**CITY OF KAUKAUNA, WISCONSIN** 

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020



WEALTH ADVISORY | OUTSOURCING AUDIT, TAX, AND CONSULTING

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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, 2020, 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%, 79%, and 91% of the assets, net position, and revenues respectively, 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, 2020, 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**

As described in Note 1, during 2020, the City adopted new accounting guidance, Statement No. 84, *Fiduciary Activities*. As a result, the City established a custodial fund for taxes and specials collected for other governments. In prior years, these amounts were reported in the general fund. Our opinions are not modified with respect to this matter.

#### Correction of Error

As described in Note 4.G., the City recorded a prior period adjustment to increase expenditures and net position by \$188,670 in the nonmajor fund financial statements and governmental type activities.

#### **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 5 to 15 and the schedules relating to pensions and other postemployment benefits on pages 79 to 82 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 July 14, 2021, 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

Clifton Larson Allen LLP

Green Bay, Wisconsin July 14, 2021 MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Kaukauna offers all readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the fiscal year ended December 31, 2020. 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 \$12,574,070 to \$135,996,585; net position of governmental activities increased \$8,298,028 to \$32,789,748 while business type activities net position increased \$4,276,042 to \$103,206,837.
- Total fund balance in governmental funds as of December 31, 2020 is \$12,989,149 Of this balance, \$48,378 is nonspendable, \$7,003,288 is restricted for debt service and donations, \$1,116,116 is committed for improvements, equipment and redevelopment, \$6,248,007 is assigned to subsequent years' budgets, and unassigned has a negative balance of \$1,606,640.
- General fund's total fund balance increased \$159,585 or 3.15%. 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 during the COVID19 Pandemic year. COVID19
  grants was another big reason the city was able to stay within budget even after unexpected
  expenses and revenue losses.
- General fund revenues and operating transfers in for 2020 were over budget by \$145,000.
   Overall General fund expenditures and operating transfers out for 2020 were over budget by \$43,470 or 0.30% 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 2020, total fund balance for the general fund is \$5,217,964. The unassigned portion of fund balance \$4,759,586 increased \$147,971 or 3.2%, and it is equal to 32.6% of 2020 budgeted general fund expenditures.
- The City's outstanding general obligation debt increased \$2,400,000 from \$42,315,000 to \$44,715,000 for the fiscal year ended December 31, 2020. The city borrowed more general obligated debt in 2020 than it retired. This was primarily due to the large Street construction capital project and new Streets, Parks, and Recreation Office remodel project.
- The City's outstanding revenue bonds decreased \$4,420,000 from \$86,970,00 to \$82,550,000 for the fiscal year ended December 31, 2020.
- Kaukauna Utility's net position increased \$3,533,023 or 4.55% in 2020 as compared to 2019. This increase is in large part due to some favorable nonoperating expenses in additional to an increase in operating revenue.
- Kaukauna Utility's cash and cash equivalents decreased \$3,585,302 in 2020. Most cash flow activities remained the same when compared to 2019. The decrease mentioned above is primarily from previously borrowed long term debt proceeds being spending on capital projects in 2020.

**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 17 to 18 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 34 individual governmental type funds during 2020. 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 19 to 23 of this report.

**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 24 to 28 of this report.

**Notes To The Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 to 77 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 79 to 94 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 \$135,996,585 at yearend December 31, 2020.

	Governmen	tal Activities	Business-Ty	ype Activities	Totals		
	2020	2019	2020	2019	2020	2019	
ASSETS							
Current and Other Assets	\$ 37,664,745	\$ 46,003,445	\$ 42,163,899	\$ 44,885,067	\$ 79,828,644	\$ 90,888,512	
Capital Assets	75,416,067	66,099,917	157,376,314	151,238,106	232,792,381	217,338,023	
Total Assets	113,080,812	112,103,362	199,540,213	196,123,173	312,621,025	308,226,535	
DEFERRED OUTFLOWS OF RESOURCES							
Loss on Advance Refunding	-	-	1,327,272	1,990,907	1,327,272	1,990,907	
Related to Pension	4,642,781	5,972,318	2,455,170	3,089,440	7,097,951	9,061,758	
Related to OPEB	1,022,689	45,503	296,813	23,487	1,319,502	68,990	
Total Deferred Outflows							
of Resources	5,665,470	6,017,821	4,079,255	5,103,834	9,744,725	11,121,655	
LIABILITIES							
Noncurrent Liabilities	60,845,118	59,925,777	90,494,801	93,261,601	151,339,919	153,187,378	
Other Liabilities	4,041,599	17,275,628	6,530,198	7,402,161	10,571,797	24,677,789	
Total Liabilities	64,886,717	77,201,405	97,024,999	100,663,762	161,911,716	177,865,167	
DEFERRED INFLOWS OF RESOURCES							
Property Taxes	14,237,664	13,265,453	-	-	14,237,664	13,265,453	
Related to Pension	5,964,723	3,056,673	3,162,881	1,577,772	9,127,604	4,634,445	
Related to OPEB	867,430	105,932	224,751	54,678	1,092,181	160,610	
Total Deferred Inflows							
of Resources	21,069,817	16,428,058	3,387,632	1,632,450	24,457,449	18,060,508	
NET POSITION							
Net Investment in Capital Assets	20,913,909	19,394,798	71,208,157	66,776,625	92,122,066	86,171,423	
Restricted	8,837,183	5,858,310	8,294,258	7,766,611	17,131,441	13,624,921	
Unrestricted	3,038,656	(761,388)	23,704,422	24,387,559	26,743,078	23,626,171	
Total Net Position	\$ 32,789,748	\$ 24,491,720	\$ 103,206,837	\$ 98,930,795	\$ 135,996,585	\$ 123,422,515	

#### **Management's Analysis**

By far the largest portion of the City's total net position, \$92,122,066 or 67.74%, 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, \$17,131,441 or 12.60% represents resources that are subject to restrictions regarding their use. The remaining balance of unrestricted net position, \$26,743,078 or 19.66% 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 \$4,276,042 to \$103,206,837 in 2020, an increase of 4.32%. 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.

	Governmen	tal Activities	Business-Ty	pe Activities	Totals		
	2020	2019	2020	2019	2020	2019	
REVENUES							
Program Revenues							
Charges for Services	\$ 1,674,435	\$ 2,019,554	\$ 53,875,274	\$ 54,088,467	\$ 55,549,709	\$ 56,108,021	
Operating Grants and Contributions	1,461,865	1,370,591	-	-	1,461,865	1,370,591	
Capital Grants Cnd contributions	6,932,788	1,663,215	1,689,405	387,111	8,622,193	2,050,326	
General Revenues							
PropertyTaxes	10,526,039	10,215,832	-	-	10,526,039	10,215,832	
Sales Tax	62,478	-	-	-	62,478	-	
Other Taxes	319,036	403,958	-	-	319,036	403,958	
State and Federal Aids not Restricted							
to Specific Functions	3,074,832	2,630,233	-	-	3,074,832	2,630,233	
Interest and Investment Earnings	227,748	508,256	609,084	828,882	836,832	1,337,138	
Miscellaneous Revenues	393,273	457,735	-	-	393,273	457,735	
Total	24,672,494	19,269,374	56,173,763	55,304,460	80,846,257	74,573,834	
EXPENSES							
General Government	2,904,070	3,363,779	-	-	2,904,070	3,363,779	
Public Safety	6,673,066	6,771,753	-	-	6,673,066	6,771,753	
Public Works	6,084,817	5,901,764	-	-	6,084,817	5,901,764	
Health and Human Services	4,475	10,417	-	-	4,475	10,417	
Culture and Recreation	1,787,536	2,347,088	-	-	1,787,536	2,347,088	
Development	328,757	928,728	-	-	328,757	928,728	
Interest on Debt	1,446,537	1,816,214	-	-	1,446,537	1,816,214	
Electric Utility	-	-	42,305,227	42,495,126	42,305,227	42,495,126	
Water Utility	-	-	2,980,143	3,015,591	2,980,143	3,015,591	
Storm Water Utility	-	-	1,119,981	736,626	1,119,981	736,626	
Sanitary Sewer Utility			2,826,248	2,964,271	2,826,248	2,964,271	
Total Expenses	19,229,258	21,139,743	49,231,599	49,211,614	68,460,857	70,351,357	
NACE AND ADDRESS IN A DESCRIPTION							
INCREASE (DECREASE) IN NET POSITION							
BEFORE TRANSFERS	5,443,236	(1,870,369)	6,942,164	6,092,846	12,385,400	4,222,477	
TRANSFERS	2,666,122	2,632,913	(2,666,122)	(2,632,913)			
CHANGE IN NET POSITION	8,109,358	762,544	4,276,042	3,459,933	12,385,400	4,222,477	
BEGINNING NET POSITION	24,491,720	23,729,176	98,930,795	95,470,862	123,422,515	119,200,038	
CUMULATIVE EFFECT OF PRIOR							
PERIOD ADJUSTMENT	(188,670)				(188,670)		
ENDING NET POSITION	\$ 32,789,748	\$ 24,491,720	\$ 103,206,837	\$ 98,930,795	\$ 135,996,585	\$ 123,422,515	

The increase in net position for governmental activities for year ended December 31, 2020 was at 33.11% compared to previous years increase in net position of 3.2% for year ended December 31, 2019. Current year activity increased net position by \$8,109,358.

Business-type activities growth in net position for year ended December 31, 2020 was 4.32% compared with 3.62% for year ended December 31, 2019. Management expects growth to continue at a modest rate especially for business-type activities.

Business-type activities revenue increased \$869,303 or 1.57% during 2020 primarily due to increased customer demand in the business-type activities. Also decreasing are 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 1/1/2020	Issued in 2020		in Retired in 2020		Outstanding 12/31/2020		Due Within One Year	
GOVERNMENTAL ACTIVITIES									
General Obligation Notes	\$ 26,639,242	\$	9,800,000	\$	2,681,590	\$	33,757,652	\$	3,423,130
General Obligation Bonds	13,801,528		-		4,166,530		9,634,998		635,000
Taxable Redevelopment Lease									
Revenue Bonds	8,925,000		-		425,000		8,500,000		425,000
Premium	873,821		526,982		149,739		1,251,064		-
Compensated Absences	585,173		77,811		61,865		601,119		150,280
Total Governmental	,						•		,
Activities Debt	\$ 50,824,764	\$	10,404,793	\$	7,484,724	\$	53,744,833	\$	4,633,410
BUSINESS-TYPE ACTIVITIES									
General Obligation Notes	\$ 168,469	\$	-	\$	168,469	\$	-	\$	-
General Obligation Bonds	1,705,761		-		383,411		1,322,350		421,870
Revenue Bonds	86,970,000		19,405,000		23,825,000		82,550,000		4,235,000
Premium	1,742,119		3,318,976		182,300		4,878,795		-
Compensated Absences	-		20,855		-		20,855		-
Total Business-Type									
Activities Debt	\$ 90,586,349	\$	22,744,831	\$	24,559,180	\$	88,772,000	\$	4,656,870

#### **Management's Analysis**

Overall, long-term obligations increased from \$141,411,113 in 2019 to \$142,516,833 in 2020. Governmental activities outstanding debt increased \$2,290,069 or 5.75%. Whereas the business-type activities outstanding debt decreased \$1,814,349 or 2.03%. 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 \$44,715,000 is 74.1% 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 \$4,500,000 per year for the next five (5) years.

#### 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 2020	Budget Actual	
REVENUES		<b>* - - - - - - - - - -</b>	<b>4</b> (400.0==)
Taxes	\$ 5,745,155	\$ 5,638,878	\$ (106,277)
Intergovernmental	3,921,779	4,453,438	531,659
Licenses and Permits	347,700	376,939	29,239
Fines and Forfeits	112,000	114,696	2,696
Changes for Services	1,014,183	682,693	(331,490)
Other	97,000	211,370	114,370
Transfers In	2,880,122_	3,025,122	145,000
Total Revenues	14,117,939	14,503,136	385,197
EXPENDITURES			
General Government	2,245,825	2,063,873	181,952
Public Safety	6,141,481	6,390,876	(249,395)
Public Works	3,524,799	3,632,502	(107,703)
Health and Welfare	2,500	4,475	(1,975)
Culture and Recreation	1,911,197	1,784,159	127,038
Nondepartmental	760,175	424,196	335,979
Transfers Out	· -	43,470	(43,470)
Total Expenditures	14,585,977	14,343,551	242,426
Excess (Deficit) of Revenues			
Over Expenditures	\$ (468,038)	\$ 159,585	\$ 627,623

#### **Management's Analysis**

The 2020 general fund budget to actual comparison is showing a small surplus than in previous years at \$159,585. This is due to the challenging year amidst the COVID19 Pandemic that included unbudgeted expenses and lost revenues.

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.

#### **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 Variance
	Budget	Actual	Positive
	2020	2020	(Negative)
REVENUES			_
Taxes	\$ 3,676,496	\$ 3,676,496	\$ -
Other	_	17,457	17,457
Total Revenues	3,676,496	3,693,953	17,457
EXPENDITURES			
Debt Service Principal	5,165,000	3,798,120	1,366,880
Debt Service Interest	1,778,459	1,273,743	504,716
Total Expenditures	6,943,459	5,071,863	1,871,596
Excess (Deficit) of Revenues Over Expenditures	(3,266,963)	(1,377,910)	1,889,053
OTHER FINANCING SOURCES			
Long-Term Debt Issued	-	3,050,000	3,050,000
Premium on Debt Issued	120,000	526,982	406,982
Payment to Current Bondholder		(3,050,000)	
Transfers in	3,146,963	1,834,829	(1,312,134)
Transfers out	<u>-</u>	(776,436)	(776,436)
Total Other Financing Sources	3,266,963	1,585,375	1,368,412
Net Change in Fund Balance	\$ -	\$ 207,465	\$ 3,257,465

#### Management's Analysis

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

#### **GOVERNMENTAL FUNDS**

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

As of December 31, 2020, the City's governmental funds reported combined year ending fund balance of \$12,989,149, an increase of \$761,315 for the calendar year 2020. Of the total fund balance, the unassigned fund balance is a negative \$1,606,640, 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, \$48,378
- Restricted for debt service and donations, \$7,003,288
- Committed, \$1,116,116
- Assigned, \$6,428,007

# Fund Balance Analysis – General Fund

The total general fund balance increased from \$5,058,379 at calendar year end 2019 to \$5,217,964 for calendar year end 2020. The city council adopted a policy in 2010 to maintain the fund balance at 15% of the operating budget. Fifteen percent of the 2020 operating budget is \$2,187,897 The unassigned general fund balance as of December 31, 2020 was \$4,759,586 The year-end fund balance for 2020 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 2020. Unassigned fund balance equals 32.6% of budgeted expenditures while total fund balance represents 35.8% of budgeted expenditures for 2020.

#### Fund Balance Analysis - Debt Service Fund

The debt service fund balance has a balance of \$5,831,181 at year-end 2020, 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 2020 fund balance of \$2,215,525. The combined fund balance for special revenue funds decreased \$220,382 for calendar year ended.

#### Fund Balance Analysis - Capital Project Funds

The combined nonmajor capital project funds have a calendar year end 2020 surplus fund balance of \$576,689. The ongoing capital funds surplus is due to timing of borrowed funds being spent. All Tax Incremental Districts (TID) except for TID6, have a deficit. However, there has been new development within TID5 and TID8 that will give the tax incremental districts a boost in increment dollars to ensure all districts are at a net balance of zero at the time the district close.

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#### POPRIETARY FUNDS

#### **Net Position Analysis – Stormwater Utility**

Unrestricted net position of the Stormwater Utility at the end of the year amounted to \$3,007,722 The total increase in net position was \$243,688

#### **Net Position Analysis – Sanitary Sewer Utility**

Unrestricted net position of the Sanitary Sewer Utility at the end of the year amounted to \$5,266,378 The total increase in net position was \$499,331

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

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, net of accumulated depreciation is \$211,519,847 outstanding debt, debt premium and accounts payable related to the purchase of capital assets is \$140,670,305 or 60.4% of asset value net of accumulated depreciation. Governmental activities capital assets increased in 2020 by 9,316,150 from \$66,099,917 to \$75,416,067. The increase is because of the construction/remodel of the new Streets, Parks, Recreation Office building. The net increase of \$14,941,150 in business-type activities capital assets from \$142,435,164 to \$157,376,314 for the calendar year ended 2020 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 - 2020, the City's tax base, which currently stands at \$1.20 Billion (see following schedule), averaged a 2.51% 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 (2016 - 2020), the city saw an average increase of 5.04%. 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.

Assessment	Equalized Value		Equalized Value	
Year	Including TID's	% Change	Excluding TID's	% Change
2020	\$ 1,208,319,100	4.72 %	\$ 1,130,278,300	3.02 %
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.

The COVID19 pandemic has left its mark on the City in many ways. Fortunately, not much if any on the City Financials as we know today. The virus caused significant revenue loses as well as unexpected expenses related to the preventive measures. No one could have predicted the amount of staff time and resources the City would spend on this pandemic. We also don't know of any long-term effects this pandemic will have on our Municipality. The Cares Act Grant provided the City with \$292,725. Although this grant couldn't supplement lost revenue, it was timely aid that allowed the City to stay within budget on the expenses that did incur. The City will continue to work through the challenges this pandemic has causes and will likely further cause in the near future.

#### **REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS** 

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF NET POSITION DECEMBER 31, 2020

	G	overnmental Activities	В	usiness-Type Activities	Total
ASSETS					
Cash and Investments	\$	11,841,818	\$	13,982,225	\$ 25,824,043
Receivables:					
Taxes and Special Charges		8,590,413		42,058	8,632,471
Delinquent Taxes		3,460			3,460
Accounts, Net		756,229		5,004,293	5,760,522
Special Assessments		3,611,881		-	3,611,881
Loans		1,185,200		- (40.500)	1,185,200
Internal Balances		12,566		(12,566)	-
Due from Other Governments		1,977,605		-	1,977,605
Inventories and Prepaid Items		44,918		2,911,760	2,956,678
Investment in ATC LLC		-		3,722,482	3,722,482
Nonutility Plant, Net		-		326,205	326,205
Regulatory Asset		-		1,540,950	1,540,950
Restricted Assets:		7.054.044		40 504 070	04 040 000
Cash and Investments		7,651,811		13,591,879	21,243,690
Net Pension Asset		1,988,844		1,054,613	3,043,457
Capital Assets, Nondepreciable		16,201,905		5,070,629	21,272,534
Capital Assets, Depreciable, Net		59,214,162		152,305,685	 211,519,847
Total Assets		113,080,812		199,540,213	312,621,025
DEFERRED OUTFLOWS OF RESOURCES				4 00= 0=0	4 007 070
Loss on Advance Refunding		<del>.</del>		1,327,272	1,327,272
Pension Related Amounts		4,642,781		2,455,170	7,097,951
Other Postemployment Related Amounts		1,022,689		296,813	 1,319,502
Total Deferred Outflows of Resources		5,665,470		4,079,255	9,744,725
LIABILITIES					
Accounts Payable		2,894,916		3,779,272	6,674,188
Accrued and Other Current Liabilities		978,885		641,706	1,620,591
Due to Other Governments		12,148		-	12,148
Accrued Interest Payable		154,949		184,171	339,120
Customer Deposits		-		758,620	758,620
Unearned Revenues		701		1,166,429	1,167,130
Long-Term Obligations:					
Due within One Year		4,633,410		4,656,870	9,290,280
Due in More Than One Year		49,111,423		84,115,130	133,226,553
Net Other Postemployment Benefits		7,100,285		1,722,801	 8,823,086
·		64,886,717		97,024,999	161,911,716
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Levied for Subsequent Year		14,237,664		-	14,237,664
Pension Related Amounts		5,964,723		3,162,881	9,127,604
Other Postemployment Related Amounts		867,430		224,751	1,092,181
Total Deferred Inflows of Resources		21,069,817		3,387,632	24,457,449
NET POSITION					
Net Investment in Capital Assets		20,913,909		71,208,157	92,122,066
Restricted					
Debt Service		6,467,361		7,239,645	13,707,006
Donations		380,978		-	380,978
Pension Benefits		1,988,844		1,054,613	3,043,457
Unrestricted		3,038,656		23,704,422	26,743,078
Total Net Position	\$	32,789,748	\$	103,206,837	\$ 135,996,585

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2020

Net (Expense) Revenue and Changes in Net Position Program Revenues Operating Capital Grants Charges for Grants and Business-Type and Governmental Functions/Programs Expenses Services Contributions Contributions Activities Activities Total **GOVERNMENTAL ACTIVITIES** 2,904,070 \$ 226,163 \$ \$ (2,677,907) \$ General Government (2,677,907)(5,752,230)Public Safety 6,673,066 853,040 66,733 1,063 (5,752,230)Public Works 494,443 1,080,599 4,747,429 237,654 237,654 6,084,817 Health and Human Services 1,975 4,475 (2,500)(2,500)299.275 Culture and Recreation 1,787,536 98.144 2,168,480 778,363 778,363 Conservation and Development 670 15,258 328,757 15,816 (297,013)(297,013)Interest and Fiscal Charges 1,446,537 (1,446,537)(1,446,537)**Total Governmental Activities** 19,229,258 1,674,435 1,461,865 6,932,788 (9,160,170) (9,160,170) **BUSINESS-TYPE ACTIVITIES** Kaukauna Utilities 45,285,370 49,164,137 1,479,008 5,357,775 5,357,775 Storm Water Utility 1,119,981 1,247,497 209,031 336,547 336,547 Sanitary Sewer Utility 2,826,248 3,463,640 1,366 638,758 638,758 Total Business-Type Activities 49,231,599 53,875,274 1,689,405 6,333,080 6,333,080 1,461,865 8,622,193 **Total Primary Government** 68,460,857 55,549,709 (9,160,170)6,333,080 (2,827,090)**GENERAL REVENUES** Taxes: 10.526.039 10,526,039 **Property Taxes** Sales Tax 62.478 62.478 Other Taxes 319,036 319,036 Federal and State Grants and Other Contributions not Restricted to Specific Functions 3.074.832 3.074.832 Interest and Investment Earnings 227,748 609,084 836,832 Miscellaneous 393,273 393,273 Transfers 2,666,122 (2,666,122)17,269,528 (2,057,038) 15,212,490 Total General Revenues and Transfers **CHANGE IN NET POSITION** 8,109,358 4,276,042 12,385,400 Net Position - Beginning of Year, as Originally Reported 24,491,720 98,930,795 123,422,515 Prior Period Adjustment 188,670 188,670 Net Position - as Restated 24,680,390 98,930,795 123,611,185 **NET POSITION - END OF YEAR** 32,789,748 103,206,837 135,996,585

# CITY OF KAUKAUNA, WISCONSIN BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2020

					pital Projects	0	Other	
		General	D	ebt Service	Streets and Sidewalks	G	overnmental Funds	Total
ASSETS		General		ebt Service	 Sidewalks		Fullus	 Total
Cash and Investments	\$	2,415,064	\$	220,061	\$ _	\$	9,206,693	\$ 11,841,818
Restricted Cash and Investments		3,389,818		1,773,682	-		2,488,311	7,651,811
Receivables:								
Taxes and Special Charges		5,328,115		1,953,350	-		1,308,948	8,590,413
Delinquent Taxes		3,460		-	-		-	3,460
Accounts, Net		313,832		-	-		442,397	756,229
Special Assessments		-		-	-		3,611,881	3,611,881
Loans		-		-	40.000		1,185,200	1,185,200
Due from Other Funds Due from Other Governments		2,946,001		5,611,120	10,806		60,978	8,628,905
		396		-	1,977,209		-	1,977,605
Inventories and Prepaid Items	_	44,918	_	<del>-</del>	 <del>-</del>			 44,918
Total Assets	\$	14,441,604	\$	9,558,213	\$ 1,988,015	\$	18,304,408	\$ 44,292,240
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$	178,237	\$	-	\$ 979,334	\$	1,737,345	\$ 2,894,916
Accrued and Other Current Liabilities		970,555		-	-		8,330	978,885
Due to Other Funds		48,868		-	1,860,891		6,706,580	8,616,339
Due to Other Governments		12,148		-	-		-	12,148
Unearned Revenues		700		=	 =		-	 700
Total Liabilities		1,210,508		-	2,840,225		8,452,255	12,502,988
DEFERRED INFLOWS OF RESOURCES								
Property Taxes Levied for Subsequent Year		8,013,132		3,727,032	-		2,497,500	14,237,664
Loans Receivable		-		-	-		950,557	950,557
Special Assessments		-			 -		3,611,881	 3,611,881
Total Deferred Inflows of Resources		8,013,132		3,727,032	-		7,059,939	18,800,103
FUND BALANCES								
Nonspendable		48,378		-	-		-	48,378
Restricted		-		5,831,181	-		1,172,107	7,003,288
Committed		-		-	-		1,116,116	1,116,116
Assigned		410,000		-	-		6,018,007	6,428,007
Unassigned		4,759,586		-	 (852,210)		(5,514,016)	 (1,606,640)
Total Fund Balances		5,217,964		5,831,181	(852,210)		2,792,214	12,989,149
Total Liabilities, Deferred Inflows								
of Resources, and Fund Balances	\$	14,441,604	\$	9,558,213	\$ 1,988,015	\$	18,304,408	\$ 44,292,240

# CITY OF KAUKAUNA, WISCONSIN BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2020

#### RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 12,989,149
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.	75,416,067
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	
Loans Receivable	950,557
Special Assessments	3,611,881
Net Pension Asset	1,988,844
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	4,642,781
Deferred Inflows Related to Pensions	(5,964,723)
Deferred Outflows Related to Other Postemployment Benefits	1,022,689
Deferred Inflows Related to Other Postemployment Benefits	(867,430)
Long-term liabilities are not due and payable in the current period and,	
therefore, are not reported in the funds.	
Bonds and Notes Payable	(51,892,650)
Premium on Debt	(1,251,064)
Compensated Absences	(601,119)
Other Postemployment Benefit	(7,100,285)
Accrued Interest on Long-Term Obligations	 (154,949)
Net Position of Governmental Activities as Reported on the Statement	
of Net Position (See Page 17)	\$ 32,789,748

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Capital Projects Streets and Sidewalks	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 5,638,878	\$ 3,676,496	\$ -	\$ 1,749,136	\$ 11,064,510
Special Assessments	-	-	-	1,774,786	1,774,786
Intergovernmental	4,453,438	17,457	1,775,816	63,243	6,309,954
Licenses and Permits	376,939	-	-	-	376,939
Fines and Forfeits	114,696	-	-	10,374	125,070
Public Charges for Services	682,693	-	-	460,540	1,143,233
Miscellaneous	211,370	=	171	2,598,207	2,809,748
Total Revenues	11,478,014	3,693,953	1,775,987	6,656,286	23,604,240
EXPENDITURES					
Current:					
General Government	2,063,873	-	-	15,780	2,079,653
Public Safety	6,390,876	-	-	13,095	6,403,971
Public Works	3,632,502	-	-	40,913	3,673,415
Health and Human Services	4,475	-	-	-	4,475
Culture and Recreation	1,784,159	-	-	248,783	2,032,942
Conservation and Development	-	-	-	163,366	163,366
Nondepartmental	424,196	-	-	-	424,196
Debt Service:					
Principal	-	3,798,120	-	425,000	4,223,120
Interest and Fiscal Charges	-	1,273,743	-	359,738	1,633,481
Capital Outlay	-	-	5,134,254	7,201,826	12,336,080
Total Expenditures	14,300,081	5,071,863	5,134,254	8,468,501	32,974,699
EXCESS (DEFICIENCY) OF REVENUES					
UNDER EXPENDITURES	(2,822,067)	(1,377,910)	(3,358,267)	(1,812,215)	(9,370,459)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	3,050,000	1,971,555	4,778,445	9,800,000
Premium on Debt Issued	-	526,982	-	-	526,982
Payment to Current Bondholder	-	(3,050,000)	-	-	(3,050,000)
Transfers In	3,025,122	1,834,829	3,352	1,657,045	6,520,348
Transfers Out	(43,470)	(776,436)	-	(3,034,320)	(3,854,226)
Total Other Financing Sources (Uses)	2,981,652	1,585,375	1,974,907	3,401,170	9,943,104
NET CHANGE IN FUND BALANCES	159,585	207,465	(1,383,360)	1,588,955	572,645
Fund Balances - Beginning of Year	5,058,379	5,623,716	531,150	1,014,589	12,227,834
Prior Period Adjustment				188,670	188,670
Fund Balances - as Restated	5,058,379	5,623,716	531,150	1,203,259	12,416,504
FUND BALANCES - END OF YEAR	\$ 5,217,964	\$ 5,831,181	\$ (852,210)	\$ 2,792,214	\$ 12,989,149

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2020

#### RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page	\$ 572,645
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their	
estimated useful lives and reported as depreciation expense. Capital Assets Reported as Capital Outlay in Governmental	
Fund Statements	12,064,297
Depreciation Expense Reported in the Statement of Activities	(2,748,147)
Revenues in the statement of activities that do not provide current financial	
resources are not reported as revenues in the funds	1,135,754
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	(9,800,000)
Principal Repaid	7,273,120
Interest Accrued on Long-Term Debt	37,205
Premium on Debt Issued, Including Current Year Amortization	(377,243)
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	(15,946)
Net Pension Liability (Asset)	4,198,431
Deferred Outflows of Resources Related to Pensions	(1,329,537)
Deferred Inflows of Resources Related to Pensions	(2,908,050)
Other Postemployment Benefits Deferred Outflows of Resources Related to	(208,859)
Other Postemployment Benefits	977,186
Deferred Inflows of Resources Related to	377,100
Other Postemployment Benefits	(761,498)
Change in Net Position of Governmental Activities as Reported in the	
Statement of Activities (See Page 18)	\$ 8,109,358

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL — GENERAL FUND YEAR ENDED DECEMBER 31, 2020

	Bud	dget		Variance Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	\$ 5,744,777	\$ 5,745,155	\$ 5,638,878	\$ (106,277)
Intergovernmental	3,921,779	3,921,779	4,453,438	531,659
Licenses and Permits	347,700	347,700	376,939	29,239
Fines and Forfeits	112,000	112,000	114,696	2,696
Public Charges for Services	1,014,183	1,014,183	682,693	(331,490)
Miscellaneous	97,000	97,000	211,370	114,370
Total Revenues	11,237,439	11,237,817	11,478,014	240,197
EXPENDITURES				
Current:				
General Government	2,245,825	2,245,825	2,063,873	181,952
Public Safety	6,141,481	6,141,481	6,390,876	(249,395)
Public Works	3,524,799	3,524,799	3,632,502	(107,703)
Health and Human Services	2,500	2,500	4,475	(1,975)
Culture and Recreation	1,911,197	1,911,197	1,784,159	127,038
Nondepartmental	765,175	760,175	424,196	335,979
Total Expenditures	14,590,977	14,585,977	14,300,081	285,896
EXCESS (DEFICIENCY) OF REVENUES				
UNDER EXPENDITURES	(3,353,538)	(3,348,160)	(2,822,067)	526,093
UNDER EXPENDITURES	(3,333,330)	(3,340,100)	(2,022,001)	320,093
OTHER FINANCING SOURCES (USES)				
Transfers In	2,953,538	2,880,122	3,025,122	145,000
Transfers Out	-	-	(43,470)	(43,470)
Total Other Financing Sources (Uses)	2,953,538	2,880,122	2,981,652	101,530
	(400.0	//00 0==:		
NET CHANGE IN FUND BALANCE	(400,000)	(468,038)	159,585	627,623
Fund Balance - Beginning of Year	3,771,500	3,771,500	5,058,379	691,895
FUND BALANCE - END OF YEAR	\$ 3,371,500	\$ 3,303,462	\$ 5,217,964	\$ 1,319,518

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF NET POSITION — PROPRIETARY FUNDS DECEMBER 31, 2020

	Kaukauna Stormw Utilities Utility		Sanitary Sewer Utility	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 10,014,10	1 \$ 724,161	\$ 3,243,963	\$ 13,982,225
Receivables:				
Taxes and Special Charges		- 4,691	37,367	42,058
Accounts, Net	5,001,94	-	2,350	5,004,293
Due from Other Funds	100,45	3 205,958	514,137	820,548
Inventories and Prepaid Items	2,911,76	0 -	-	2,911,760
Total Current Assets	18,028,25	7 934,810	3,797,817	22,760,884
Restricted Assets:				
Cash and Investments	9,008,67	2,292,618	2,290,591	13,591,879
Other Assets:				
Investment in ATC LLC	3,722,48	2 -	-	3,722,482
Regulatory Asset	1,540,95	0 -	-	1,540,950
Nonutility Plant, Net	326,20	5 -	-	326,205
Net Pension Asset	1,021,81	4 18,768	14,031	1,054,613
Total Other Assets	6,611,45	1 18,768	14,031	6,644,250
Capital Assets:				
Nondepreciable	5,026,99	7 43,632	-	5,070,629
Depreciable, Net	125,164,45	9,108,992	18,032,234	152,305,685
Total Capital Assets	130,191,45	6 9,152,624	18,032,234	157,376,314
Total Assets	163,839,83	12,398,820	24,134,673	200,373,327
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Advance Refunding	1,327,27	2 -	-	1,327,272
Pension Related Amounts	2,376,54		32,830	2,455,170
Other Postemployment Related Amounts	293,04	2,159	1,614	296,813
Total Deferred Outflows of Resources	3,996,85	2 47,959	34,444	4,079,255

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED) DECEMBER 31, 2020

	Kaukauna Utilities						Stormwater Utility				Sanitary Sewer Utility		Total
LIABILITIES													
Current Liabilities:													
Accounts Payable	\$	2,584,773	\$	95,371	\$	1,099,128	\$ 3,779,272						
Accrued and Other Current Liabilities		632,151		5,893		3,662	641,706						
Due to Other Funds		794,803		-		38,311	833,114						
Customer Deposits		758,620		-		-	758,620						
Unearned Revenues		1,086,183		8,950		71,296	1,166,429						
Current Portion of Long-Term Debt:													
General Obligation		-		387,390		34,480	421,870						
Revenue Bonds		3,835,000		75,000		325,000	4,235,000						
Accrued Interest Payable		108,539		27,186		48,446	184,171						
Total Current Liabilities		9,800,069		599,790		1,620,323	12,020,182						
Long-Term Obligations, Less Current Portion:													
General Obligation Debt		_		900,480		-	900,480						
Revenue Bonds		67,165,000		4,775,000		6,375,000	78,315,000						
Compensated Absences		· · ·		12,290		8,565	20,855						
Debt Premium		4,663,967		121,053		93,775	4,878,795						
Net Other Postemployment Benefits		1,713,120		5,540		4,141	1,722,801						
Total Long-Term Liabilities		73,542,087		5,814,363		6,481,481	85,837,931						
Total Liabilities		83,342,156		6,414,153		8,101,804	97,858,113						
DEFERRED INFLOWS OF RESOURCES													
Pension Related Amounts		3,064,512		56,288		42,081	3,162,881						
Other Postemployment Related Amounts		222,990		1,008		753	224,751						
Total Deferred Inflows of Resources		3,287,502		57,296		42,834	3,387,632						
NET POSITION													
Net Investment in Capital Assets		58,143,745		2,822,776		10,241,636	71,208,157						
Restricted													
Debt Service		6,611,147		126,064		502,434	7,239,645						
Pension Benefits		1,021,814		18,768		14,031	1,054,613						
Unrestricted		15,430,322		3,007,722		5,266,378	 23,704,422						
Total Net Position	\$	81,207,028	\$	5,975,330	\$	16,024,479	\$ 103,206,837						

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2020

	Kaukauna Utilities		Stormwater Utility			Sanitary Sewer Utility		Total
OPERATING REVENUES	æ	40 E24 462	¢	1 247 407	ф	2 462 640	Φ.	E2 242 200
Charges for Services Other	\$	48,531,162 603,790	\$	1,247,497	\$	3,463,640	\$	53,242,299 603,790
Total Operating Revenues		49,134,952		1,247,497		3,463,640		53,846,089
, ,		, ,		, ,				, ,
OPERATING EXPENSES								
Operation and Maintenance		36,378,060		826,539		2,317,449		39,522,048
Depreciation		5,750,466		148,857		312,454		6,211,777
Taxes				11,981				11,981
Total Operating Expenses		42,128,526		987,377		2,629,903		45,745,806
OPERATING INCOME		7,006,426		260,120		833,737		8,100,283
NONOPERATING REVENUES (EXPENSES)								
Interest Income		600,591		4,581		3,912		609,084
Merchandising and Jobbing		29,185		-		-,		29,185
Interest and Fiscal Charges		(2,286,594)		(132,604)		(196,345)		(2,615,543)
Amortization of Debt Discount/Premium		(905,628)		(.02,00.)		(.00,0.0)		(905,628)
Miscellaneous Revenues (Expenses)		35,378		_		_		35,378
Total Nonoperating Revenues (Expenses)		(2,527,068)		(128,023)		(192,433)		(2,847,524)
, , ,				` · · ·		<u> </u>		
INCOME BEFORE CONTRIBUTIONS AND								
TRANSFERS		4,479,358		132,097		641,304		5,252,759
Capital Contributions		1,479,008		209,031		1,366		1,689,405
Transfers Out		(2,425,343)		(97,440)		(143,339)		(2,666,122)
CHANGE IN NET POSITION		3,533,023		243,688		499,331		4,276,042
Net Position - Beginning of Year		77,674,005		5,731,642		15,525,148		98,930,795
NET POSITION - END OF YEAR	\$	81,207,028	\$	5,975,330	\$	16,024,479	\$	103,206,837

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF CASH FLOWS PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2020

	Kaukauna Utilities	Stormwater Utility	Sanitary Sewer Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 48,905,503	\$ 1,247,047	\$ 3,506,047	\$ 53,658,597
Cash Paid for Employee Wages and Benefits	(32,893,681)	(250,291)	(114,209)	(33,258,180)
Cash Paid to Suppliers	(4,187,512)	(667,444)	(2,635,898)	(7,490,855)
Net Cash Provided by Operating Activities	11,824,310	329,312	755,940	12,909,562
CASH FLOWS FROM NONCAPITAL				
FINANCING ACTIVITIES				
Due to/from Other Funds	=	(4,762)	53,524	48,762
Transfers In/Out	(2,425,343)	(97,440)	(143,339)	(2,666,122)
Net Cash Used by Noncapital Financing				
Activities	(2,425,343)	(102,202)	(89,815)	(2,617,360)
CASH FLOWS FROM CAPITAL AND				
RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(9,341,723)	(466,147)	(41,474)	(9,849,344)
Cost of Removal of Capital Assets	(324,497)	-	-	(324,497)
Capital Contributions	291,309	404	(20,912)	270,801
Principal Paid on Long-Term Debt	(23,435,000)	(551,065)	(390,815)	(24,376,880)
Interest Paid on Long-Term Debt	(2,961,175)	(160,439)	(217,676)	(3,339,290)
Proceeds of Long-Term Debt	19,405,000	-	-	19,405,000
Premium on Long-Term Debt	3,318,976	-	-	3,318,976
Debt Issuance Costs Paid	(381,872)			(381,872)
Net Cash Used by Capital and Related	<u> </u>			
Financing Activities	(13,428,982)	(1,177,247)	(670,877)	(15,277,106)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	505,374	4,581	3,912	513,867
Investment in ATC LLC	(60,661)	-	· -	(60,661)
Net Cash Provided by Investing Activities	444,713	4,581	3,912	453,206
CHANGE IN CASH AND CASH EQUIVALENTS	(3,585,302)	(945,556)	(840)	(4,531,698)
Cash and Cash Equivalents - Beginning of Year	22,608,073	3,962,335	5,535,394	32,105,802
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 19,022,771	\$ 3,016,779	\$ 5,534,554	\$ 27,574,104

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED) YEAR ENDED DECEMBER 31, 2020

		Kaukauna Utilities	S	Stormwater Utility	S	Sanitary ewer Utility	 Total
RECONCILIATION OF OPERATING INCOME TO NET							
CASH PROVIDED BY OPERATING ACTIVITIES							
Operating Income	\$	7,006,426	\$	260,120	\$	833,737	\$ 8,100,283
Adjustments to Reconcile Operating Income to							
Net Cash Provided by Operating Activities							
Nonoperating Revenue		720,066		-		-	720,066
Depreciation		5,750,466		148,857		312,454	6,211,777
Depreciation Charged to Operating Accounts		253,854		-		-	253,854
Depreciation on Nonutility Plant		8,679		-		-	8,679
Change in Liability (Asset) and Deferred							
Outflows and Inflows of Resources							
Pension Asset/Liability		(2,113,746)		(49,917)		(31,479)	(2,195,142)
Pension Related Deferred Outflows		584,991		35,080		14,199	634,270
Pension Related Deferred Inflows		1,553,967		13,197		17,945	1,585,109
Other Postemployment Benefits Liability		186,521		333		1,224	188,078
Other Postemployment Benefits Liability							
Related Deferred Outflows		(270,553)		(1,518)		(1,255)	(273,326)
Other Postemployment Benefits Liability		,		, ,		, ,	, ,
Related Deferred Inflows		170,641		(485)		(83)	170,073
Regulatory Asset		220,136		-		` -	220,136
Change in Operating Assets and Liabilities							
Accounts Receivables, Net of Allowance		(827,625)		=		(1,050)	(828,675)
Due to/from Municipality		(28,163)		=		· -	(28,163)
Inventories and Prepaid Items		8,088		=		=	8,088
Accounts Payable		(1,011,762)		(87,978)		(441,482)	(1,541,222)
Accrued and Other Current Liabilities		(18,818)		12,073		8,273	1,528
Customer Deposits		17,201		· -		, -	17,201
Unearned Revenues		(386,059)		(450)		43,457	(343,052)
Net Cash Provided by Operating Activities	\$	11,824,310	\$	329,312	\$	755,940	\$ 12,909,562
RECONCILIATION OF CASH AND CASH EQUIVALEN	ITS						
TO THE STATEMENT OF NET POSITION							
Cash and Cash Equivalents in Current Assets	\$	10,014,101	\$	724,161	\$	3,243,963	\$ 13,982,225
Cash and Cash Equivalents in Restricted Assets		9,008,670		2,292,618		2,290,591	13,591,879
Total Cash and Cash Equivalents	\$	19,022,771	\$	3,016,779	\$	5,534,554	\$ 27,574,104
NONCASH CAPITAL AND RELATED FINANCING							
ACTIVITIES							
ATC Dividends Reinvested	\$	(95,217)	\$	-	\$	-	\$ (95,217)
Amortization	\$	(523,755)	\$	-	\$	-	\$ (523,755)
Acquisition of Capital Assets Purchase on Account	\$	-	\$	(70,925)	\$	(962,343)	\$ (1,033,268)
Developer financed additions to utility plant	\$	1,187,699	\$	-	\$	-	\$ 1,187,699

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF NET POSITION FIDUCIARY FUND YEAR ENDED DECEMBER 31, 2020

	Tax Collection		
	Custodial Fun		
ASSETS			
Cash and Investments	\$	7,049,502	
Taxes Receivable		7,763,595	
Total Assets		14,813,097	
LIABILITIES		7 0 40 500	
Due to Other Governments		7,049,502	
DEFERRED INFLOW			
Property Taxes Levied for Subsequent Year		7,763,595	
NET POSITION			
Restricted	\$		

# CITY OF KAUKAUNA, WISCONSIN STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUND YEAR ENDED DECEMBER 31, 2020

	Tax Collection Custodial Fund
ADDITIONS Property Tax Collections	\$ 14,880,348
DEDUCTIONS Payments to Taxing Jurisdictions	14,880,348
CHANGE IN NET POSITION	-
Net Position - Beginning of Year	
NET POSITION - END OF YEAR	\$ -

## CITY OF KAUKAUNA, WISCONSIN NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

#### 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 as required by standards.

#### **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.

## CITY OF KAUKAUNA, WISCONSIN NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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*.

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.

# **Capital Projects Streets and Sidewalks Fund**

This fund is used to account for financial resources used for the construction of major capital street and sidewalks projects.

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.

# CITY OF KAUKAUNA, WISCONSIN NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2020

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Government-Wide and Fund Financial Statements (Continued)

#### **Sanitary Sewer Utility**

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

#### **Custodial Funds**

The City accounts for assets held for individuals or other government agencies in custodial funds.

#### Tax Collection

The tax collection custodial fund accounts for property taxes and specials collected on behalf of other governments. These amounts were recorded in the general fund in prior years. Due to implementation of GASB 84, *Fiduciary Activities*, the presentation and reporting has been adjusted to meet the requirements of the new standard and are presented in a custodial fund.

#### 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.

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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# D. Measurement Focus and Basis of Accounting (Continued)

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.

# NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

## 2. Property Taxes and Special Charges Receivable (Continued)

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 \$397,153.

#### 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 2020 tax roll are recognized as revenue in 2021.)

#### 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.

# NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

#### 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% of ATC.

The investment earns dividends quarterly, some of which are paid in cash and some of which are required to be reinvested. From time to time, the Utility has the option to contribute additional funds to maintain its proportionate share of ownership. The investment in American Transmission Company LLC is recorded at cost since it is privately held and has no readily available fair market value. The Utility's ownership share is value at \$3,722,482 as of December 31, 2020, 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

## 10. Capital Assets (Continued)

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

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

	Governmental Activities	Business-Type Activities		
Assets	Years			
Buildings	20 to 40	25 to 50		
Improvements Other Than Buildings	10 to 20	25 to 100		
Machinery and Equipment	3 to 20	3 to 10		
Infrastructure	18 to 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

# 13. Deferred Outflows/Inflows of Resources (Continued)

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

# 14. Long-Term Obligations

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

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

## 15. Pensions

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

# NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)
  - 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

## 17. Fund Equity (Continued)

# **Governmental Fund Financial Statements (Continued)**

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

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

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

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

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

#### F. Sales Tax

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 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.

## 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.
- 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.

# NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

# **B.** Excess of Expenditures over Budget Appropriations

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2020 as follows:

		Excess	
Fund(s)	Expenditure		
General fund	<u> </u>		
Public safety	\$	249,395	
Public works		107,703	
Health and Human Services		1,975	

# C. Deficit Fund Equity

The following funds had deficit fund balance as of December 31, 2020:

	Deficit Fund		
Funds		Balance	
Capital Projects Funds		_	
Industrial Park	\$	37,421	
Sidewalks and Streets		852,210	
Tax Incremental District #4		215,379	
Tax Incremental District #5		4,357,001	
Tax Incremental District #8		20,954	
Tax Incremental District #9		115,726	
Tax Incremental District #10		127,198	
Environmental Remediation TID		639,977	

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

# NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)

# D. 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 2020 and 2021 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 2020 budget was 1.45%. The actual limit for the City for the 2021 budget was 3.02%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

#### NOTE 3 DETAILED NOTES ON ALL FUNDS

#### A. Cash and Investments

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

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

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

The carrying amount of the City's cash and investments totaled \$54,117,235 on December 31, 2020, as summarized below:

Petty Cash and Cash on Hand	\$ 1,932
Deposits with Financial Institutions	17,882,721
Beneficial Interest in Assets Held by Community	
Foundation of the Fox Valley	31,410
Investments	
U.S. Agency Securities	835,479
Bond Mutual Funds	402,923
Wisconsin Investment Series Cooperative (WISC)	
LTD Series	1,187,484
Negotiable Certificates of Deposit	3,347,537
Repurchase Agreements	10,645,263
Money Market Mutual Funds	1,047,396
U.S. Treasury Notes and Bonds	1,333,628
Wisconsin Local Government Investment Pool	 17,401,462
Total	\$ 54,117,235

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# A. Cash and Investments (Continued)

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position	
Cash and Investments	\$ 25,824,043
Restricted Cash and Investments	21,243,690
Fiduciary Fund Statement of Net Position	
Custodial Fund	 7,049,502
Total	\$ 54.117.235

# 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, 2020:

	Fair Value Measurements Using:									
		Level 1		Level 2		Level 3				
Investments										
U.S. Treasuries	\$	-	\$	1,333,628	\$	-				
U.S. Agency Securities		-		835,479		-				
Bond Mutual Funds		173,913		229,010		-				
Negotiable Certificates of Deposit		-		3,347,537		-				
Beneficial Interest in Assets Held by										
Community Foundation of the Fox Valley				-		31,410				
Total	\$	173,913	\$	5,745,654	\$	31,410				

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.

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# A. Cash and Investments (Continued)

## **Custodial Credit Risk (Continued)**

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, 2020, \$7,812,411 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, 2020, the City held repurchase agreement investments of \$10,645,263 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.

		Е	xempt			
			from			Not
Investment Type	 Amount	Dis	closure	 AAA	 Aa	 Rated
Money Market Mutual Funds	\$ 1,047,396	\$	-	\$ -	\$ 	\$ 1,047,396
Mutual Bond Funds	402,923		-	-	-	402,923
U.S. Treasuries	1,333,628		-	-	-	1,333,628
U.S. Agency Securities	835,479		-	-	835,479	-
Negotiable Certificates of Deposit	3,347,537		-	-	-	3,347,537
WISC Investments						
LTD Series	1,187,484		-	-	-	1,187,484
Wisconsin Local Government						
Investment Pool	17,401,462		-	-	-	17,401,462
Totals	\$ 25,555,909	\$	-	\$ -	\$ 835,479	\$ 24,720,430

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# A. Cash and Investments (Continued)

#### **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, 2020, 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:

		Remaining Maturity (in Months)							
			12 Months		13 to 24		25 to 60	Мо	re Than
Investment Type	Amount		or Less		Months		Months	60	Months
Money Market Mutual Funds	\$ 1,047,396	\$	1,047,396	\$	-	\$	-	\$	-
Mutual Funds	402,923		402,923		-		-		-
U.S. Treasuries	1,333,628		1,078,588		255,040		-		-
U.S. Agency Securities	835,479		100,903		459,016		275,560		-
WISC Investments									
LTD Series	1,187,484		1,187,484		-		-		-
Repurchase Agreements	10,645,263		10,645,263		-		-		-
Negotiable Certificates									
of Deposit	3,347,537		3,347,537		-		-		-
Wisconsin Local Government									
Investment Pool	17,401,462		17,401,462		_				
Totals	\$ 36,201,172	\$	35,211,556	\$	714,056	\$	275,560	\$	-

## 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):

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

## A. Cash and Investments (Continued)

# <u>Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations</u> (Continued)

	Fa	air Value
Highly Sensitive Investments	at	Year-End
Mortgage backed securities. These securities are subject	\$	835,479
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.		

## **Investment in Wisconsin Local Government Investment Pool**

The City has investments in the Wisconsin Local Government Investment Pool of \$17,401,462 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, 2020, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

## **Investment in Wisconsin Investment Series Cooperative**

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

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# **B. Restricted Assets**

Restricted assets of the primary government on December 31, 2020 totaled \$21,243,690 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
General		
Advance Tax Collections	\$ 2,959,135	Tax collections to be distributed to appropriate taxing jurisdictions in subsequent year
HRA Account	430,683	To be used for insurance related expenditures
Total General	3,389,818	
Special Revenue		
Thousand Islands Environmental		
Center	517,127	To be used for future activities of the Environmental Center
Subdivision Fees	109	To be used for future expenditures relating to subdivisions
Grignon Home	9,518	To be used for future activities of the Grignon Home
Total Special Revenue	526,754	
Debt Service	1,773,682	
Capital Projects		
Special Assessments	284,245	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	38,334	To be used for future expenses relating to the tax incremental district
Tax Incremental District #5	274,622	To be used for future expenses relating to the tax incremental district
Tax Incremental District #6	470,093	To be used for future expenses relating to the tax incremental district
Tax Incremental District #8	56,747	To be used for future expenses relating to the tax incremental district
Tax Incremental District #9	12,488	To be used for future expenses relating to the tax incremental district
Tax Incremental District #9	4,056	To be used for future expenses relating to the tax incremental district
Environmental Remediation TID	43,928	To be used for future expenses relating to the tax incremental district
Redevelopment Authority	758,717	To be used for retirement of Taxable Redevelopment Lease Revenue
	·	Bonds
Total Capital Projects	1,961,557	
Total Governmental Activities	7,651,811	
Enterprise		
Electric Utility		
Debt Reserve	6,016,723	To be used for subsequent year payments and to reserve additional
Water Utility		
Debt Reserve/Special Redemption	702,963	To be used for subsequent year payments and to reserve additional funds for debt retirement
Unspent Bond Proceeds	2,288,984	To be used for future water capital projects
Total Water Utility	2,991,947	• • • • • • • • • • • • • • • • • • • •
Stormwater Utility	,,	
Capital Improvements	2,166,554	To be used for future stormwater capital projects
Debt Reserve	126,064	To reserve additional funds for debt retirement
Total Stormwater Utility	2,292,618	•
Sanitary Sewer Utility	, , , , ,	
Capital Improvements	1,754,227	To be used for future sanitary sewer capital projects
Debt Reserve	536,364	To reserve additional funds for debt retirement
Total Sanitary Sewer Utility	2,290,591	•
Total Business-Type Activities	13,591,879	
Total Restricted Assets	\$ 21,243,690	

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# C. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

		Beginning Balance		Increases		Decreases		Ending Balance
Governmental Activities:								
Capital Assets, Nondepreciable:								
Land	\$	7,659,872	\$	495,000	\$	15,202	\$	8,139,670
Construction in Progress		512,285		8,044,950		495,000		8,062,235
Total Capital Assets, Nondepreciable		8,172,157		8,539,950		510,202		16,201,905
Capital Assets, Depreciable:								
Land Improvements		1,871,093		-		-		1,871,093
Buildings and Improvements		22,689,320		-		-		22,689,320
Machinery and Equipment		9,631,414		445,635		36,226		10,040,823
Infrastructure		55,101,201		3,588,914		-		58,690,115
Subtotals		89,293,028		4,034,549		36,226		93,291,351
Less: Accumulated Depreciation		31,365,268		2,748,147		36,226		34,077,189
Total Capital Assets, Depreciable, Net		57,927,760		1,286,402				59,214,162
Governmental Activities Capital Assets, Net	\$	66,099,917	\$	9,826,352	\$	510,202		75,416,067
Covernmental Activities Capital Assets, Net	Ψ	00,033,317	Ψ	3,020,002	Ψ	310,202		70,410,007
Less: Debt Incurred for Capital Assets								53,251,094
Less: Premium								1,251,054
Net Investment in Capital Assets							\$	20,913,919
Business-Type Activities:								
Capital Assets, Nondepreciable:								
Land	\$	2,202,111	\$	315,700	\$	-	\$	2,517,811
Construction in Progress		6,600,831		10,950,506		14,998,519		2,552,818
Total Capital Assets, Nondepreciable		8,802,942		11,266,206		14,998,519		5,070,629
Capital Assets, Depreciable:								
Buildings		25,247,035		394,879		-		25,641,914
Improvements Other Than Buildings		132,719,684		7,501,359		3,592,888		136,628,155
Machinery and Equipment		31,925,624		6,403,777		617,482		37,711,919
Infrastructure		30,870,546		1,749,921		_		32,620,467
Subtotals		220,762,889		16,049,936		4,210,370		232,602,455
Less: Accumulated Depreciation		78,327,725		6,179,415		4,210,370		80,296,770
Subtotals	_	78,327,725		6,179,415		4,210,370		80,296,770
		, ,		-, -,		, ,,,,	-	
Total Capital Assets, Depreciable, Net		142,435,164		9,870,521		<u> </u>		152,305,685
Business-Type Activities Capital Assets, Net	\$	151,238,106	\$	21,136,727	\$	14,998,519		157,376,314
Less: Capital Related Debt								84,905,618
Less: Debt Premium								4,878,795
Add: Deferred Charge on Refunding								(3,616,256)
Net Investment in Capital Assets							\$	71,208,157

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# C. Capital Assets (Continued)

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

Governmental Activities	
General Government	\$ 391,830
Public Safety	236,368
Public Works	1,844,380
Culture and Recreation	275,569
Total Depreciation Expense - Governmental	
Activities	\$ 2,748,147
Business-Type Activities	
Kaukauna Utilities	\$ 5,718,104
Stormwater Utility	148,857
Sanitary Sewer Utility	312,454
Total Increase in Accumulated Depreciation -	
Business-Type Activities	\$ 6,179,415

The Utilities holds nonutility property consisting of land and buildings and improvements totaling \$326,205, 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, 2020 are detailed below:

		Interfund	Interfund		
	R	eceivables		Payables	
Operating Accounts Between Funds		_			
General Fund	\$	2,946,001	\$	48,868	
Debt Service Fund		5,611,120		-	
Nonmajor Governmental Funds					
Industrial Park		-		240,000	
Special Assessments		-		13,274	
Streets & Sidewalks Fund		10,806		1,860,891	
Environmental Remediation TID		-		700,000	
Tax Incremental District #4		-		450,383	
Tax Incremental District #5		-		4,790,000	
Tax Incremental District #8		-		270,000	
Tax Incremental District #9		-		115,725	
Tax Incremental District #10		-		127,198	
Solid Waste		60,978		-	
Enterprise Funds					
Kaukauna Utilities		100,453		794,803	
Stormwater Utility		205,958		-	
Sanitary Sewer Utility		514,137		38,311	
Totals	\$	9,449,453	\$	9,449,453	

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# D. Interfund Receivable, Payables, and Transfers (Continued)

Interfund transfers for the year ended December 31, 2020 were as follows:

Fund	 Transfer In	 Transfer Out			
General	\$ 3,025,122	\$ 43,470			
Debt Service	1,834,829	776,436			
Nonmajor Governmental	1,660,397	3,034,320			
Kaukauna Utilities	-	2,425,343			
Stormwater utility	-	97,440			
Sanitary Sewer	-	143,339			
Total	\$ 6,520,348	\$ 6,520,348			
Transfers are used for the following purposes:					

Tax Equivalent Payment Made by Water and	
Electric Utility to General Fund	\$ 2,451,584
Administration Fees from the Storm Water and	
Sewer Utilities	97,440
Tax Incremental District Transfers for Debt Retirement	1,834,829
Special Revenue Transfers for Debt Retirement	776,436
To Finance Construction Project Costs	880,609
To Move Unrestricted Revenues to the fund that is	
Required or Allowed to Expend	479,450
Transfers - Fund Statements	6,520,348
Less: Eliminating Transfers Out	(3,854,226)
Transfers - Government-Wide Statements	\$ 2,666,122

# E. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2020:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:	Dalario	100000		Dulailoo	
General Obligation Debt					
Bonds	\$ 13,801,528	\$ -	\$ 4,166,530	\$ 9,634,998	\$ 635,000
Notes	26,639,242	9,800,000	2,681,590	33,757,652	3,423,130
Total General Obligation Debt	40,440,770	9,800,000	6,848,120	43,392,650	4,058,130
Taxable Redevelopment Lease					
Revenue Bonds	8,925,000	-	425,000	8,500,000	425,000
Premium on Outstanding Debt	873,821	526,982	149,739	1,251,064	-
Compensated Absences	585,173	77,811	61,865	601,119	150,280
Governmental Activities					
Long-Term Obligations	\$ 50,824,764	\$ 10,404,793	\$ 7,484,724	\$ 53,744,833	\$ 4,633,410

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# E. Long-Term Obligations (Continued)

	Beginning Balance		Issued		Retired		Ending Balance		oue Within One Year
Business-Type Activities:									
General Obligation Debt									
Bonds	\$	168,469	\$ -	\$	168,469	\$	-	\$	-
Notes		1,705,761	-		383,411		1,322,350		421,870
Total General Obligation Debt		1,874,230	-		551,880		1,322,350		421,870
Revenue Bonds		86,970,000	19,405,000		23,825,000		82,550,000		4,235,000
Premium on Outstanding Debt		1,742,119	3,318,976		182,300		4,878,795		-
Compensated Absences		-	20,855		-		20,855		-
Business-Type Activities									
Long-Term Obligations	\$	90,586,349	\$ 22,744,831	\$	24,559,180	\$	88,772,000	\$	4,656,870

Total interest paid during the year on long-term debt totaled \$4,436,158.

# **General Obligation Debt**

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	In	Original Indebtedness		•		•		Balance 12/31/20
General Obligation Notes	10/04/11	10/01/21	2.00 - 3.00%	\$	2,755,000	\$	800,000				
General Obligation Notes	08/01/12	04/01/22	2.00 - 3.00%		2,800,000		1,500,000				
General Obligation Notes	09/04/13	12/31/23	2.00 - 4.00%		1,125,000		600,000				
General Obligation Notes	05/20/14	11/01/24	2.00 - 3.00%		875,000		200,000				
General Obligation Notes	05/20/14	11/01/24	2.00 - 4.00%		1,000,000		550,000				
General Obligation Notes	09/02/14	09/01/24	1.50 - 3.00%		1,300,000		950,000				
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		1,375,000				
General Obligation Notes	09/01/15	12/01/25	2.00 - 3.00%		3,550,000		2,440,000				
General Obligation Notes	11/01/16	11/01/24	2.00 - 3.00%		1,525,000		725,000				
General Obligation Bonds	08/15/17	12/01/30	2.00 - 3.00%		1,565,000		1,245,000				
General Obligation Notes	08/15/17	12/01/17	2.00 - 3.00%		8,450,000		7,625,000				
General Obligation Notes	09/05/18	06/01/28	2.00 - 3.25%		5,200,000		4,990,000				
General Obligation Bonds	10/30/19	06/01/28	1.95 - 2.50%		6,305,000		6,030,000				
General Obligation Notes	10/30/19	09/01/29	2.00 - 3.00%		5,025,000		4,900,000				
General Obligation Notes	09/03/20	09/01/30	1.00 - 2.00%		9,800,000		9,800,000				
Total Outstanding Gene	eral Obligation F	)eht				\$	44 715 000				

Total Outstanding General Obligation Debt

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# E. Long-Term Obligations (Continued)

## **General Obligation Debt (Continued)**

Annual principal and interest maturities of the outstanding general obligation debt of \$44,715,000 on December 31, 2020 are detailed below:

Year Ended	Governmer	ntal Ac	tivities	Business-type Activities			Totals				
December 31,	Principal		Interest		Principal		Interest		Principal		Interest
2021	\$ 4,058,130	\$	1,066,300	\$	421,870	\$	36,780	\$	4,480,000	\$	1,103,080
2022	4,219,520		963,375		240,480		23,407		4,460,000		986,782
2023	4,485,000		858,645		180,000		17,100		4,665,000		875,745
2024	4,536,000		738,945		224,000		11,040		4,760,000		749,985
2025	4,294,000		624,060		256,000		3,840		4,550,000		627,900
2025-2029	21,800,000		1,311,650						21,800,000		1,311,650
Total	\$ 43,392,650	\$	5,562,975	\$	1,322,350	\$	92,167	\$	44,715,000	\$	5,655,142

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

## **Legal Margin for New Debt**

The City's legal margin for creation of additional general obligation debt on December 31, 2020 was \$15,703,285 as follows:

Equalized Valuation of the City	\$ 1,208,365,700
Statutory Limitation Percentage	(x) 5%
General obligation debt limitation, per Section 67.03	
of the Wisconsin Statutes	60,418,285
Total Outstanding General Obligation Debt Applicable	
to Debt Limitation	44,715,000
Legal Margin for New Debt	\$ 15,703,285

## **Advance Refunding**

On September 10, 2019, bonds in the amount of \$20,275,000 were issued with an average interest rate of 2.8 percent to advance refund \$18,225,000 of outstanding bonds with an average interest rate of 5.0 percent. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, that portion of the old bonds are considered defeased and the liability for that portion of the old bonds has been removed from the statement of net position.

#### **Current Refunding**

During 2020, the utilities currently refunded electric system revenue bonds from 2012. The utilities issued \$16,320,000 of electric system revenue bonds to call the refunded debt. The current refunding was undertaken to reduce total debt service payments over the next 10 years by \$1,597,695 and obtain an economic gain of \$762,035. In addition, the City currently refunded general obligation refunding bonds from 2010 with general obligation promissory notes. The current refunding was undertaken to reduce total debt service payments over 8 years by \$261,548 and obtain an economic gain of \$284,527.

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# E. Long-Term Obligations (Continued)

## **Revenue Bonds**

Revenue bonds outstanding on December 31, 2020 totaled \$82,550,000 and were comprised of the following issues:

_	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20
Kaukauna Utilities					_
Electric Utility					
Revenue Bond	02/01/12	12/15/22	2.75-3.625%	\$ 1,300,000	\$ 275,000
Revenue Bond	06/02/15	12/15/30	2.0-4.0%	9,415,000	5,400,000
Revenue Bond	12/15/15	12/15/25	2.0-3.0%	3,365,000	2,265,000
Revenue Bond	03/08/18	12/15/37	4.0%	11,150,000	10,125,000
Revenue Bond	10/09/18	12/15/28	3.00-5.00%	10,130,000	8,300,000
Revenue Bond	09/10/19	12/15/35	2.6-3.0%	20,275,000	20,130,000
Revenue Bond	12/15/20	12/15/30	3.0-4.0%	16,320,000	 16,320,000
Total Electric Utility Revenue Bonds					62,815,000
Water Utility					
Revenue Bond	08/29/14	12/01/23	2.0-2.65%	2,500,000	1,250,000
Revenue Bond	10/03/17	12/01/37	2.0-3.25%	3,950,000	3,850,000
Revenue Bond	12/30/20	12/04/40	2.0-3.0%	3,085,000	3,085,000
Total Water Utility Revenue Bonds					8,185,000
Stormwater					
Revenue Bond	11/01/16	09/01/31	2.0-3.25%	1,350,000	1,050,000
Revenue Bond	10/30/19	09/01/24	2.625%	3,800,000	 3,800,000
					4,850,000
Sanitary Sewer					
Revenue Bond	09/04/13	09/01/28	3.00-5.00%	1,950,000	1,150,000
Revenue Bond	09/01/15	09/01/30	3.00-4.00%	1,225,000	875,000
Revenue Bond	11/01/16	09/01/31	3.00-3.25%	1,225,000	1,000,000
Revenue Bond	09/05/18	09/01/33	2.00-4.00%	1,190,000	1,125,000
Revenue Bond	10/30/19	09/01/24	2.625%	2,550,000	2,550,000
Total Sanitary Sewer Revenue Bonds					6,700,000
Total Outstanding Revenue Bonds					\$ 82,550,000

Annual principal and interest maturities of the outstanding revenue bonds of \$82,550,000 on December 31, 2020 are detailed below:

	Business-Type Activities							
Year Ended December 31,	Principal Interest				Total			
2021	\$	4,235,000	\$	2,755,539	\$	6,990,539		
2022		4,385,000		2,636,640		7,021,640		
2023		4,545,000		2,479,665		7,024,665		
2024		10,775,000		2,316,834		13,091,834		
2025		4,600,000		1,982,821		6,582,821		
2026-2030		24,900,000		7,283,637		32,183,637		
2031-2035		25,680,000		2,897,401		28,577,401		
2036-2037		3,430,000		193,536		3,623,536		
Total	\$	82,550,000	\$	22,546,073	\$	105,096,073		

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# E. Long-Term Obligations (Continued)

## **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:

	Kaukaun	a Utilities		
	Electric	Water	Stormwater	Sanitary Sewer
	Utility	Utility	Utility	Utility
Net Customer Revenues				
Operating Revenues	\$ 45,017,027	\$ 4,117,925	\$ 1,247,497	\$ 3,463,640
Other Income	1,296,066	24,591	4,581	3,913
Total Revenues	46,313,093	4,142,516	1,252,078	3,467,553
Less: Operating Expenses	34,289,697	2,088,363	345,656	2,248,854
Net Customer Revenues	\$ 12,023,396	\$ 2,054,153	\$ 906,422	\$ 1,218,699
Debt Service				
Principal	\$ 2,535,000	\$ 450,000	\$ 75,000	\$ 315,000
Interest	2,796,519	164,656	113,902	214,198
Total Debt Service	\$ 5,331,519	\$ 614,656	\$ 188,902	\$ 529,198
Remaining Principal and Interest	\$ 81,243,132	\$ 10,477,066	\$ 5,445,500	\$ 7,930,375

## **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, 2020 totaled \$8,500,000 and was composed of the following issue:

	Date of	Final	Interest		Original	Balance
	Issue	Maturity	Rates	In	debtedness	 12/31/20
Lease Revenue Bond	7/1/15	12/1/40	2.00 - 4.125%	\$	10,500,000	\$ 8,500,000

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# E. Long-Term Obligations (Continued)

## Taxable Redevelopment Lease Revenue Bonds (Continued)

Annual principal maturities of the outstanding debt of \$8,500,000 on December 31, 2020 are detailed below:

			Cor	nponent Unit				
Year Ended December 31,	Principal Interest					Total		
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		425,000		260,844		685,844		
2026-2030		2,125,000		1,052,938		3,177,938		
2031-2035		2,125,000		648,656		2,773,656		
2036-2040		2,125,000		219,141		2,344,141		
Total	\$	8,500,000	\$	3,394,955	\$	11,894,955		

#### 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 WRS Financial Report, which can be found at <a href="https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements">https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements</a>.

#### NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

## F. Pension Plan (Continued)

## **Wisconsin Retirement System (Continued)**

## 1. Plan Description (Continued)

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 and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016), 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.

The WRS also provides death and disability benefits for employees.

## 2. Postretirement 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:

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# F. Pension Plan (Continued)

## Wisconsin Retirement System (Continued)

# 2. Postretirement Adjustments (Continued)

	Core Fund	Variable Fund
<u>Year</u>	_Adjustment (%)_	Adjustment (%)
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)

#### 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, 2020, the WRS recognized \$1,081,683 in contributions from the City.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (Including Executives and Elected Officials)	6.75 %	6.75 %
Protective with Social Security	6.75 %	11.65 %
Protective without Social Security	6.75 %	16.25 %

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# F. Pension Plan (Continued)

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

At December 31, 2020, the City reported an asset of \$3,043,457 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the City's proportion was 0.09438667%, which was an increase of 0.00022109% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized pension expense of \$1,141,077.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources		
Differences Between Expected and Actual					
Experience	\$	5,777,177	\$	2,891,090	
Net differences Between Projected and Actual					
Earnings on Pension Plan Investments		-		6,221,908	
Changes in Assumptions		237,166		-	
Changes in Proportion and Differences Between					
Employer Contributions and Proportionate					
Share of Contributions		1,925		14,606	
Employer Contributions Subsequent to the					
Measurement Date		1,081,683		_	
Total	\$	7,097,951	\$	9,127,604	

\$1,081,683 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# F. Pension Plan (Continued)

4. Pension Assets Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Year Ended December 31,		Expense
2021	\$	(926,540)
2022		(688,751)
2023		104,428
2024	<u> </u>	(1,600,473)
Total	\$	(3,111,336)

# 5. Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Actuarial Valuation Date:** December 31, 2018 Measurement Date of Net Pension Liability: December 31, 2019 **Entry Age Normal** Actuarial Cost Method: Asset Valuation Method: Fair Value Long-Term Expected Rate of Return: 7.0% Discount Rate: 7.0% Salary Increases: Inflation 3.0% 0.1% - 5.6% Seniority/Merit Mortality Wisconsin 2018 Mortality Table

Postretirement Adjustments\* 1.9%

No postretirement 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 postretirement 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. The Total Pension Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

## F. Pension Plan (Continued)

## 5. Actuarial Assumptions (Continued)

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:

		Long-Term	
		Expected	Long-term
	Current Asset	Nominal	Expected Real
	Allocation %	Rate of Return %	Rate of Return %
Core Fund Asset Class			
Global Equities	49%	8.1%	5.1%
Fixed Income	24.5%	4.9%	2.1%
Inflation Sensitive Assets	15.5%	4.0%	1.2%
Real Estate	9%	6.3%	3.5%
Private Equity/Debt	8%	10.6%	7.6%
Multi-Asset	4%	6.9%	4.0%
Cash	-10%	0.9%	N/A
Total Core Fund	110%	7.5%	4.6%
Variable Fund Asset Class			
U.S. Equities	70%	7.5%	4.6%
International Equities	30%	8.2%	5.3%
Total Variable Fund	100%	7.8%	4.9%

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

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

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

## F. Pension Plan (Continued)

## 5. Actuarial Assumptions (Continued)

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). 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.

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%, 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%) or 1-percentage-point higher (8.00%) than the current rate:

	1%	1% Decrease to Current		1% Increase to		
	Discount Rate		Discount Rate			iscount Rate
		(6.00%) (7.00%)		(7.00%)		(8.00%)
City's Proportionate Share of						
the Net Pension Liability (Asset)	\$	7,837,446	\$	(3,043,457)	\$	(11,178,183)

**Pension plan fiduciary net position**. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements.

## 6. Payables to the Pension Plan

At December 31, 2020, the City has outstanding amount of contributions to the pension plan of \$157,910 for the year ended December 31, 2020.

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

## F. Pension Plan (Continued)

## 6. Payables to the Pension Plan (Continued)

## **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, 2020, the City contributed \$3,145 to the plan, and the City recognized pension expense of \$3,145.

## G. Other Postemployment Benefits

The City reports OPEB related balances at December 31, 2020 as summarized below:

			Deferred		Deferred	
	OPEB		Outflows		Inflows	OPEB
	 Liability	of	Resources	of	Resources	 xpense
Local Retiree Life Insurance Fund (LRLIF)	\$ 898,349	\$	350,165	\$	163,380	\$ 91,001
Single-Employer Defined OPEB Plan	 7,924,737		969,337		928,801	 322,257
Total Pension Liability	\$ 8,823,086	\$	1,319,502	\$	1,092,181	\$ 413,258

## 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.

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# G. Other Postemployment Benefits (Continued)

## 1. Single-Employer Defined Postemployment Benefit Plan (Continued)

# **Employees Covered by Benefit Terms**

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefit Payments	18
Active Employees	145
Total	163

## 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, 2020 and was determined by an actuarial valuation as of January 1, 2020.

**Actuarial Assumptions**. The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.25%
Salary Increases:	2%
Inflation	3.00%
Seniority/Merit	0.1%-5.6%
Investment Rate of Return:	2.12%

Healthcare Cost Trend Rates: 4.10% for 2020 increasing to 5.0%

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.

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

- G. Other Postemployment Benefits (Continued)
  - 1. Single-Employer Defined Postemployment Benefit Plan (Continued)

# **Total OPEB Liability (Continued)**

**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**

		Increase
	(	Decrease)
	Т	otal OPEB
		Liability
Balance at December 31, 2019	\$	7,866,084
Changes for the Year:		
Service Cost		354,074
Interest		308,561
Change in Benefit Terms		(343,744)
Differences Between Expected and Actual Experience		(1,005,945)
Change in Assumptions		1,049,847
Benefit Payments		(304,140)
Net Changes		58,653
Balance at December 31, 2020	\$	7,924,737
	_	

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:

	1% Decrease to	Current	1% Increase to
	Discount Rate	Discount Rate	Discount Rate
	(1.12%)	(2.12%)	(3.12%)
Total OPEB Liability	\$ 8.595.147	\$ 7.924.737	\$ 7.305.702

# NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

- G. Other Postemployment Benefits (Continued)
  - 1. Single-Employer Defined Postemployment Benefit Plan (Continued)

# **Changes in the Total OPEB Liability (Continued)**

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:

		Healthcare Cost	
	1% Decrease	Trend Rates	1% Increase
	(Varies)	(Varies)	(Varies)
Total OPEB Liability	\$ 7,067,775	\$ 7,924,737	\$ 8,935,644

## **OPEB Expense**

For the year ended December 31, 2020, the City recognized OPEB expense of \$322,257.

As of December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences Between Expected and Actual					
Experience	\$	-	\$	928,801	
Changes in Assumptions		969,337			
Total	\$	969,337	\$	928,801	

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

Year Ended December 31,	E	Expense	
2021	\$	3,366	
2022		3,366	
2023		3,366	
2024		3,366	
2025		3,366	
Thereafter		23,706	
Total	\$	40 536	

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

## G. Other Postemployment Benefits (Continued)

# 1. Single-Employer Defined Postemployment Benefit Plan (Continued)

# Payable to the OPEB Plan.

At December 31, 2020, the City had no outstanding amount of contributions to the Plan required for the year ended December 31, 2020.

#### 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 <a href="https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements">https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements</a>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do.

## **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.

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# G. Other Postemployment Benefits (Continued)

## 2. Local Retiree Life Insurance Fund (Continued)

# **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 postretirement benefit.

Employers are required to pay the following contributions based on member 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, 2020 are:

Coverage Type	Employer Contribution		
50% Postretirement Coverage	40% of Employee Contribution		
25% Postretirement Coverage	20% of Employee Contribution		

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2019 are listed below:

Life Insurance
Member Contribution Rates\*
For the Year Ended December 31, 2019

Tof the Teal Effect December 51, 2015			
Basic	Supplemental		
\$0.05	\$0.05		
0.06	0.06		
0.07	0.07		
0.08	0.08		
0.12	0.12		
0.22	0.22		
0.39	0.39		
0.49	0.49		
0.57	0.57		
	Basic \$0.05 0.06 0.07 0.08 0.12 0.22 0.39 0.49		

<sup>\*</sup>Disabled members under age 70 receive a waiver-of-premium benefit.

During the year ending December 31, 2020, the LRLIF recognized \$4,382 in contributions from the employer.

## NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

# G. Other Postemployment Benefits (Continued)

## 2. Local Retiree Life Insurance Fund (Continued)

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

At December 31, 2020, the City reported a liability of \$898,349 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. 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, 2019, the City's proportion was 0.21097000%, which was a decrease of .00608100% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized OPEB expense of \$91,001.

At December 31, 2020, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences Between Expected and Actual				
Experience	\$	-	\$	40,245
Net Differences Between Projected and Actual				
Earnings on OPEB Plan Investments		16,946		-
Changes in Assumptions		331,404		98,812
Changes in Proportion and Differences Between				
Employer Contributions and Proportionate Share				
of Contributions		1,815		24,323
Total	\$	350,165	\$	163,380

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

Year Ended December 31,	E	Expense	
2021	\$	31,654	
2022		31,654	
2023		29,827	
2024		27,944	
2025		23,180	
Thereafter		42,526	
Total	\$	186,785	

### NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

- G. Other Postemployment Benefits (Continued)
  - 2. Local Retiree Life Insurance Fund (Continued)

### OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

**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:

Actuarial Valuation Date:

Measurement Date of Net OPEB Liability (Asset):

Actuarial Cost Method:

January 1, 2019

December 31, 2019

Entry Age Normal

20 Year Tax-Exempt Municipal Bond Yield: 2.74%
Long-Term Expected Rate of Return: 4.25%
Discount Rate: 2.87%

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. The total OPEB liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 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.

### NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

- G. Other Postemployment Benefits (Continued)
  - 2. Local Retiree Life Insurance Fund (Continued)

### OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

			Long-Term
			Expected
		Target	Geometric Real
Asset Class	Index	Allocation	Rate of Return %
U.S. Credit Bonds	Barclays Credit	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-Term Expected Rate	e of Return		4.25%

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. 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.

Single discount rate. A single discount rate of 2.87% 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 significant change was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. 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.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

### NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

- G. Other Postemployment Benefits (Continued)
  - 2. Local Retiree Life Insurance Fund (Continued)

### OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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 2.87%, 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 (1.87%) or 1-percentage-point higher (3.87%) than the current rate:

	1% Decrease to	Current	1% Increase to		
	Discount Rate	Discount Rate	Discount Rate		
	(1.87%)	(2.87%)	(3.87%)		
City's Proportionate Share					
of the Net OPEB Liability	\$ 1,240,473	\$ 898,349	\$ 638,064		

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

### Payable to the OPEB Plan

At December 31, 2020, the City had no outstanding amount of contributions to the Plan required for the year ended December 31, 2020.

### 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, 2020, nonspendable fund balance was as follows:

eneral Fund	
Nonspendable	
Inventories and Prepaid Items	\$ 44,918
Delinquent Taxes	 3,460
Total Nonspendable Fund Balance	\$ 48,378

### NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

### H. Fund Equity (Continued)

### **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, 2020, restricted fund balance was as follows:

Debt Service Fund Restricted for Debt Service	\$ 5,831,181
Special Revenue Fund Restricted for Donations	380,978
Capital Projects Fund Restricted for	
Debt Service Total Restricted Fund Balance	\$ 791,129 7,003,288

### **Committed Fund Balance**

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2020, governmental fund balance was committed as follows:

Special Revenue Funds Committed for Subdivision Fees	\$ 146,331
Capital Projects Fund Committed for	
Equipment	307,270
Pools and Parks	344,242
Buildings and Miscellaneous	318,273
Total Committed Fund Balance	\$ 1,116,116

### NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

### H. Fund Equity (Continued)

### **Assigned Fund Balance**

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2020, fund balance was assigned as follows:

General Fund Subsequent Year's Expenditures	\$	410,000
Special Revenue Funds		
1000 Islands Environmental Center		79,902
Revolving Economic Development Loans		815,585
Rental Rehabilitation Grants		
		3,165
Housing Development Grants		28,730
CDBG Grant		111,208
Public Safety Grants		134,295
Library Foundation		31,410
PACE Loan Fund		40,975
Gringon Home		18,347
Vehicle Registration		201,958
Solid Waste		82,858
Red Hill Landfill		139,783
Subtotal		1,688,216
Capital Projects Funds		
Assigned for Subsequent Year's Expenditures		
Special Assessments		2,762,126
Space Needs		1,485,620
Tax Incremental District #6		82,045
Subtotal		4,329,791
Total	\$	6,428,007
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#### NOTE 4 OTHER INFORMATION

### A. WIPPI 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 35-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 \$305 million in 2020.

### NOTE 4 OTHER INFORMATION (CONTINUED)

### **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, the Environmental Remediation TID (ERTID) was created September 2005, TID No. 6 was created in September, 2016, TID No. 7 was created in September, 2012, TID No. 8 was created in September, 2013, TID No. 9 was created in September 2016, and TID No. 10 was created in September 2019. 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, 2020 from future excess tax increment revenues of the TID's are as follows:

	Incremental District #4	Incremental District #5	 ncremental istrict #6	
Net Unreimbursed (Reimbursed) Project Costs	\$ 556,739	\$ 9,732,001	\$ 887,954	
	 Incremental District #8	 Incremental District #9	 Incremental strict #10	ERTID
Net Unreimbursed (Reimbursed) Project Costs	\$ 2,523,350	\$ 115,726	\$ 679,598	\$ 1,289,997

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	2031
TID No. 5	2034
TID No. 6	2026
TID No. 8	2033
TID No. 9	2043
TID No. 10	2040

### NOTE 4 OTHER INFORMATION (CONTINUED)

### 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 25% of operating revenues.

#### F. Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations, and local communities. Specific to the City, COVID-19 may impact parts of its 2021 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of July 14, 2021.

### **G. Prior Period Adjustment**

The City recorded a prior period adjustment that resulted in an increase in net position in both the nonmajor funds and governmental activities in the amount of \$188,670. The increase was due to reversing previously recorded retainages for capital projects that had been paid in prior years.

REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF KAUKAUNA, WISCONSIN SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) — WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	S	Net Pension		Covered Payroll (plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	
12/31/14	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 %	
12/31/19	0.09438667%		(3,043,457)		11,899,616	25.58 %	102.96 %	

### SCHEDULE OF CONTRIBUTIONS — WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Rela Contractually Cor Required R		ontributions in Relation to the Contractually Contribution Required Deficiency Contributions (Excess)			(	Covered Payroll fiscal year)	Contributions as a Percentage of Covered Payroll	
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 %
12/31/20		1,081,683		1,081,683		-		12,302,169	8.79 %

### CITY OF KAUKAUNA, WISCONSIN SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS

	2020		2019			2018
Total OPEB Liability						
Service Cost	\$	354,074	\$	347,131	\$	355,549
Interest		308,561		315,176		301,683
Changes of Benefit Terms		(343,744)		-		-
Differences Between Expected and Actual Experience		(1,005,945)		-		-
Changes of Assumptions		1,049,847		-		-
Benefit Payments		(304,140)		(328,495)		(311,475)
Net Change in Total OPEB Liability		58,653		333,812		345,757
Total OPEB Liability - Beginning		7,866,084		7,532,272		7,186,515
Total OPEB Liability - Ending	\$	7,924,737	\$	7,866,084	\$	7,532,272
Covered-Employee Payroll	\$	7,963,180	\$ ^	12,454,203	\$ 1	2,210,002
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll		99.52%		63.16%		61.69%

## CITY OF KAUKAUNA, WISCONSIN SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) — LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Sh N	oportionate nare of the let OPEB bility (Asset)	Covered Employee Payroll		Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.21612700%	\$	539,434	\$	11,297,910	4.77 %	44.81 %
12/31/18	0.21705100%		560,065		11,511,789	4.87 %	48.69 %
12/31/19	0.21097000%		898,349		11,899,616	7.55 %	37.58 %

### SCHEDULE OF CONTRIBUTIONS — LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Fiscal Year Ending	Re	tractually equired tributions	Rela Con Re	ributions in tion to the tractually equired tributions	Defi	ribution ciency cess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18 12/31/19 12/31/20	\$	4,357 4,192 4,382	\$	4,357 4,192 4,382	\$	- - -	\$ 11,511,789 11,899,616 12,302,169	0.04 % 0.04 % 0.04 %

### CITY OF KAUKAUNA, WISCONSIN NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2020

#### NOTE 1 WISCONSIN RETIREMENT SYSTEM

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

No significant change in assumptions were noted from the prior year.

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

### NOTE 2 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** 

## CITY OF KAUKAUNA, WISCONSIN COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2020

Revolving 1000 Islands Economic Rental Housing Public			
Environmental Development Rehabilitation Development CDBG Safety Librar  ASSETS Center Loans Grants Grants Grant Grants Founda	•	Subdivision Fees	
Cash and Investments \$ 41,944 \$ 815,585 \$ 3,165 \$ 28,730 \$ 111,208 \$ 138,295 \$	31,410	\$ 146,332	
Restricted Cash and investments 517,127	-	109	
Receivables:  Taxes and Special Charges 100,891	_	120	
Accounts, Net 1,000	-	120	
Special Assessments	-	1,449	
Loans - 461,265 13,960 70,700 233,116 -	-	· -	
Due from Other Funds	<u> </u>		
Total Assets <u>\$ 660,962</u> <u>\$ 1,276,850</u> <u>\$ 17,125</u> <u>\$ 99,430</u> <u>\$ 344,324</u> <u>\$ 138,295</u> <u>\$</u>	31,410	\$ 148,010	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable \$ 1,598 \$ - \$ - \$ - \$ 4,000 \$	-	\$ -	
Accrued and Other Current Liabilities 5,981	-	-	
Due to Other Funds	<u> </u>		
Total Liabilities 7,579 4,000	-	-	
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Year 192,503	-	230	
Loans Receivable - 461,265 13,960 70,700 233,116 -	-	-	
Special Assessments         -	<del></del> .	1,449 1,679	
Total Deterred Inflows of Resources 192,503 461,265 13,960 70,700 233,116 -	<u> </u>	1,079	
FUND BALANCES			
Restricted 380,978	-	-	
Committed	-	146,331	
	31,410	-	
Unassigned         -	31,410	146,331	
Total Liabilities, Deferred Inflows			
	31,410	\$ 148,010	

## CITY OF KAUKAUNA, WISCONSIN COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED) DECEMBER 31, 2020

			Spe	cial Re	evenue (Contin	ued)				Capital Projects			
ASSETS	PACE Loan Fund		Grignon Home	R	Vehicle egistration	Solid Waste		Red Hill Landfill		Industrial Park		Special Assessments	
Cash and Investments	\$	40,975	\$ 20,868	\$	201,958	\$	20,638	\$	139,783	\$	202,655	\$	2,775,284
Restricted Cash and investments		-	9,518		-		-		-		-		284,245
Receivables: Taxes and Special Charges			10,482										313,038
Accounts, Net		-	10,462		-		- 1,242		-		-		313,036
Special Assessments		-	-		-		1,242		-		-		3,610,432
Loans		_	-		_		_		_		-		-
Due from Other Funds			 				60,978		-				
Total Assets	\$	40,975	\$ 40,868	\$	201,958	\$	82,858	\$	139,783	\$	202,655	\$	6,983,116
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES													
LIABILITIES													
Accounts Payable	\$	-	\$ 172	\$	-	\$	-	\$	-	\$	76	\$	-
Accrued and Other Current Liabilities		-	2,349		-		-		-		-		-
Due to Other Funds			 						-		240,000		13,274
Total Liabilities		-	2,521		-		-		-		240,076		13,274
DEFERRED INFLOWS OF RESOURCES													
Property Taxes Levied for Subsequent Year		-	20,000		-		-		-		-		597,283
Loans Receivable		-	-		-		-		-		-		-
Special Assessments			 <del></del>		<del>-</del>								3,610,432
Total Deferred Inflows of Resources			 20,000						-				4,207,716
FUND BALANCES													
Restricted		-	-		-		-		-		-		-
Committed		-	-		-		-		-		-		-
Assigned		40,975	18,347		201,958		82,858		139,783		-		2,762,126
Unassigned		40.075	 - 10.047				-		- 100 700	_	(37,421)		
Total Fund Balances		40,975	18,347	-	201,958		82,858		139,783		(37,421)		2,762,126
Total Liabilities, Deferred Inflows													
of Resources, and Fund Balances	\$	40,975	\$ 40,868	\$	201,958	\$	82,858	\$	139,783	\$	202,655	\$	6,983,116

## CITY OF KAUKAUNA, WISCONSIN COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED) DECEMBER 31, 2020

	Capital Projects (Continued)													
ASSETS	Space Needs			Tax Incremental District #4		Tax Incremental District #5		Tax Incremental District #6		Tax ncremental District #8	Tax Incremental District #9		Tax Incremental District #10	
Cash and Investments	\$	2,109,195	\$	-	\$	173,593	\$	82,565	\$	112,920	\$	-	\$	_
Restricted Cash and investments Receivables:		-		38,334		274,622		470,093		56,747		12,488		4,056
Taxes and Special Charges		_		42,217		195,395		517,712		62,496		13,753		4,467
Accounts, Net		_		-		164,448		-		275,590		-		-
Special Assessments		-		-		-		-		-		-		-
Loans		-		234,643		-		171,516		-		-		-
Due from Other Funds										<u>-</u>				
Total Assets	\$	2,109,195	\$	315,194	\$	808,058	\$	1,241,886	\$	507,753	\$	26,241	\$	8,523
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES														
LIABILITIES														
Accounts Payable	\$	623,575	\$	-	\$	2,242	\$	521	\$	139,464	\$	-	\$	-
Accrued and Other Current Liabilities		-		-		-		-		-		-		-
Due to Other Funds		-		450,383		4,790,000		_		270,000		115,725		127,198
Total Liabilities		623,575		450,383		4,792,242		521		409,464		115,725		127,198
DEFERRED INFLOWS OF RESOURCES														
Property Taxes Levied for Subsequent Year		-		80,550		372,817		987,804		119,243		26,242		8,523
Loans Receivable		-		-		-		171,516		-		-		-
Special Assessments				- 00.550		- 070 047		4 450 200		- 440.040	_	- 00.040		- 0.500
Total Deferred Inflows of Resources		<u>-</u>		80,550		372,817		1,159,320		119,243		26,242		8,523
FUND BALANCES														
Restricted		-		-		-		-		-		-		-
Committed		-		-		-		-		-		-		-
Assigned		1,485,620		-		-		82,045		-		-		-
Unassigned				(215,739)		(4,357,001)		-		(20,954)		(115,726)		(127,198)
Total Fund Balances		1,485,620		(215,739)		(4,357,001)		82,045		(20,954)		(115,726)		(127,198)
Total Liabilities, Deferred Inflows														
of Resources, and Fund Balances	\$	2,109,195	\$	315,194	\$	808,058	\$	1,241,886	\$	507,753	\$	26,241	\$	8,523

## CITY OF KAUKAUNA, WISCONSIN COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED) DECEMBER 31, 2020

			Cap	oital Pr	rojects (Contini	ued)			
ASSETS	vironmental emediation TID	Equipment		Pod	ol and Parks		RDA	ldings and cellaneous	Total
Cash and Investments	\$ 60,039	\$	307,270	\$	1,291,596	\$	32,412	\$ 318,273	\$ 9,206,693
Restricted Cash and investments	43,928		· -		18,327		758,717	-	2,488,311
Receivables:									
Taxes and Special Charges	48,377		-		-		-	-	1,308,948
Accounts, Net	-		-		-		-	-	442,397
Special Assessments	-		-		-		-	-	3,611,881
Loans	-		-		-		-	-	1,185,200
Due from Other Funds	 							 	 60,978
Total Assets	\$ 152,344	\$	307,270	\$	1,309,923	\$	791,129	\$ 318,273	\$ 18,304,408
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
LIABILITIES									
Accounts Payable	\$ 16	\$	-	\$	965,681	\$	-	\$ _	\$ 1,737,345
Accrued and Other Current Liabilities	-		-		-		-	-	8,330
Due to Other Funds	 700,000		_		_		-	 -	 6,706,580
Total Liabilities	 700,016		-		965,681		-	 -	8,452,255
DEFERRED INFLOWS OF RESOURCES									
Property Taxes Levied for Subsequent Year	92,305		-		_		-	_	2,497,500
Loans Receivable	-		-		_		-	-	950,557
Special Assessments	 								3,611,881
Total Deferred Inflows of Resources	92,305				-		-	 -	7,059,939
FUND BALANCES									
Restricted	-		-		_		791,129	_	1,172,107
Committed	-		307,270		344,242		-	318,273	1,116,116
Assigned	-		-		-		-	-	6,018,007
Unassigned	 (639,977)				<u> </u>			 	(5,514,016)
Total Fund Balances	(639,977)		307,270		344,242		791,129	318,273	2,792,214
Total Liabilities, Deferred Inflows									
of Resources, and Fund Balances	\$ 152,344	\$	307,270	\$	1,309,923	\$	791,129	\$ 318,273	\$ 18,304,408

# CITY OF KAUKAUNA, WISCONSIN COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2020

	Special Revenue															
	Envi	0 Islands ronmental Center	Revol Econo Develo Loa	omic pment	Rental Rehabilitati Grants	ion	Housing Developm Grants	ent		CDBG Grant	S	Public safety srants	Library Foundation		Subdivision Fees	
REVENUES	•	400.550			•		•		•				•		_	.=
Taxes Special Assessments	\$	163,550	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	67 14,441
Special Assessments Intergovernmental		25,000		-		-		-		-		-		-		14,441
Fines and Forfeits		25,000		-		-		-		-		10,374		_		-
Public Charges for Services		5,261		_		_		_				5,821		_		_
Miscellaneous		54,102		109,595		-	2	2,500		34,668		5,021		2,481		_
Total Revenues		247,913		109,595		-		2,500		34,668		16,195		2,481		14,508
EXPENDITURES																
Current:																
General Government		-		-		-		-		_		-		-		-
Public Safety		-		-		-		-		-		13,095		-		-
Public Works		-		-		-		-		-		-		-		-
Culture and Recreation		213,874		-		-		-		-		-		1,121		-
Conservation and Development		6,730	•	155,202		-		-		-		-		-		-
Debt Service:																
Principal		-		-		-		-		-		-		-		-
Interest and Fiscal Charges		-		-		-		-		-		-		-		-
Capital Outlay		-		-								-				<u>-</u>
Total Expenditures		220,604		155,202						<del>-</del>		13,095		1,121		<del>-</del>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		27,309		(45,607)		-	2	2,500		34,668		3,100		1,360		14,508
OTHER FINANCING SOURCES (USES) Long-Term Debt Issued		-		_		_		_		-		-		-		-
Transfers In		-		-		-		-		-		-		-		-
Transfers Out		-												-		
Total Other Financing Sources (Uses)		-														
NET CHANGE IN FUND BALANCES		27,309		(45,607)		-	2	2,500		34,668		3,100		1,360		14,508
Fund Balance - Beginning of Year, as Originally Reported		433,571		361,192	3	,165	26	5,230		76,540		131,195		30,050		131,823
Prior Period Adjustment																
Fund Balance - End of Year, as Restated		433,571		361,192	3	,165	26	5,230		76,540		131,195		30,050		131,823
FUND BALANCE - END OF YEAR	\$	460,880	\$ 8	315,585	\$ 3	,165	\$ 28	3,730	\$	111,208	\$	134,295	\$	31,410	\$	146,331

# CITY OF KAUKAUNA, WISCONSIN COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED DECEMBER 31, 2020

		Spe	ecial Revenue (Contir	nued)		Capital Projects			
	PACE Loan Fund	Grignon Home	Vehicle Registration	Solid Waste	Red Hill Landfill	Industrial Park	Special Assessments		
REVENUES									
Taxes	\$ -	\$ 18,000	\$ 156,957	\$ -	\$ -	\$ -	\$ -		
Special Assessments	-	-	-	-	-	-	1,760,345		
Intergovernmental	-	-	-	-	-	-	-		
Fines and Forfeits	-	-	-	-	-	-	-		
Public Charges for Services	-	-	-	362,758	86,700	-	-		
Miscellaneous		37,988	- 450.057	6,496		48,675	97,071		
Total Revenues	-	55,988	156,957	369,254	86,700	48,675	1,857,416		
EXPENDITURES									
Current:									
General Government	_	-	-	-	_	-	-		
Public Safety	-	-	-	-	_	-	_		
Public Works	-	-	-	18,419	22,494	-	-		
Culture and Recreation	-	33,788	-	-	-	-	-		
Conservation and Development	-	-	-	-	-	-	-		
Debt Service:									
Principal	-	-	-	-	-	-	-		
Interest and Fiscal Charges	-	-	-	-	-	-	-		
Capital Outlay					29,302	588			
Total Expenditures		33,788		18,419	51,796	588			
EXCESS OF REVENUES OVER									
(UNDER) EXPENDITURES	-	22,200	156,957	350,835	34,904	48,087	1,857,416		
OTHER FINANCING SOURCES (USES)									
Long-Term Debt Issued	-	-	-	-	-	-	-		
Transfers In	-	-	-	-	-	-	-		
Transfers Out				(359,000)	(3,352)				
Total Other Financing Sources (Uses)		-	-	(359,000)	(3,352)	_			
NET CHANGE IN FUND BALANCES	-	22,200	156,957	(8,165)	31,552	48,087	1,857,416		
Fund Balance - Beginning of Year, as Originally Reported	40,975	(3,853)	45,001	91,023	108,231	(85,508)	904,710		
Prior Period Adjustment									
Fund Balance - End of Year, as Restated	40,975	(3,853)	45,001	91,023	108,231	(85,508)	904,710		
FUND BALANCE - END OF YEAR	\$ 40,975	\$ 18,347	\$ 201,958	\$ 82,858	\$ 139,783	\$ (37,421)	\$ 2,762,126		

# CITY OF KAUKAUNA, WISCONSIN COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED DECEMBER 31, 2020

	Capital Projects (Continued)											
	Space Needs	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6	Tax Incremental District #8	Tax Incremental District #9						
REVENUES												
Taxes	\$ -	\$ 81,069	\$ 233,952	\$ 861,298	\$ 121,192	\$ 20,075						
Special Assessments	-	-	-	-	-	-						
Intergovernmental	-	8,421	1,980	12,977	14,645	220						
Fines and Forfeits	-	-	-	-	-	-						
Public Charges for Services	-	-	-	-	-	-						
Miscellaneous				26,726	135,891							
Total Revenues	-	89,490	235,932	901,001	271,728	20,295						
EXPENDITURES												
Current:												
General Government	-	-	15,780	-	-	-						
Public Safety	-	-	-	-	-	-						
Public Works	-	-	-	-	-	-						
Culture and Recreation	-	-	-	-	-	-						
Conservation and Development	-	-	1,284	-	-	-						
Debt Service:												
Principal	-	-	-	-	-	-						
Interest and Fiscal Charges	-	-	-	-	-	-						
Capital Outlay	2,916,231	421		51,162	74,534	20,152						
Total Expenditures	2,916,231	421	17,064	51,162	74,534	20,152						
EXCESS OF REVENUES OVER												
(UNDER) EXPENDITURES	(2,916,231)	89,069	218,868	849,839	197,194	143						
OTHER FINANCING SOURCES (USES)												
Long-Term Debt Issued	3,221,500	-	-	-	-	-						
Transfers In	-	-	784,730	-	-	-						
Transfers Out		(55,525)	(1,141,949)	(1,095,677)	(221,280)							
Total Other Financing Sources (Uses)	3,221,500	(55,525)	(357,219)	(1,095,677)	(221,280)							
NET CHANGE IN FUND BALANCES	305,269	33,544	(138,351)	(245,838)	(24,086)	143						
Fund Balance - Beginning of Year, as Originally Reported	1,063,382	(249,283)	(4,218,650)	327,883	(68,569)	(115,869)						
Prior Period Adjustment	116,969				71,701							
Fund Balance - End of Year, as Restated	1,180,351	(249,283)	(4,218,650)	327,883	3,132	(115,869)						
FUND BALANCE - END OF YEAR	\$ 1,485,620	\$ (215,739)	\$ (4,357,001)	\$ 82,045	\$ (20,954)	\$ (115,726)						

# CITY OF KAUKAUNA, WISCONSIN COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED DECEMBER 31, 2020

	Tax Incremental District #10	Environmental Remediation TID	Equipment	Pool and Parks	RDA	Buildings and Miscellaneous	Total
REVENUES	_			_	_	_	
Taxes	\$ -	\$ 92,976	\$ -	\$ -	\$ -	\$ -	\$ 1,749,136
Special Assessments	-	-	-	-	-	-	1,774,786
Intergovernmental	-	-	-	-	-	-	63,243
Fines and Forfeits	-	-	-	-	-	-	10,374
Public Charges for Services	-	-	-	-	-	-	460,540
Miscellaneous	4,134		1,169	2,033,531		3,180	2,598,207
Total Revenues	4,134	92,976	1,169	2,033,531	-	3,180	6,656,286
EXPENDITURES							
Current:							
General Government	-	-	-	-	-	-	15,780
Public Safety	-	-	-	-	-	-	13,095
Public Works	-	-	-	-	-	-	40,913
Culture and Recreation	-	-	-	-	-	-	248,783
Conservation and Development	150	-	-	-	-	-	163,366
Debt Service:							
Principal	-	-	-	-	425,000	-	425,000
Interest and Fiscal Charges	-	-	-	-	359,738	-	359,738
Capital Outlay		97,289	445,635	3,528,170	18,725	19,617	7,201,826
Total Expenditures	150	97,289	445,635	3,528,170	803,463	19,617	8,468,501
EXCESS OF REVENUES OVER							
(UNDER) EXPENDITURES	3,984	(4,313)	(444,466)	(1,494,639)	(803,463)	(16,437)	(1,812,215)
OTHER FINANCING SOURCES (USES)							
Long-Term Debt Issued	-	-	314,000	1,116,000	-	126,945	4,778,445
Transfers In	-	52,409	-	-	776,436	43,470	1,657,045
Transfers Out	(8,431)	(149,106)					(3,034,320)
Total Other Financing Sources (Uses)	(8,431)	(96,697)	314,000	1,116,000	776,436	170,415	3,401,170
NET CHANGE IN FUND BALANCES	(4,447)	(101,010)	(130,466)	(378,639)	(27,027)	153,978	1,588,955
Fund Balance - Beginning of Year, as Originally Reported	(122,751)	(538,967)	437,736	722,881	818,156	164,295	1,014,589
Prior Period Adjustment							188,670
Fund Balance - End of Year, as Restated	(122,751)	(538,967)	437,736	722,881	818,156	164,295	1,203,259
FUND BALANCE - END OF YEAR	\$ (127,198)	\$ (639,977)	\$ 307,270	\$ 344,242	\$ 791,129	\$ 318,273	\$ 2,792,214

# CITY OF KAUKAUNA, WISCONSIN SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL — DEBT SERVICE FUND YEAR ENDED DECEMBER 31, 2020

		Budgeted	Λmc	vunte				ariance with nal Budget - Positive
	-	Original	AIIIC	Final		Actual		(Negative)
REVENUES		Original		i iiidi		riotaai		(110gativo)
Taxes	\$	3,676,496	\$	3,676,496	\$	3,676,496	\$	_
Intergovernmental	·	-	·	-	·	17,457	·	17,457
Total Revenues		3,676,496		3,676,496		3,693,953		17,457
EXPENDITURES								
Debt Service								
Principal		5,165,000		5,165,000		3,798,120		1,366,880
Interest and Fiscal Charges		1,778,459		1,778,459		1,273,743		504,716
Total Expenditures		6,943,459		6,943,459		5,071,863		1,871,596
EXCESS OF REVENUES UNDER								
EXPENDITURES		(3,266,963)		(3,266,963)		(1,377,910)		1,889,053
OTHER FINANCING SOURCES (USES)								
Long-Term Debt Issued		-		-		3,050,000		3,050,000
Premium on Debt Issued		120,000		120,000		526,982		406,982
Payment to Current Bondholder		-		-		(3,050,000)		(3,050,000)
Transfers In		3,146,963		3,146,963		1,834,829		(1,312,134)
Transfers Out						(776,436)		(776,436)
Total Other Financing Sources (Uses)		3,266,963		3,266,963		1,585,375		(1,681,588)
NET CHANGE IN FUND BALANCE		-		-		207,465		207,465
Fund Balance - Beginning of Year		5,623,716		5,623,716		5,623,716		
FUND BALANCE - END OF YEAR	\$	5,623,716	\$	5,623,716	\$	5,831,181	\$	207,465

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2020, and the related notes to the financial statements, dated July 14, 2021. 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) as a basis for designing 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 2020-001 and 2020-002 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 financial statements. 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

Clifton Larson Allen LLP

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 July 14, 2021

### CITY OF KAUKAUNA SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2020

### Section I – Internal Control Over Financial Reporting

FINDING NO. SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL

**REPORTING** 

2020-001 Preparation of Annual Financial Report

Repeat Finding of 2019-001

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Management and the Board of the City share the ultimate responsibility for the City's internal control system. While it is acceptable to outsource various

accounting functions, the responsibility for internal control cannot be outsourced.

The City engages CliftonLarsonAllen LLP (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the City's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the City has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the City's activities and

operations.

The City's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the City's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

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: 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.

### CITY OF KAUKAUNA SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2020

### Section I – Internal Control Over Financial Reporting (Continued)

FINDING NO. SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL

**REPORTING** 

2020-001 Preparation of Annual Financial Report (Continued)

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 SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED DECEMBER 31, 2020

Section I – Internal Control Over Financial Reporting (Continued)

FINDING NO. SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL

**REPORTING** 

2020-002 Adjustments to the City's Financial Records

Repeat Finding of 2019-002

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 Maters

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, 2020.