446
Special assessments	2,399,238
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	5,972,318
Deferred inflows related to pensions	(3,056,673)
Deferred outflows related to other postemployment benefits	45,503
Deferred inflows related to other postemployment benefits	(105,932)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(49,365,770)
Premium on debt	(873,821)
Compensated absences	(585,173)
Net pension liability	(2,209,587)
Other postemployment benefit	(6,891,426)
Accrued interest on long-term obligations	<u>(192,154)</u>
Net position of governmental activities as reported on the statement of net position (see page 13)	<u><u>\$ 24,491,720</u></u>

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

# City of Kaukauna, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Debt Service	Other Governmental Funds	Total
<b>REVENUES</b>				
Taxes	\$ 5,404,909	\$ 2,827,991	\$ 2,551,787	\$ 10,784,687
Special assessments	-	-	1,191,065	1,191,065
Intergovernmental	3,899,989	-	62,318	3,962,307
Licenses and permits	341,135	-	-	341,135
Fines and forfeits	113,660	-	-	113,660
Public charges for services	1,083,803	-	468,035	1,551,838
Miscellaneous	245,189	-	1,394,230	1,639,419
Total revenues	<u>11,088,685</u>	<u>2,827,991</u>	<u>5,667,435</u>	<u>19,584,111</u>
<b>EXPENDITURES</b>				
Current				
General government	2,087,772	-	2,789	2,090,561
Public safety	5,751,900	-	3,500	5,755,400
Public works	3,718,531	-	13,361	3,731,892
Health and human services	10,417	-	-	10,417
Culture and recreation	1,865,684	-	425,290	2,290,974
Conservation and development	-	-	694,950	694,950
Nondepartmental	425,843	-	-	425,843
Debt service				
Principal	-	9,882,837	425,000	10,307,837
Interest and fiscal charges	-	1,574,244	363,456	1,937,700
Capital outlay	-	-	6,298,157	6,298,157
Total expenditures	<u>13,860,147</u>	<u>11,457,081</u>	<u>8,226,503</u>	<u>33,543,731</u>
Excess (deficiency) of revenues under expenditures	<u>(2,771,462)</u>	<u>(8,629,090)</u>	<u>(2,559,068)</u>	<u>(13,959,620)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	6,305,000	5,025,000	11,330,000
Premium on debt issued	-	224,531	-	224,531
Transfers in	3,001,471	2,517,447	1,312,177	6,831,095
Transfers out	(35,025)	-	(4,163,157)	(4,198,182)
Total other financing sources (uses)	<u>2,966,446</u>	<u>9,046,978</u>	<u>2,174,020</u>	<u>14,187,444</u>
<b>Net change in fund balances</b>	194,984	417,888	(385,048)	227,824
<b>Fund balances - January 1</b>	<u>4,863,395</u>	<u>5,205,828</u>	<u>1,930,787</u>	<u>12,000,010</u>
<b>Fund balances - December 31</b>	<u>\$ 5,058,379</u>	<u>\$ 5,623,716</u>	<u>\$ 1,545,739</u>	<u>\$ 12,227,834</u>

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

# City of Kaukauna, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

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### RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page	\$ 227,824
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	6,062,752
Depreciation expense reported in the statement of activities	(2,827,885)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(385,940)
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	(11,330,000)
Principal repaid	10,307,837
Interest accrued on long term debt	8,181
Premium on debt issued, including current year amortization	(111,226)
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	(5,056)
Net pension liability (asset)	(4,021,323)
Deferred outflows of resources related to pensions	2,654,625
Deferred inflows of resources related to pensions	518,931
Other postemployment benefits	(243,893)
Deferred outflows of resources related to other postemployment benefits	(772)
Deferred inflows of resources related to other postemployment benefits	(91,511)
Change in net position of governmental activities as reported in the statement of activities (see pages 14 - 15)	<u>\$ 762,544</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, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,153,873	\$ 6,153,873	\$ 5,404,909	\$ (748,964)
Intergovernmental	3,913,049	3,913,049	3,899,989	(13,060)
Licenses and permits	369,750	369,750	341,135	(28,615)
Fines and forfeits	115,300	115,300	113,660	(1,640)
Public charges for services	999,349	999,349	1,083,803	84,454
Miscellaneous	192,000	192,000	245,189	53,189
Total revenues	<u>11,743,321</u>	<u>11,743,321</u>	<u>11,088,685</u>	<u>(654,636)</u>
<b>EXPENDITURES</b>				
Current				
General government	2,264,974	2,264,974	2,087,772	177,202
Public safety	5,925,942	5,925,942	5,751,900	174,042
Public works	3,405,450	3,405,450	3,718,531	(313,081)
Health and human services	4,800	4,800	10,417	(5,617)
Culture and recreation	1,922,790	1,922,790	1,865,684	57,106
Nondepartmental	684,484	684,484	425,843	258,641
Total expenditures	<u>14,208,440</u>	<u>14,208,440</u>	<u>13,860,147</u>	<u>348,293</u>
Excess (deficiency) of revenues under expenditures	<u>(2,465,119)</u>	<u>(2,465,119)</u>	<u>(2,771,462)</u>	<u>(306,343)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,065,119	2,065,119	3,001,471	936,352
Transfers out	-	-	(35,025)	(35,025)
Total other financing sources (uses)	<u>2,065,119</u>	<u>2,065,119</u>	<u>2,966,446</u>	<u>901,327</u>
<b>Net change in fund balance</b>	<u>(400,000)</u>	<u>(400,000)</u>	<u>194,984</u>	<u>594,984</u>
<b>Fund balance - January 1</b>	<u>4,171,500</u>	<u>4,171,500</u>	<u>4,863,395</u>	<u>691,895</u>
<b>Fund balance - December 31</b>	<u>\$ 3,771,500</u>	<u>\$ 3,771,500</u>	<u>\$ 5,058,379</u>	<u>\$ 1,286,879</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, 2019

	<u>Kaukauna Utilities</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 10,618,395	\$ 1,674,251	\$ 3,269,895	\$ 15,562,541
Receivables				
Taxes and special charges	-	5,095	15,089	20,184
Accounts, net	4,167,325	-	1,300	4,168,625
Due from other funds	100,490	204,154	552,804	857,448
Inventories and prepaid items	2,919,848	-	-	2,919,848
Total current assets	<u>17,806,058</u>	<u>1,883,500</u>	<u>3,839,088</u>	<u>23,528,646</u>
Noncurrent assets				
Restricted assets				
Cash and investments	<u>11,989,678</u>	<u>2,288,084</u>	<u>2,265,499</u>	<u>16,543,261</u>
Other assets				
Investment in ATC LLC	3,566,604	-	-	3,566,604
Regulatory asset	1,761,086	-	-	1,761,086
Nonutility plant, net	<u>334,885</u>	<u>-</u>	<u>-</u>	<u>334,885</u>
Total other assets	<u>5,662,575</u>	<u>-</u>	<u>-</u>	<u>5,662,575</u>
Capital assets				
Nondepreciable	8,759,310	43,632	-	8,802,942
Depreciable, net	<u>116,582,547</u>	<u>8,511,746</u>	<u>17,340,871</u>	<u>142,435,164</u>
Total capital assets	<u>125,341,857</u>	<u>8,555,378</u>	<u>17,340,871</u>	<u>151,238,106</u>
Total assets	<u>160,800,168</u>	<u>12,726,962</u>	<u>23,445,458</u>	<u>196,972,588</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on advance refunding	1,990,907	-	-	1,990,907
Pension related amounts	2,961,531	80,880	47,029	3,089,440
Other postemployment related amounts	<u>22,487</u>	<u>641</u>	<u>359</u>	<u>23,487</u>
Total deferred outflows of resources	<u>4,974,925</u>	<u>81,521</u>	<u>47,388</u>	<u>5,103,834</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, 2019

	<u>Kaukauna Utilities</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 3,589,542	\$ 112,424	\$ 578,267	\$ 4,280,233
Accrued and other current liabilities	650,969	6,110	3,954	661,033
Due to other funds	823,003	2,958	23,454	849,415
Customer deposits	741,419	-	-	741,419
Unearned revenues	1,472,242	9,400	27,839	1,509,481
Current portion of long-term debt	3,710,000	551,065	390,815	4,651,880
Accrued interest payable	127,617	30,318	52,060	209,995
Total current liabilities	<u>11,114,792</u>	<u>712,275</u>	<u>1,076,389</u>	<u>12,903,456</u>
Long-term obligations, less current portion				
General obligation debt	-	4,937,870	3,184,480	8,122,350
Revenue bonds	71,320,000	1,200,000	3,550,000	76,070,000
Debt premium	1,484,871	145,756	111,492	1,742,119
Net pension liability	1,091,932	31,149	17,448	1,140,529
Other postemployment benefits	1,526,599	5,207	2,917	1,534,723
Total long-term liabilities	<u>75,423,402</u>	<u>6,319,982</u>	<u>6,866,337</u>	<u>88,609,721</u>
Total liabilities	<u>86,538,194</u>	<u>7,032,257</u>	<u>7,942,726</u>	<u>101,513,177</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related amounts	1,510,545	43,091	24,136	1,577,772
Other postemployment related amounts	52,349	1,493	836	54,678
Total deferred inflows of resources	<u>1,562,894</u>	<u>44,584</u>	<u>24,972</u>	<u>1,632,450</u>
<b>NET POSITION</b>				
Net investment in capital assets	55,541,530	1,534,020	9,701,075	66,776,625
Restricted	7,138,424	126,000	502,187	7,766,611
Unrestricted	14,994,051	4,071,622	5,321,886	24,387,559
Total net position	<u>\$ 77,674,005</u>	<u>\$ 5,731,642</u>	<u>\$ 15,525,148</u>	<u>\$ 98,930,795</u>

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, 2019

	<u>Kaukauna Utilities</u>	<u>Stormwater Utility</u>	<u>Sanitary Sewer Utility</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 48,713,733	\$ 1,237,692	\$ 3,435,639	\$ 53,387,064
Other	664,005	-	-	664,005
Total operating revenues	<u>49,377,738</u>	<u>1,237,692</u>	<u>3,435,639</u>	<u>54,051,069</u>
<b>OPERATING EXPENSES</b>				
Operation and maintenance	36,918,024	376,505	2,410,533	39,705,062
Depreciation	5,325,885	139,088	298,544	5,763,517
Taxes	-	11,531	-	11,531
Total operating expenses	<u>42,243,909</u>	<u>527,124</u>	<u>2,709,077</u>	<u>45,480,110</u>
Operating income	<u>7,133,829</u>	<u>710,568</u>	<u>726,562</u>	<u>8,570,959</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	823,394	-	5,488	828,882
Merchandising and jobbing	37,398	-	-	37,398
Interest and fiscal charges	(2,427,631)	(209,502)	(246,086)	(2,883,219)
Amortization of debt discount/premium	(468,589)	-	-	(468,589)
Miscellaneous revenues (expenses)	(370,588)	-	(9,108)	(379,696)
Total nonoperating revenues (expenses)	<u>(2,406,016)</u>	<u>(209,502)</u>	<u>(249,706)</u>	<u>(2,865,224)</u>
Income before contributions and transfers	4,727,813	501,066	476,856	5,705,735
Capital contributions	192,829	185,940	8,342	387,111
Transfers in	-	-	9,400	9,400
Transfers out	(2,410,789)	(94,333)	(137,191)	(2,642,313)
<b>Change in net position</b>	2,509,853	592,673	357,407	3,459,933
<b>Net position - January 1</b>	<u>75,164,152</u>	<u>5,138,969</u>	<u>15,167,741</u>	<u>95,470,862</u>
<b>Net position - December 31</b>	<u>\$ 77,674,005</u>	<u>\$ 5,731,642</u>	<u>\$ 15,525,148</u>	<u>\$ 98,930,795</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, 2019

	<b>Kaukauna Utilities</b>	<b>Stormwater Utility</b>	<b>Sanitary Sewer Utility</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 50,046,214	\$ 1,239,842	\$ 3,569,640	\$ 54,855,696
Cash paid for employee wages and benefits	(3,892,932)	(198,205)	(96,436)	(4,187,573)
Cash paid to suppliers	(30,361,942)	(107,288)	(2,614,633)	(33,083,863)
Net cash provided by operating activities	<u>15,791,340</u>	<u>934,349</u>	<u>858,571</u>	<u>17,584,260</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous revenues (expenses)	-	-	(9,108)	(9,108)
Due to/from other funds	-	(5,754)	16,514	10,760
Transfers in/out	(2,410,789)	(94,333)	(127,791)	(2,632,913)
Net cash used by noncapital financing activities	<u>(2,410,789)</u>	<u>(100,087)</u>	<u>(120,385)</u>	<u>(2,631,261)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(8,591,277)	(521,385)	(528,436)	(9,641,098)
Cost of removal of capital assets	(82,951)	-	-	(82,951)
Capital contributions	192,829	-	10,518	203,347
Principal paid on long-term debt	(3,340,000)	(1,109,601)	(487,562)	(4,937,163)
Interest paid on long-term debt	(3,123,258)	(210,081)	(245,542)	(3,578,881)
Payment to escrow during refunding	(162,120)	-	-	(162,120)
Proceeds of long-term debt	-	3,800,000	2,550,000	6,350,000
Premium on long-term debt	(387,255)	102,182	68,570	(216,503)
Net cash provided (used) by capital and related financing activities	<u>(15,494,032)</u>	<u>2,061,115</u>	<u>1,367,548</u>	<u>(12,065,369)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	733,619	-	5,488	739,107
Investment in ATC LLC	(146,540)	-	-	(146,540)
Net cash provided by investing activities	<u>587,079</u>	<u>-</u>	<u>5,488</u>	<u>592,567</u>
<b>Change in cash and cash equivalents</b>	<b>(1,526,402)</b>	<b>2,895,377</b>	<b>2,111,222</b>	<b>3,480,197</b>
<b>Cash and cash equivalents - January 1</b>	<b>24,134,475</b>	<b>1,066,958</b>	<b>3,424,172</b>	<b>28,625,605</b>
<b>Cash and cash equivalents - December 31</b>	<b><u>\$ 22,608,073</u></b>	<b><u>\$ 3,962,335</u></b>	<b><u>\$ 5,535,394</u></b>	<b><u>\$ 32,105,802</u></b>

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

# City of Kaukauna, Wisconsin

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Kaukauna Utilities	Stormwater Utility	Sanitary Sewer Utility	Total
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 7,133,829	\$ 710,568	\$ 726,562	\$ 8,570,959
Adjustments to reconcile operating income to net cash provided by operating activities				
Nonoperating revenue	336,445	-	-	336,445
Depreciation	5,325,885	139,088	298,544	5,763,517
Depreciation charged to operating accounts	248,067	-	-	248,067
Depreciation on non-utility plant	(54,176)	-	-	(54,176)
Change in liability (asset) and deferred outflows and inflows of resources				
Pension asset/liability	1,975,945	68,076	37,915	2,081,936
Pension related deferred outflows	(1,337,488)	(25,392)	(16,537)	(1,379,417)
Pension related deferred inflows	(234,125)	(29,788)	(16,257)	(280,170)
Other postemployment benefits liability	5,181	(3,514)	(1,917)	(250)
Other postemployment benefits liability related deferred outflows	92	303	164	559
Other postemployment benefits liability related deferred inflows	45,313	1,199	673	47,185
Regulatory asset	220,135	-	-	220,135
Change in operating assets and liabilities				
Accounts receivables, net of allowance	662,966	-	138,701	801,667
Due to/from municipality	(13,349)	-	-	(13,349)
Inventories and prepaid items	322,926	-	-	322,926
Accounts payable	1,529,582	69,897	(306,405)	1,293,074
Accrued and other current liabilities	(16,251)	1,762	1,828	(12,661)
Customer deposits	125,433	-	-	125,433
Unearned revenues	(485,070)	2,150	(4,700)	(487,620)
Net cash provided by operating activities	<u>\$ 15,791,340</u>	<u>\$ 934,349</u>	<u>\$ 858,571</u>	<u>\$ 17,584,260</u>
Reconciliation of cash and cash equivalents to the statement of net position				
Cash and cash equivalents in current assets	\$ 10,618,395	\$ 1,674,251	\$ 3,269,895	\$ 15,562,541
Cash and cash equivalents in restricted assets	<u>11,989,678</u>	<u>2,288,084</u>	<u>2,265,499</u>	<u>16,543,261</u>
Total cash and cash equivalents	<u>\$ 22,608,073</u>	<u>\$ 3,962,335</u>	<u>\$ 5,535,394</u>	<u>\$ 32,105,802</u>
Noncash capital and related financing activities				
ATC dividends reinvested	\$ (89,774)	\$ -	\$ -	\$ -
Amortization	\$ (81,333)	\$ -	\$ -	\$ -
Refunded debt issued	\$ 20,275,000	\$ -	\$ -	\$ -
Loss on refunding	\$ (2,212,119)	\$ -	\$ -	\$ -
Debt refunded	\$ 18,225,000	\$ -	\$ -	\$ -
Acquisition of capital assets purchase on account	\$ -	\$ (186,667)	\$ (403,009)	\$ -

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

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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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.

#### Redevelopment Authority

The Redevelopment Authority of the City of Kaukauna provides services entirely to the City of Kaukauna. Although it is legally separate from the City, the Redevelopment Authority is blended and reported as if it were part of the primary government because of the nature of its relationship with the City. 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, 2019

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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.

The City reports the following major enterprise funds:

### **Kaukauna Utilities**

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 and 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.

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.



# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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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.

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

#### **3. Accounts Receivable**

Accounts receivable have been shown net of allowance for uncollectible accounts of \$361,168.

#### **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 2019 tax roll are recognized as revenue in 2020.)

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### 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 classified as 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 classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

### 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 valued at \$3,566,604 as of December 31, 2019, 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.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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.

### 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.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### 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.

### 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.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### ***Government-Wide and Proprietary Fund Statements***

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

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

### **F. SALES TAX**

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

### **G. USE OF ESTIMATES**

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

### **H. PRIOR YEAR INFORMATION**

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

### **I. RECLASSIFICATIONS**

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

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### 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, 2019.

#### B. DEFICIT FUND EQUITY

The following funds had deficit fund balance as of December 31, 2019:

Funds	Deficit Fund Balance
Special Revenue Funds	
Grignon Home	\$ 3,853
Capital Projects Funds	
Industrial Park	85,508
Tax Incremental District #4	249,283
Tax Incremental District #5	4,218,650
Tax Incremental District #8	68,569
Tax Incremental District #9	115,869
Tax Incremental District #10	122,751
Environmental Remediation TID	538,967

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 2019 and 2020 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 2019 budget was 2.01%. The actual limit for the City for the 2020 budget was 1.45%. 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.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### NOTE 3: DETAILED NOTES ON ALL FUNDS

#### A. CASH AND INVESTMENTS

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

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

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

The carrying amount of the City's cash and investments totaled \$56,508,305 on December 31, 2019, as summarized below:

Petty cash and cash on hand	\$ 1,932
Deposits with financial institutions	17,290,524
Beneficial interest in assets held by Community Foundation of the Fox Valley	30,050
Investments	
U.S. agency securities	2,127,175
Bond mutual funds	339,638
Negotiable certificates of deposit	5,173,442
Repurchase agreements	11,656,511
Money market mutual funds	1,016,341
U.S Treasury notes and bonds	954,864
Wisconsin local government investment pool	17,917,828
	<u>\$ 56,508,305</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 32,967,672
Restricted cash and investments	23,540,633
	<u>\$ 56,508,305</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, 2019:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
U.S. treasuries	\$ -	\$ 954,864	\$ -
U.S. agency securities	-	2,127,175	-
Bond mutual funds	135,944	203,694	-
Negotiable certificates of deposit	-	5,173,442	-
Beneficial interest in assets held by Community Foundation of the Fox Valley	-	-	30,050
	<u>\$ 135,944</u>	<u>\$ 8,459,175</u>	<u>\$ 30,050</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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, 2019, \$9,897,515 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, 2019, the City held repurchase agreement investments of \$11,656,511 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	\$ 1,016,341	\$ -	\$ -	\$ -	\$ 1,016,341
Mutual bond funds	339,638	-	-	-	339,638
U.S treasuries	954,864	-	-	-	954,864
U.S. Agency Securities	2,127,175	-	-	2,127,175	-
Negotiable Certificates of Deposit	5,173,442	-	-	-	5,173,442
Wisconsin local government investment pool	17,917,828	-	-	-	17,917,828
Totals	<u>\$27,529,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,127,175</u>	<u>\$25,402,113</u>



# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### 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, 2019, the City had investments in one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments. The City had investments in the Federal Home Loan Mortgage Corporation, representing approximately 8% of 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	\$ 1,016,341	\$ 1,016,341	\$ -	\$ -
Mutual funds	339,638	339,638	-	-
U.S treasuries	954,864	501,700	327,285	125,879
U.S. Agency Securities	2,127,175	1,927,161	200,014	-
Repurchase agreements	11,656,511	11,656,511	-	-
Negotiable certificates of deposit	5,173,442	5,173,442	-	-
Wisconsin local government investment pool	17,917,828	17,917,828	-	-
Totals	<u>\$39,185,799</u>	<u>\$38,532,621</u>	<u>\$ 527,299</u>	<u>\$ 125,879</u>

### Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Highly Sensitive Investments	Fair Value at Year End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 2,127,175

### Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin Local Government Investment Pool of \$17,917,828 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, 2019, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### B. RESTRICTED ASSETS

Restricted assets of the primary government on December 31, 2019 totaled \$23,540,633 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
<b>General</b>		
Advance tax collections	\$ 2,752,709	Tax collections to be distributed to appropriate taxing jurisdictions in
HRA account	415,477	To be used for insurance related expenditures
Total general	<u>3,168,186</u>	
<b>Special revenue</b>		
Thousand Islands Environmental Center	485,626	To be used for future activities of the Environmental Center
Subdivision Fees	31	To be used for future expenditures relating to subdivisions
Grignon Home	8,244	To be used for future activities of the Grignon Home
Total special revenue	<u>493,901</u>	
Debt service	<u>1,683,791</u>	
<b>Capital projects</b>		
Special assessments	198,621	To be used for future capital expenditures
Pools and Parks	18,327	To be used for future capital expenditures relating to space improvements
Tax Incremental District #4	37,129	To be used for future expenses relating to the tax incremental district
Tax Incremental District #5	129,032	To be used for future expenses relating to the tax incremental district
Tax Incremental District #6	394,464	To be used for future expenses relating to the tax incremental district
Tax Incremental District #8	55,504	To be used for future expenses relating to the tax incremental district
Tax Incremental District #9	9,194	To be used for future expenses relating to the tax incremental district
Environmental Remediation TID	42,582	To be used for future expenses relating to the tax incremental district
Redevelopment authority	766,641	To be used for retirement of Taxable Redevelopment Lease Revenue Bonds
Total capital projects	<u>1,651,494</u>	
Total governmental activities	<u>6,997,372</u>	
<b>Enterprise</b>		
<b>Electric Utility</b>		
Debt reserve	6,652,490	To be used for subsequent year payments and to reserve additional funds for debt retirement
Unspent bond proceeds	4,505,190	To be used for future electric capital projects
Total electric utility	<u>11,157,680</u>	
<b>Water utility</b>		
Debt reserve/special redemption	613,551	To be used for subsequent year payments and to reserve additional funds for debt retirement
Unspent bond proceeds	218,447	To be used for future water capital projects
Total water utility	<u>831,998</u>	
<b>Stormwater Utility</b>		
Capital improvements	2,162,084	To be used for future stormwater capital projects
Debt reserve	126,000	To reserve additional funds for debt retirement
Total stormwater utility	<u>2,288,084</u>	
<b>Sanitary sewer utility</b>		
Capital improvements	1,750,562	To be used for future sanitary sewer capital projects
Debt reserve	514,937	To reserve additional funds for debt retirement
Total sanitary sewer utility	<u>2,265,499</u>	
Total business-type activities	<u>16,543,261</u>	
Total restricted assets	<u>\$ 23,540,633</u>	

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 7,181,247	\$ 478,625	\$ -	\$ 7,659,872
Construction in progress	-	512,285	-	512,285
Total capital assets, nondepreciable	<u>7,181,247</u>	<u>990,910</u>	<u>-</u>	<u>8,172,157</u>
Capital assets, depreciable:				
Land improvements	1,330,160	540,933	-	1,871,093
Buildings and improvements	21,883,353	805,967	-	22,689,320
Machinery and equipment	9,407,802	821,920	598,308	9,631,414
Infrastructure	52,198,179	2,903,022	-	55,101,201
Subtotals	<u>84,819,494</u>	<u>5,071,842</u>	<u>598,308</u>	<u>89,293,028</u>
Less accumulated depreciation	<u>29,135,691</u>	<u>2,827,885</u>	<u>598,308</u>	<u>31,365,268</u>
Total capital assets, depreciable, net	<u>55,683,803</u>	<u>2,243,957</u>	<u>-</u>	<u>57,927,760</u>
Governmental activities capital assets, net	<u>\$ 62,865,050</u>	<u>\$ 3,234,867</u>	<u>\$ -</u>	66,099,917
Less: Debt incurred for capital assets				45,252,439
Less: Premium				816,449
Less: Accounts payable related to capital assets				636,231
Net investment in capital assets				<u>\$ 19,394,798</u>
<b>Business-type activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 2,084,393	\$ 117,718	\$ -	\$ 2,202,111
Construction in progress	5,408,543	4,637,261	3,444,973	6,600,831
Total capital assets, nondepreciable	<u>7,492,936</u>	<u>4,754,979</u>	<u>3,444,973</u>	<u>8,802,942</u>
Capital assets, depreciable:				
Buildings	25,044,171	202,864	-	25,247,035
Improvements other than buildings	129,578,762	4,034,018	893,096	132,719,684
Machinery and equipment	30,284,541	2,153,609	512,526	31,925,624
Infrastructure	29,231,049	1,639,497	-	30,870,546
Subtotals	<u>214,138,523</u>	<u>8,029,988</u>	<u>1,405,622</u>	<u>220,762,889</u>
Less accumulated depreciation	<u>73,903,475</u>	<u>5,829,872</u>	<u>1,405,622</u>	<u>78,327,725</u>
Total capital assets, depreciable, net	<u>140,235,048</u>	<u>2,200,116</u>	<u>-</u>	<u>142,435,164</u>
Business-type activities capital assets, net	<u>\$147,727,984</u>	<u>\$ 6,955,095</u>	<u>\$ 3,444,973</u>	151,238,106
Less: Capital related debt				84,120,593
Less: Debt premium				1,742,119
Less: Accounts payable related to capital assets				589,676
Add: Deferred charge on refunding				(1,990,907)
Net investment in capital assets				<u>\$ 66,776,625</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Governmental activities	
General government	\$ 661,640
Public safety	239,490
Public works	1,724,600
Culture and recreation	202,155
Total depreciation expense - governmental activities	<u>\$ 2,827,885</u>
Business-type activities	
Kaukauna Utilities	\$ 5,392,240
Stormwater utility	139,088
Sanitary sewer utility	298,544
Total increase in accumulated depreciation - business-type activities	<u>\$ 5,829,872</u>

The Utilities holds nonutility property consisting of land and buildings and improvements totaling \$334,885, net of accumulated depreciation.

### 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, 2019 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Operating Accounts Between Funds		
General Fund	\$ 1,118,723	\$ 40,059
Debt Service Fund	5,611,120	-
Nonmajor Governmental Funds		
Industrial Park	-	240,000
Special Assessments	-	34,020
Streets & Sidewalks Fund	2,400	-
Environmental Remediation TID	-	700,000
Tax Incremental District #4	-	483,926
Tax Incremental District #5	-	4,790,000
Tax Incremental District #8	-	270,000
Tax Incremental District #9	-	115,869
Tax Incremental District #10	-	122,751
Solid Waste	60,202	-
Grignon Home	-	3,853
Enterprise Funds		
Kaukauna Utilities	100,490	823,003
Stormwater Utility	204,154	2,958
Sanitary Sewer Utility	552,804	23,454
Totals	<u>\$ 7,649,893</u>	<u>\$ 7,649,893</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Interfund transfers for the year ended December 31, 2019 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 3,001,471	\$ 35,025
Debt Service	2,517,447	-
Nonmajor governmental	1,312,177	4,163,157
Kaukauna Utilities	-	2,410,789
Stormwater utility	9,400	94,333
Sanitary sewer	-	137,191
	<u>\$ 6,840,495</u>	<u>\$ 6,840,495</u>

Transfers are used for the following purposes:

Tax equivalent payment made by water and electric utility to general fund	\$ 2,410,789
Administration fees from the storm water and sewer utilities	231,525
Tax incremental district transfers for debt retirement	1,717,235
Special revenue transfers for debt retirement	800,212
To finance construction project costs	450,000
To consolidate capital project funds	861,552
To move unrestricted revenues to the fund that is required or allowed to expend	369,182
Transfers - fund statements	<u>6,840,495</u>
Less: Eliminating transfers out	<u>(4,207,582)</u>
Transfers - Government-wide statements	<u>\$ 2,632,913</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, 2019:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation debt					
Bonds	\$ 15,263,695	\$ 6,305,000	\$ 7,767,167	\$ 13,801,528	\$ 1,116,530
Notes	23,729,912	5,025,000	2,115,670	26,639,242	2,681,590
Total general obligation debt	<u>38,993,607</u>	<u>11,330,000</u>	<u>9,882,837</u>	<u>40,440,770</u>	<u>3,798,120</u>
Taxable redevelopment lease revenue bonds	9,350,000	-	425,000	8,925,000	425,000
Premium on outstanding debt	762,595	224,531	113,305	873,821	-
Compensated absences	580,117	34,061	29,005	585,173	146,293
Governmental activities					
Long-term obligations	<u>\$ 49,686,319</u>	<u>\$ 11,588,592</u>	<u>\$ 10,450,147</u>	<u>\$ 50,824,764</u>	<u>\$ 4,369,413</u>
<b>Business-type activities:</b>					
General obligation debt					
Bonds	\$ 586,304	\$ -	\$ 417,835	\$ 168,469	\$ 168,470
Notes	2,535,089	-	829,328	1,705,761	383,410
Total general obligation debt	<u>3,121,393</u>	<u>-</u>	<u>1,247,163</u>	<u>1,874,230</u>	<u>551,880</u>
Revenue bonds	82,260,000	26,625,000	21,915,000	86,970,000	4,100,000
Premium on outstanding debt	1,724,726	170,752	153,359	1,742,119	-
Business-type activities					
Long-term obligations	<u>\$ 87,106,119</u>	<u>\$ 26,795,752</u>	<u>\$ 23,315,522</u>	<u>\$ 90,586,349</u>	<u>\$ 4,651,880</u>

Total interest paid during the year on long-term debt totaled \$4,766,694.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<b>Date of Issue</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Original Indebtedness</b>	<b>Balance 12/31/19</b>
General obligation notes	09/01/10	09/01/20	2.00 - 2.55%	\$ 1,350,000	\$ 225,000
General obligation bonds	11/04/10	12/01/26	2.25 - 4.00%	3,950,000	3,425,000
General obligation notes	10/04/11	10/01/21	2.00 - 3.00%	2,755,000	1,500,000
General obligation notes	08/01/12	04/01/22	2.00 - 3.00%	2,800,000	2,100,000
General obligation notes	09/04/13	12/31/23	2.00 - 4.00%	1,125,000	750,000
General obligation bonds	12/03/13	09/01/20	3.00 - 4.00%	5,900,000	450,000
General obligation notes	05/20/14	11/01/24	2.00 - 3.00%	875,000	225,000
General obligation notes	05/20/14	11/01/24	2.00 - 4.00%	1,000,000	675,000
General obligation notes	09/02/14	09/01/24	1.50 - 3.00%	1,300,000	1,050,000
General obligation bonds	03/17/15	09/01/25	2.00 - 3.00%	2,435,000	985,000
General obligation bonds	09/01/15	12/01/27	2.00 - 4.00%	1,650,000	1,450,000
General obligation notes	09/01/15	12/01/25	2.00 - 3.00%	3,550,000	2,780,000
General obligation notes	11/01/16	11/01/24	2.00 - 3.00%	1,525,000	850,000
General obligation bonds	08/15/17	12/01/30	2.00 - 3.00%	1,565,000	1,355,000
General obligation notes	08/15/17	12/01/17	2.00 - 3.00%	8,450,000	8,125,000
General obligation notes	09/05/18	06/01/28	2.00 - 3.25%	5,200,000	5,040,000
General obligation bonds	10/30/19	06/01/28	1.95 - 2.50%	6,305,000	6,305,000
General obligation notes	10/30/19	09/01/29	2.00 - 3.00%	5,025,000	5,025,000
Total outstanding general obligation debt					<u>\$42,315,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$42,315,000 on December 31, 2019 are detailed below:

<b>Year Ended December 31,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 3,798,120	\$ 1,093,555	\$ 551,880	\$ 53,328	\$ 4,350,000	\$ 1,146,883
2021	3,958,130	1,006,983	421,870	36,780	4,380,000	1,043,763
2022	4,094,520	896,125	240,480	23,407	4,335,000	919,532
2023	4,360,000	784,645	180,000	17,100	4,540,000	801,745
2024	4,386,000	654,945	224,000	11,040	4,610,000	665,985
2025-2029	19,694,000	1,382,460	256,000	3,840	19,950,000	1,386,300
2030	150,000	2,250	-	-	150,000	2,250
	<u>\$40,440,770</u>	<u>\$ 5,820,963</u>	<u>\$ 1,874,230</u>	<u>\$ 145,495</u>	<u>\$42,315,000</u>	<u>\$ 5,966,458</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, 2019

### Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2019 was \$21,000,731 as follows:

Equalized valuation of the City		\$1,153,840,300
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>57,692,015</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 42,315,000	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>5,623,716</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>36,691,284</u>
Legal margin for new debt		<u>\$ 21,000,731</u>

### Revenue Bonds

Revenue bonds outstanding on December 31, 2019 totaled \$86,970,000 and were comprised of the following issues:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/19</u>
<b>Kaukauna Utilities</b>					
<b>Electric Utility</b>					
Revenue Bond	02/01/12	12/15/22	2.75-3.625%	1,300,000	\$ 400,000
Revenue Bond	02/01/12	12/15/30	5%	25,350,000	20,450,000
Revenue Bond	06/02/15	12/15/30	2.0-4.0%	9,415,000	5,925,000
Revenue Bond	12/15/15	12/15/25	2.0-3.0%	3,365,000	2,665,000
Revenue Bond	03/08/18	12/15/37	4.0%	11,150,000	10,475,000
Revenue Bond	10/09/18	12/15/28	3.00-5.00%	10,130,000	9,290,000
Revenue Bond	09/10/19	12/15/35	2.6-3.0%	20,275,000	20,275,000
Total Electric Utility revenue bonds					<u>69,480,000</u>
<b>Water Utility</b>					
Revenue Bond	08/29/14	12/01/23	2.0-2.65%	2,500,000	1,650,000
Revenue Bond	10/03/17	12/01/37	2.0-3.25%	3,950,000	3,900,000
Total Water Utility revenue bonds					<u>5,550,000</u>
<b>Stormwater</b>					
Revenue Bond	11/01/16	09/01/31	2.0-3.25%	1,350,000	1,125,000
Revenue Bond	10/30/19	09/01/24	2.625%	3,800,000	3,800,000
					<u>4,925,000</u>
<b>Sanitary Sewer</b>					
Revenue Bond	09/04/13	09/01/28	3.00-5.00%	1,950,000	1,275,000
Revenue Bond	09/01/15	09/01/30	3.00-4.00%	1,225,000	950,000
Revenue Bond	11/01/16	09/01/31	3.00-3.25%	1,225,000	1,075,000
Revenue Bond	09/05/18	09/01/33	2.00-4.00%	1,190,000	1,165,000
Revenue Bond	10/30/19	09/01/24	2.625%	2,550,000	2,550,000
Total Sanitary Sewer revenue bonds					<u>7,015,000</u>
Total outstanding revenue bonds					<u>\$ 86,970,000</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Annual principal and interest maturities of the outstanding revenue bonds of \$86,970,000 on December 31, 2019 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2020	\$ 4,100,000	\$ 3,226,266	\$ 7,326,266
2021	4,240,000	3,095,065	7,335,065
2022	4,415,000	2,928,590	7,343,590
2023	4,590,000	2,753,715	7,343,715
2024	10,870,000	2,562,909	13,432,909
2025-2029	25,635,000	8,945,737	34,580,737
2030-2034	25,505,000	3,548,610	29,053,610
2035-2037	7,615,000	364,498	7,979,498
	<u>\$ 86,970,000</u>	<u>\$ 27,425,390</u>	<u>\$ 114,395,390</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, 2037, 2031, and 2033, 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:

	Kaukauna Utilities			
	Electric Utility	Water Utility	Stormwater Utility	Sanitary Sewer Utility
Net customer revenues				
Operating revenues	\$ 45,453,796	\$ 3,810,031	\$ 1,237,692	\$ 3,435,639
Other income	1,475,336	175,477	-	5,488
Total revenues	46,929,132	3,985,508	1,237,692	3,441,127
Less: operating expenses	34,701,662	2,216,362	388,036	2,410,533
Net customer revenues	<u>\$ 12,227,470</u>	<u>\$ 1,769,146</u>	<u>\$ 849,656</u>	<u>\$ 1,030,594</u>
Debt service				
Principal	\$ 2,915,000	\$ 425,000	\$ 75,000	\$ 275,000
Interest	2,950,101	173,156	32,000	166,008
Total debt service	<u>\$ 5,865,101</u>	<u>\$ 598,156</u>	<u>\$ 107,000</u>	<u>\$ 441,008</u>
Remaining principal and interest	<u>\$ 93,260,851</u>	<u>\$ 7,040,562</u>	<u>\$ 5,634,403</u>	<u>\$ 8,459,574</u>

### Taxable Redevelopment Lease Revenue Bonds

Taxable redevelopment lease revenue bond debt service requirements are financed from operations of the Redevelopment Authority. Revenue bond debt outstanding on December 31, 2019 totaled \$8,925,000 and was composed of the following issue:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
Lease Revenue Bond	7/1/15	12/1/40	2.00 - 4.125%	\$10,500,000	<u>\$ 8,925,000</u>



# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

Annual principal maturities of the outstanding debt of \$8,925,000 on December 31, 2019 are detailed below:

Year Ended December 31,	Component Unit		
	Principal	Interest	Total
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	425,000	277,844	702,844
2025-2029	2,125,000	1,135,281	3,260,281
2030-2034	2,125,000	731,000	2,856,000
2035-2039	2,125,000	306,531	2,431,531
2040	425,000	8,765	433,765
	<u>\$ 8,925,000</u>	<u>\$ 3,740,797</u>	<u>\$ 12,665,797</u>

### F. PENSION PLAN

#### *Wisconsin Retirement System*

##### 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.

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.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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>
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
2018	2.4	17

### 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, 2019, the WRS recognized \$991,980 in contributions from the City.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including executives and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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

At December 31, 2019, the City reported a liability (asset) of \$3,350,116 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability (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, 2018, the City's proportion was 0.09416558%, which was an increase of 0.00143958% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized pension expense of \$2,256,209.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,609,232	\$ 4,612,184
Net differences between projected and actual earnings on pension plan investments	4,892,615	-
Changes in assumptions	564,706	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,225	22,261
Employer contributions subsequent to the measurement date	991,980	-
Total	<u>\$ 9,061,758</u>	<u>\$ 4,634,445</u>

\$991,980 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ended December 31,</b>	<b>Expense</b>
2020	\$ 1,242,895
2021	308,879
2022	546,120
2023	1,337,439
Total	<u>\$ 3,435,333</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### 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, 2017
Measurement date of net pension liability:	December 31, 2018
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.0%
Discount rate:	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 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:

	<b>Current Asset Allocation %</b>	<b>Long-term Expected Nominal Rate of Return %</b>	<b>Long-term Expected Real Rate of Return %</b>
<u>Core Fund Asset Class</u>			
Global equities	49%	8.1%	5.5%
Fixed income	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	3.8%	1.3%
Real estate	9%	6.5%	3.9%
Private equity/debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.6%	5.0%
International equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.4%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.50%

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, 2019

**Single Discount Rate.** A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 municipal bond 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<b>1% Decrease to Discount Rate (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase to Discount Rate (8.00%)</b>
City's proportionate share of the net pension liability (asset)	\$ 13,313,712	\$ 3,350,116	\$ (4,058,590)

**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, 2019, the City has no outstanding amount of contributions to the pension plan for the year ended December 31, 2019.

#### **Defined Contribution Pension Plan**

The City contributes to the Service Award Program (SAP), a defined contribution pension plan, for its volunteer firefighters, first responders and emergency medical technicians. SAP is administered by Glatfelter Specialty Benefits/VFIS.

The City determines annually the amount it will contribute on behalf of each individual in the program. Participants are fully vested to receive a service award once he or she attains 15 years of service for a municipality and paid a service award upon reaching age of 60. A participant who has discontinued providing eligible service after performing a minimum 10 years of service shall be partially vested and may elect to receive a partial service award at any time after reaching age 53. Nonvested accounts are forfeited if the individual ceases to perform creditable service for a period of 12 months or more and distributed equally among all other open accounts sponsored by the participating municipality at the time of the forfeiture.

For the year ended December 31, 2019, the City contributed \$2,715 to the plan, and the City recognized pension expense of \$2,715.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### G. OTHER POSTEMPLOYMENT BENEFITS

The City reports OPEB related balances at December 31, 2019 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Local Retiree Life Insurance Fund (LRLIF)	\$ 560,065	\$ 68,990	\$ 160,610	\$ 91,676
Single-employer defined OPEB plan	7,866,084	-	-	662,307
Total pension liability	<u>\$ 8,426,149</u>	<u>\$ 68,990</u>	<u>\$ 160,610</u>	<u>\$ 753,983</u>

#### 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, 2019, the following employees were covered by the benefit terms:

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

##### **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, 2019 and was determined by an actuarial valuation as of January 1, 2019.

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2019 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.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

**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.

### *Changes in the Total OPEB Liability*

	<u>Increase (Decrease)</u>
	<u>Total OPEB</u>
	<u>Liability</u>
Balance at December 31, 2018	\$ 7,532,272
Changes for the year:	
Service cost	347,131
Interest	315,176
Contributions - employer	-
Net investment income	-
Benefit payments	(328,495)
Net changes	<u>333,812</u>
Balance at December 31, 2019	<u>\$ 7,866,084</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	\$ 8,717,490	\$ 7,866,084	\$ 7,104,107

**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>1% Decrease</u>	<u>Healthcare Cost</u>	<u>1% Increase</u>
	<u>(-0.3% increasing</u>	<u>Trend Rates</u>	<u>(1.7% increasing</u>
	<u>to 4.0%)</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	\$ 6,640,616	\$ 7,866,084	\$ 9,442,208

### **OPEB Expense**

For the year ended December 31, 2019, the City recognized OPEB expense of \$662,307.

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

At December 31, 2019, the City had no outstanding amount of contributions to the Plan required for the year ended December 31, 2019.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### 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.

#### **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, 2019 are:

Coverage Type	Employer Contribution
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, 2018 are listed below:

Life Insurance Employee Contribution Rates*		
For the year ended December 31, 2018		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57



# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

During the year ending December 31, 2019, the LRLIF recognized \$4,192 in contributions from the employer.

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

At December 31, 2019, the City reported a liability (asset) of \$560,065 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the City's proportion was 0.21705100%, which was an increase of 0.000924% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the City recognized OPEB expense of \$54,039.

At December 31, 2019, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 28,410
Net differences between projected and actual earnings on OPEB plan investments	13,384	-
Changes in assumptions	53,439	121,400
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,167	10,800
Total	<u>\$ 68,990</u>	<u>\$ 160,610</u>

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

<b>Year Ended December 30,</b>	<b>Expense</b>
2020	\$ (12,623)
2021	(12,623)
2022	(12,623)
2023	(14,503)
2024	(16,440)
Thereafter	(22,808)
Total	<u>\$ (91,620)</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

**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:

Actuarial valuation date:	January 1, 2018
Measurement date of net OPEB liability (asset):	December 31, 2018
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	4.10%
Long-term expected rate of return:	5.00%
Discount rate:	4.22%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total OPEB liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The total OPEB liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

**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.

Asset Class	Index	Target	Long-term
		Allocation	Expected Geometric Real Rate of Return %
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-term expected rate of return			5.00%

**Single discount rate.** A single discount rate of 4.22% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.63% for the prior year. 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. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

**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 4.22%, 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 (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	<b>1% Decrease to Discount Rate (3.22%)</b>	<b>Current Discount Rate (4.22%)</b>	<b>1% Increase to Discount Rate (5.22%)</b>
City's proportionate share of the net OPEB liability	\$ 796,729	\$ 560,065	\$ 377,532

**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, 2019, the City had no outstanding amount of contributions to the Plan required for the year ended December 31, 2019.

## **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, 2019, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Inventories and prepaid items	\$ 41,369
Delinquent taxes	5,395
	<hr/>
Total Nonspendable Fund Balance	<u>\$ 46,764</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, 2019, restricted fund balance was as follows:

Debt Service Fund	
Restricted for	
Debt service	\$ 5,623,716
Special Revenue Fund	
Restricted for	
Donations	426,748
Capital Projects Fund	
Restricted for	
Debt service	766,641
	<hr/>
Total Restricted Fund Balance	<u>\$ 6,817,105</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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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, 2019, governmental fund balance was committed as follows:

Special Revenue Funds	
Committed for	
Subdivision fees	\$ 131,823
Capital Projects Fund	
Committed for	
Streets and sidewalks	531,150
Equipment	437,736
Pools and parks	722,881
Redevelopment	51,515
Buildings and miscellaneous	164,295
Total Committed Fund Balance	<u>\$ 2,039,400</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, 2019, fund balance was assigned as follows:

General Fund	
Subsequent year's expenditures	\$ 400,000
Special Revenue Funds	
1000 Islands Environmental Center	6,823
Revolving Economic Development Loans	861,192
Rental Rehabilitation Grants	3,165
Housing Development Grants	26,230
CDBG Grant	76,540
Public Safety Grants	131,195
Library Foundation	30,050
PACE Loan Fund	40,975
Vehicle Registration	45,001
Solid Waste	91,023
Red Hill Landfill	108,231
Subtotal	<u>1,420,425</u>
Capital Projects Funds	
Assigned for subsequent year's expenditures	
Capital Improvements	
Special Assessments	904,710
Space Needs	1,063,382
Tax Incremental District #6	327,883
Subtotal	<u>2,295,975</u>
Total	<u>\$ 4,116,400</u>

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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### Net Position

The City reports restricted net position at December 31, 2019 as follows:

Governmental activities	
Restricted for	
Debt service	\$ 5,431,562
Donations	426,748
Total governmental activities restricted net position	<u>5,858,310</u>
Business-type activities	
Restricted for	
Debt service	7,138,424
HRA/FSA monies	628,187
Total business-type activities restricted net position	<u>7,766,611</u>
Total restricted net position	<u>\$ 13,624,921</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 \$26.3 million in 2019.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

### 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, 2019 from future excess tax increment revenues of the TID’s are as follows:

	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6	
Net Unreimbursed (Reimbursed) Project Costs	\$ 635,283	\$ 13,293,650	\$ 867,116	
	Tax Incremental District #8	Tax Incremental District #9	Tax Incremental District #10	ERTIF
Net Unreimbursed (Reimbursed) Project Costs	\$ 2,700,965	\$ 115,869	\$ 675,151	\$ 1,313,967

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:

	Termination Year
TID No. 4	2023
TID No. 5	2030
TID No. 6	2026
TID No. 8	2033
TID No. 9	2043
TID No. 10	2040

### 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. Settled claims have not exceed coverage amounts in the past three years.

### 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

The utility has two significant customers who were responsible for 23% of operating revenues.

# City of Kaukauna, Wisconsin

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

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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 June 15, 2021. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. 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.

### **G. SUBSEQUENT EVENTS**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes City of Kaukauna is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

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%
12/31/18	0.09416558%	3,350,116	11,511,788	29.10%	96.45%

## 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%
12/31/19	991,980	991,980	-	11,899,616	8.34%

See notes to required supplementary information.

# City of Kaukauna, Wisconsin

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

	<b>2019</b>	<b>2018</b>
Total OPEB liability		
Service cost	\$ 347,131	\$ 355,549
Interest	315,176	301,683
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	<u>(328,495)</u>	<u>(311,475)</u>
Net change in total OPEB liability	333,812	345,757
Total OPEB liability - beginning	<u>7,532,272</u>	<u>7,186,515</u>
Total OPEB liability - ending	<u>\$ 7,866,084</u>	<u>\$ 7,532,272</u>
Covered-employee payroll	\$ 12,454,203	\$ 12,210,002
City's total OPEB liability as a percentage of covered-employee payroll	63.16%	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-employee 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%
12/31/18	0.21705100%	560,065	11,213,000	4.99%	48.69%

**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-employee Payroll</u>
12/31/18	\$ 4,357	\$ 4,357	\$ -	\$ 11,511,789	0.04%
12/31/19	4,192	4,192	-	11,899,616	0.04%

*See notes to required supplementary information.*

# City of Kaukauna, Wisconsin

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2019

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

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total OPEB liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates.

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**

#### ***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 for any participating employer in LRLIF. Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total OPEB liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates.

The City is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

## SUPPLEMENTARY INFORMATION

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# City of Kaukauna, Wisconsin

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	Special Revenue			
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants
<b>ASSETS</b>				
Cash and investments	\$ 42,673	\$ 864,592	\$ 3,165	\$ 26,230
Restricted cash and investments	485,626	-	-	-
Receivables				
Taxes and special charges	88,646	-	-	-
Accounts, net	-	-	-	-
Special assessments	-	-	-	-
Loans	-	474,263	13,960	73,200
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 616,945</u>	<u>\$ 1,338,855</u>	<u>\$ 17,125</u>	<u>\$ 99,430</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 13,252	\$ 3,400	\$ -	\$ -
Accrued and other current liabilities	6,572	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>19,824</u>	<u>3,400</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	163,550	-	-	-
Loans receivable	-	474,263	13,960	73,200
Special assessments	-	-	-	-
Total deferred inflows of resources	<u>163,550</u>	<u>474,263</u>	<u>13,960</u>	<u>73,200</u>
Fund balances				
Restricted	426,748	-	-	-
Committed	-	-	-	-
Assigned	6,823	861,192	3,165	26,230
Unassigned	-	-	-	-
Total fund balances	<u>433,571</u>	<u>861,192</u>	<u>3,165</u>	<u>26,230</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 616,945</u>	<u>\$ 1,338,855</u>	<u>\$ 17,125</u>	<u>\$ 99,430</u>

**Special Revenue**

<b>CDBG Grant</b>	<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>
\$ 76,540	\$ 131,195	\$ 30,050	\$ 131,823	\$ 40,975	\$ -	\$ 45,001	\$ 30,338	\$ 108,231
-	-	-	31	-	8,244	-	-	-
-	-	-	36	-	9,756	-	-	-
-	-	-	-	-	-	-	483	-
-	-	-	2,958	-	-	-	-	-
267,780	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	60,202	-
-	-	-	-	-	-	-	-	-
<u>\$ 344,320</u>	<u>\$ 131,195</u>	<u>\$ 30,050</u>	<u>\$ 134,848</u>	<u>\$ 40,975</u>	<u>\$ 18,000</u>	<u>\$ 45,001</u>	<u>\$ 91,023</u>	<u>\$ 108,231</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,853	-	-	-
-	-	-	-	-	3,853	-	-	-
-	-	-	67	-	18,000	-	-	-
267,780	-	-	-	-	-	-	-	-
-	-	-	2,958	-	-	-	-	-
<u>267,780</u>	<u>-</u>	<u>-</u>	<u>3,025</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-	-
-	-	-	131,823	-	-	-	-	-
76,540	131,195	30,050	-	40,975	-	45,001	91,023	108,231
-	-	-	-	-	(3,853)	-	-	-
<u>76,540</u>	<u>131,195</u>	<u>30,050</u>	<u>131,823</u>	<u>40,975</u>	<u>(3,853)</u>	<u>45,001</u>	<u>91,023</u>	<u>108,231</u>
<u>\$ 344,320</u>	<u>\$ 131,195</u>	<u>\$ 30,050</u>	<u>\$ 134,848</u>	<u>\$ 40,975</u>	<u>\$ 18,000</u>	<u>\$ 45,001</u>	<u>\$ 91,023</u>	<u>\$ 108,231</u>

# City of Kaukauna, Wisconsin

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>Capital Projects</b>			
	<b>Industrial Park</b>	<b>Park Development</b>	<b>Special Assessments</b>	<b>Space Needs</b>
<b>ASSETS</b>				
Cash and investments	\$ 154,529	\$ -	\$ 939,170	\$ 1,180,351
Restricted cash and investments	-	-	198,621	-
Receivables				
Taxes and special charges	-	-	235,060	-
Accounts, net	-	-	-	-
Special assessments	-	-	2,396,280	-
Loans	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 154,529</b>	<b>\$ -</b>	<b>\$ 3,769,131</b>	<b>\$ 1,180,351</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 37	\$ -	\$ -	\$ 116,969
Accrued and other current liabilities	-	-	-	-
Due to other funds	240,000	-	34,020	-
<b>Total liabilities</b>	<b>240,037</b>	<b>-</b>	<b>34,020</b>	<b>116,969</b>
Deferred inflows of resources				
Property taxes levied for subsequent year	-	-	433,681	-
Loans receivable	-	-	-	-
Special assessments	-	-	2,396,720	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>2,830,401</b>	<b>-</b>
Fund balances				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	904,710	1,063,382
Unassigned	(85,508)	-	-	-
<b>Total fund balances</b>	<b>(85,508)</b>	<b>-</b>	<b>904,710</b>	<b>1,063,382</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 154,529</b>	<b>\$ -</b>	<b>\$ 3,769,131</b>	<b>\$ 1,180,351</b>



Streets and Sidewalks	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6	Tax Incremental District #8	Tax Incremental District #9	Tax Incremental District #10
\$ 452,712	\$ -	\$ 259,002	\$ 328,404	\$ 218,034	\$ -	\$ -
-	37,129	129,032	394,464	55,504	9,194	-
-	43,940	37,672	466,834	65,688	10,881	-
-	-	217,393	-	552,590	-	-
-	-	-	-	-	-	-
-	234,643	-	198,243	-	-	-
2,400	-	-	-	-	-	-
417,889	-	-	-	-	-	-
<u>\$ 873,001</u>	<u>\$ 315,712</u>	<u>\$ 643,099</u>	<u>\$ 1,387,945</u>	<u>\$ 891,816</u>	<u>\$ 20,075</u>	<u>\$ -</u>
\$ 341,851	\$ -	\$ 2,245	\$ 521	\$ 569,193	\$ -	\$ -
-	-	-	-	-	-	-
-	483,926	4,790,000	-	270,000	115,869	122,751
<u>341,851</u>	<u>483,926</u>	<u>4,792,245</u>	<u>521</u>	<u>839,193</u>	<u>115,869</u>	<u>122,751</u>
-	81,069	69,504	861,298	121,192	20,075	-
-	-	-	198,243	-	-	-
-	-	-	-	-	-	-
-	81,069	69,504	1,059,541	121,192	20,075	-
-	-	-	-	-	-	-
531,150	-	-	-	-	-	-
-	-	-	327,883	-	-	-
-	(249,283)	(4,218,650)	-	(68,569)	(115,869)	(122,751)
<u>531,150</u>	<u>(249,283)</u>	<u>(4,218,650)</u>	<u>327,883</u>	<u>(68,569)</u>	<u>(115,869)</u>	<u>(122,751)</u>
<u>\$ 873,001</u>	<u>\$ 315,712</u>	<u>\$ 643,099</u>	<u>\$ 1,387,945</u>	<u>\$ 891,816</u>	<u>\$ 20,075</u>	<u>\$ -</u>

# City of Kaukauna, Wisconsin

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>Capital Projects</b>		
	<b>Environmental Remediation TID</b>	<b>2015 Projects</b>	<b>Equipment</b>
<b>ASSETS</b>			
Cash and investments	\$ 161,033	\$ -	\$ 475,736
Restricted cash and investments	42,582	-	-
Receivables			
Taxes and special charges	50,394	-	-
Accounts, net	-	-	-
Special assessments	-	-	-
Loans	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 254,009</u>	<u>\$ -</u>	<u>\$ 475,736</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 38,000
Accrued and other current liabilities	-	-	-
Due to other funds	700,000	-	-
	<u>700,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>700,000</u>	<u>-</u>	<u>38,000</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	92,976	-	-
Loans receivable	-	-	-
Special assessments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>92,976</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted	-	-	-
Committed	-	-	437,736
Assigned	-	-	-
Unassigned	(538,967)	-	-
	<u>(538,967)</u>	<u>-</u>	<u>437,736</u>
Total fund balances	<u>(538,967)</u>	<u>-</u>	<u>437,736</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 254,009</u>	<u>\$ -</u>	<u>\$ 475,736</u>

**Capital Projects**

<b>Pool and Parks</b>	<b>RDA</b>	<b>Buildings and Miscellaneous</b>	<b>Total</b>
\$ 704,649	\$ 56,949	\$ 164,295	\$ 6,625,677
18,327	766,641	-	2,145,395
-	-	-	1,008,907
-	-	-	770,466
-	-	-	2,399,238
-	-	-	1,262,089
-	-	-	62,602
-	-	-	417,889
<b>\$ 722,976</b>	<b>\$ 823,590</b>	<b>\$ 164,295</b>	<b>\$ 14,692,263</b>
\$ 95	\$ 5,434	\$ -	\$ 1,090,997
-	-	-	6,572
-	-	-	6,760,419
<b>95</b>	<b>5,434</b>	<b>-</b>	<b>7,857,988</b>
-	-	-	1,861,412
-	-	-	1,027,446
-	-	-	2,399,678
-	-	-	5,288,536
-	766,641	-	1,193,389
722,881	51,515	164,295	2,039,400
-	-	-	3,716,400
-	-	-	(5,403,450)
<b>722,881</b>	<b>818,156</b>	<b>164,295</b>	<b>1,545,739</b>
<b>\$ 722,976</b>	<b>\$ 823,590</b>	<b>\$ 164,295</b>	<b>\$ 14,692,263</b>

# City of Kaukauna, Wisconsin

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue				
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants	CDBG Grant
<b>REVENUES</b>					
Taxes	\$ 156,538	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	25,000	-	-	-	-
Public charges for services	14,653	-	-	-	-
Miscellaneous	39,190	116,130	-	4,671	37,750
<b>Total revenues</b>	<b>235,381</b>	<b>116,130</b>	<b>-</b>	<b>4,671</b>	<b>37,750</b>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	268,130	-	-	-	-
Conservation and development	6,735	92,718	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>274,865</b>	<b>92,718</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of revenues over (under) expenditures	(39,484)	23,412	-	4,671	37,750
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term 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>(39,484)</b>	<b>23,412</b>	<b>-</b>	<b>4,671</b>	<b>37,750</b>
<b>Fund balances - January 1</b>	<b>473,055</b>	<b>837,780</b>	<b>3,165</b>	<b>21,559</b>	<b>38,790</b>
<b>Fund balances - December 31</b>	<b>\$ 433,571</b>	<b>\$ 861,192</b>	<b>\$ 3,165</b>	<b>\$ 26,230</b>	<b>\$ 76,540</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>
\$ -	\$ -	\$ 65	\$ -	\$ -	\$ 164,897	\$ -	\$ -
-	-	6,401	-	-	-	-	-
-	-	-	-	-	-	-	-
8,902	-	-	-	-	-	359,613	84,867
-	98,485	-	1,073	5,846	-	3,864	-
<u>8,902</u>	<u>98,485</u>	<u>6,466</u>	<u>1,073</u>	<u>5,846</u>	<u>164,897</u>	<u>363,477</u>	<u>84,867</u>
-	-	-	-	-	-	-	-
3,500	-	-	-	-	-	-	-
-	-	-	-	-	30	13,331	-
-	149,520	38	-	7,602	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,500</u>	<u>149,520</u>	<u>38</u>	<u>-</u>	<u>7,602</u>	<u>30</u>	<u>13,331</u>	<u>-</u>
<u>5,402</u>	<u>(51,035)</u>	<u>6,428</u>	<u>1,073</u>	<u>(1,756)</u>	<u>164,867</u>	<u>350,146</u>	<u>84,867</u>
-	-	-	-	-	-	-	-
-	-	75,000	-	-	-	625	-
-	-	(3,100)	-	-	(200,000)	(359,157)	-
-	-	71,900	-	-	(200,000)	(358,532)	-
5,402	(51,035)	78,328	1,073	(1,756)	(35,133)	(8,386)	84,867
<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>\$ 131,195</u>	<u>\$ 30,050</u>	<u>\$ 131,823</u>	<u>\$ 40,975</u>	<u>\$ (3,853)</u>	<u>\$ 45,001</u>	<u>\$ 91,023</u>	<u>\$ 108,231</u>

# City of Kaukauna, Wisconsin

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Industrial Park	Park Development	Special Assessments	Space Needs	Streets and Sidewalks
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	1,184,664	-	-
Intergovernmental	-	-	-	-	-
Public charges for services	-	-	-	-	-
Miscellaneous	200,563	-	77,768	16,542	26,015
<b>Total revenues</b>	<b>200,563</b>	<b>-</b>	<b>1,262,432</b>	<b>16,542</b>	<b>26,015</b>
<b>EXPENDITURES</b>					
Current					
General government	-	-	2,789	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Conservation and development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	3,674	-	-	836,914	3,312,339
<b>Total expenditures</b>	<b>3,674</b>	<b>-</b>	<b>2,789</b>	<b>836,914</b>	<b>3,312,339</b>
Excess of revenues over (under) expenditures	196,889	-	1,259,643	(820,372)	(3,286,324)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	-	-	-	1,255,000	2,865,000
Transfers in	-	-	-	-	750,000
Transfers out	-	(83,452)	(1,350,212)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(83,452)</b>	<b>(1,350,212)</b>	<b>1,255,000</b>	<b>3,615,000</b>
<b>Net change in fund balances</b>	<b>196,889</b>	<b>(83,452)</b>	<b>(90,569)</b>	<b>434,628</b>	<b>328,676</b>
<b>Fund balances - January 1</b>	<b>(282,397)</b>	<b>83,452</b>	<b>995,279</b>	<b>628,754</b>	<b>202,474</b>
<b>Fund balances - December 31</b>	<b>\$ (85,508)</b>	<b>\$ -</b>	<b>\$ 904,710</b>	<b>\$ 1,063,382</b>	<b>\$ 531,150</b>

**Capital Projects**

<b>Tax Incremental District #4</b>	<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>
\$ 58,147	\$ 237,650	\$ 936,194	\$ 119,688	\$ 14,610	\$ -	\$ 93,154
-	-	-	-	-	-	-
3,895	363	16,994	15,302	12	-	752
-	-	-	-	-	-	-
-	-	25,610	581,932	-	19,252	-
<u>62,042</u>	<u>238,013</u>	<u>978,798</u>	<u>716,922</u>	<u>14,622</u>	<u>19,252</u>	<u>93,906</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	25,497	-	-	-	570,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
150	3,970	3,549	1,036,873	20,150	114,300	133,263
<u>150</u>	<u>29,467</u>	<u>3,549</u>	<u>1,036,873</u>	<u>20,150</u>	<u>684,300</u>	<u>133,263</u>
61,892	208,546	975,249	(319,951)	(5,528)	(665,048)	(39,357)
-	-	-	-	-	-	-
-	-	25,000	-	-	-	450,000
<u>(56,550)</u>	<u>(806,688)</u>	<u>(890,238)</u>	<u>(267,694)</u>	<u>-</u>	<u>(38,748)</u>	<u>(107,318)</u>
<u>(56,550)</u>	<u>(806,688)</u>	<u>(865,238)</u>	<u>(267,694)</u>	<u>-</u>	<u>(38,748)</u>	<u>342,682</u>
5,342	(598,142)	110,011	(587,645)	(5,528)	(703,796)	303,325
<u>(254,625)</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>
<u>\$ (249,283)</u>	<u>\$ (4,218,650)</u>	<u>\$ 327,883</u>	<u>\$ (68,569)</u>	<u>\$ (115,869)</u>	<u>\$ (122,751)</u>	<u>\$ (538,967)</u>

# City of Kaukauna, Wisconsin

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Capital Projects</u>					<u>Total</u>
	<u>2015 Projects</u>	<u>Equipment</u>	<u>Pool and Parks</u>	<u>RDA</u>	<u>Buildings and Miscellaneous</u>	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 770,844	\$ -	\$ 2,551,787
Special assessments	-	-	-	-	-	1,191,065
Intergovernmental	-	-	-	-	-	62,318
Public charges for services	-	-	-	-	-	468,035
Miscellaneous	13,289	10,471	90,473	10,812	14,494	1,394,230
<b>Total revenues</b>	<u>13,289</u>	<u>10,471</u>	<u>90,473</u>	<u>781,656</u>	<u>14,494</u>	<u>5,667,435</u>
<b>EXPENDITURES</b>						
Current						
General government	-	-	-	-	-	2,789
Public safety	-	-	-	-	-	3,500
Public works	-	-	-	-	-	13,361
Culture and recreation	-	-	-	-	-	425,290
Conservation and development	-	-	-	-	-	694,950
Debt service						
Principal	-	-	-	425,000	-	425,000
Interest and fiscal charges	-	-	-	363,456	-	363,456
Capital outlay	-	63,217	268,620	6,137	495,001	6,298,157
<b>Total expenditures</b>	<u>-</u>	<u>63,217</u>	<u>268,620</u>	<u>794,593</u>	<u>495,001</u>	<u>8,226,503</u>
Excess of revenues over (under) expenditures	<u>13,289</u>	<u>(52,746)</u>	<u>(178,147)</u>	<u>(12,937)</u>	<u>(480,507)</u>	<u>(2,559,068)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term debt issued	-	397,000	488,000	-	20,000	5,025,000
Transfers in	-	-	11,552	-	-	1,312,177
Transfers out	-	-	-	-	-	(4,163,157)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>397,000</u>	<u>499,552</u>	<u>-</u>	<u>20,000</u>	<u>2,174,020</u>
<b>Net change in fund balances</b>	<u>13,289</u>	<u>344,254</u>	<u>321,405</u>	<u>(12,937)</u>	<u>(460,507)</u>	<u>(385,048)</u>
<b>Fund balances - January 1</b>	<u>(13,289)</u>	<u>93,482</u>	<u>401,476</u>	<u>831,093</u>	<u>624,802</u>	<u>1,930,787</u>
<b>Fund balances - December 31</b>	<u>\$ -</u>	<u>\$ 437,736</u>	<u>\$ 722,881</u>	<u>\$ 818,156</u>	<u>\$ 164,295</u>	<u>\$ 1,545,739</u>



# City of Kaukauna, Wisconsin

## DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,827,991	\$ 2,827,991	\$ 2,827,991	\$ -
<b>EXPENDITURES</b>				
Debt service				
Principal	5,499,830	5,499,830	9,882,837	(4,383,007)
Interest and fiscal charges	1,873,520	1,873,520	1,574,244	299,276
Total expenditures	7,373,350	7,373,350	11,457,081	(4,083,731)
Excess of revenues under expenditures	(4,545,359)	(4,545,359)	(8,629,090)	(4,083,731)
<b>OTHER FINANCING SOURCES</b>				
Long-term debt issued	-	-	6,305,000	6,305,000
Premium on debt issued	244,952	244,952	224,531	(20,421)
Transfers in	1,472,416	1,472,416	2,517,447	1,045,031
Total other financing sources	1,717,368	1,717,368	9,046,978	7,329,610
<b>Net change in fund balance</b>	(2,827,991)	(2,827,991)	417,888	3,245,879
<b>Fund balance - January 1</b>	5,205,828	5,205,828	5,205,828	-
<b>Fund balance - December 31</b>	<u>\$ 2,377,837</u>	<u>\$ 2,377,837</u>	<u>\$ 5,623,716</u>	<u>\$ 3,245,879</u>

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, 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, 2019, and the related notes to the financial statements, dated August 11, 2020. Our report includes a reference to other auditors who audited the financial statements of Kaukauna Utilities, as described in our report on City of Kaukauna's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **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 2019-001 and 2019-002 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.



**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
August 11, 2020

# City of Kaukauna, Wisconsin

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

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### SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

<b>FINDING NO.</b>	<b>SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING</b>
2019-001	<b>Preparation of Annual Financial Report</b> Repeat Finding of 2018-001
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
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.
Context:	While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.
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, 2019

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<b>FINDING NO.</b>	<b>SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING</b>
2019-002	<b>Adjustments to the City's Financial Records</b> Repeat Finding of 2018-002
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the City's financial statements.
Context:	While performing audit procedures, it was noted that management does not have sufficient controls in place related to year end closing procedures.
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, 2019.