

CITY OF KAUKAUNA, WISCONSIN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Kaukauna
Kaukauna, Wisconsin

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the 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, 2022, 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.

We did not audit the financial statements of the Kaukauna Utilities Fund, which represents 78%, 79%, and 92% of the assets, net position, and revenues respectively, of the City of Kaukauna's business-type activities as of December 31, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended. 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1.G. to the financial statements, effective January 1, 2022, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

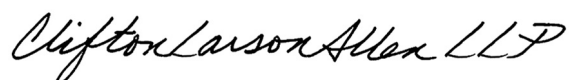
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules relating to pension and OPEB be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 GAAS, 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.

Supplementary 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 nonmajor governmental fund combining statements and debt service fund budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the nonmajor governmental fund combining statements and debt service fund budgetary comparison schedule are 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 June 22, 2023, 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 City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
June 22, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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, 2022. 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 \$6,641,615 to \$151,142,675; net position of governmental activities increased \$3,304,622 to \$41,171,943 while business type activities net position increased \$3,336,993 to \$109,970,732.
- Total fund balance in governmental funds as of December 31, 2022 is \$14,877,110. Of this balance, \$72,988 is nonspendable, \$7,158,143 is restricted for debt service and donations, \$7,935,614 is committed for improvements, equipment and redevelopment, \$410,000 is assigned to subsequent years' budgets, and unassigned has a negative balance of \$699,635.
- General fund's total fund balance increased \$215,207 or 4.36%. The fund balance increase is due in part to a decrease in ambulance service revenue. Staff was able to hold most expenditures close to the budgeted amounts during the year and many came in under the budgeted amount making up for some of the missed revenue.
- General fund revenues and operating transfers in for 2022 were over budget by \$295,715. Overall General fund expenditures and operating transfers out for 2022 were under budget by \$329,492 or 2.14% overall. Most expenditures were under budget primarily because of cost control measures in general government, public works, culture and recreation, and nondepartmental. Public safety and health and welfare came in over budget.
- At the end of 2022, total fund balance for the general fund is \$5,151,437. The unassigned portion of fund balance \$4,668,449 increased \$231,974 or 5.2%, and it is equal to 30.27% of 2022 budgeted general fund expenditures.
- The City's outstanding general obligation debt increased \$1,260,000 from \$49,115,000 to \$50,375,000 for the fiscal year ended December 31, 2022. The city borrowed more general obligated debt in 2022 than it retired. This was primarily due to the large Street construction capital project and new Streets, Parks improvement including Grignon, Nickels, and Bluestem.
- The City's outstanding revenue bonds increased \$6,500,000 from \$78,315,000 to \$84,815,000 for the fiscal year ended December 31, 2022.
- Kaukauna Utility's net position increased \$3,229,402 or 3.87% in 2022 as compared to 2021. This increase is in large part due to some favorable nonoperating expenses in addition to an increase in operating revenue.

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

- Kaukauna Utility's cash and cash equivalents decreased \$1,141,381 in 2022. Most cash flow activities remained the same when compared to 2020. The decrease mentioned above is primarily from previously borrowed long term debt proceeds being spending on capital projects in 2022.

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 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 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.

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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 2022. 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 32 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 79 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 81 to 95 of this report.

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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 \$151,142,675 at year-end December 31, 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and Other Assets	\$ 48,304,791	\$ 43,653,542	\$ 48,348,909	\$ 39,661,072	\$ 96,653,700	\$ 83,314,614
Capital Assets	83,757,510	80,160,194	161,885,274	159,320,729	245,642,784	239,480,923
Total Assets	<u>132,062,301</u>	<u>123,813,736</u>	<u>210,234,183</u>	<u>198,981,801</u>	<u>342,296,484</u>	<u>322,795,537</u>
DEFERRED OUTFLOWS OF RESOURCES						
Loss on Advance Refunding	-	-	-	663,636	-	663,636
Related to Pension	9,956,387	6,468,941	5,056,646	3,360,810	15,013,033	9,829,751
Related to OPEB	1,254,068	1,092,203	360,359	341,204	1,614,427	1,433,407
Total Deferred Outflows of Resources	<u>11,210,455</u>	<u>7,561,144</u>	<u>5,417,005</u>	<u>4,365,650</u>	<u>16,627,460</u>	<u>11,926,794</u>
LIABILITIES						
Noncurrent Liabilities	68,868,048	65,729,502	91,326,749	55,470,146	160,194,797	121,199,648
Other Liabilities	3,838,815	3,545,572	8,036,363	36,596,528	11,875,178	40,142,100
Total Liabilities	<u>72,706,863</u>	<u>69,275,074</u>	<u>99,363,112</u>	<u>92,066,674</u>	<u>172,069,975</u>	<u>161,341,748</u>
DEFERRED INFLOWS OF RESOURCES						
Property Taxes	16,590,001	14,897,735	-	-	16,590,001	14,897,735
Related to Pension	11,981,428	8,531,865	6,099,647	4,438,457	18,081,075	12,970,322
Related to OPEB	822,521	802,885	217,697	208,581	1,040,218	1,011,466
Total Deferred Inflows of Resources	<u>29,393,950</u>	<u>24,232,485</u>	<u>6,317,344</u>	<u>4,647,038</u>	<u>35,711,294</u>	<u>28,879,523</u>
NET POSITION						
Net Investment in Capital Assets	24,734,791	24,148,669	79,004,216	76,405,373	103,739,007	100,554,042
Restricted	12,019,816	10,490,737	\$ 9,979,259	9,407,443	21,999,075	19,898,180
Unrestricted	4,417,336	3,227,915	20,987,257	20,820,923	25,404,593	24,048,838
Total Net Position	<u>\$ 41,171,943</u>	<u>\$ 37,867,321</u>	<u>\$ 109,970,732</u>	<u>\$ 106,633,739</u>	<u>\$ 151,142,675</u>	<u>\$ 144,501,060</u>

Management's Analysis

By far the largest portion of the City's total net position, \$103,739,007 or 68.64%, 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, \$21,999,075 or 14.56% represents resources that are subject to restrictions regarding their use. The remaining balance of unrestricted net position, \$25,404,593 or 16.81% may be used to meet the government's ongoing obligations to creditors and provide services to its citizens.

Business-type activities total net position increased by \$3,336,993 to \$109,970,732 in 2022, an increase of 3.13%, primarily due to favorable revenue and expense budget outcomes.

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues						
Charges for Services	\$ 2,110,840	\$ 2,021,191	\$ 63,535,404	\$ 56,985,289	\$ 65,646,244	\$ 59,006,480
Operating Grants and Contributions	1,673,873	1,850,554	-	-	1,673,873	1,850,554
Capital Grants Cnd contributions	1,252,215	2,570,630	785,383	1,361,847	2,037,598	3,932,477
General Revenues						
Property Taxes	12,188,143	11,307,342	-	-	12,188,143	11,307,342
Sales Tax	194,615	176,375	-	-	194,615	176,375
Other Taxes	409,516	256,252	-	-	409,516	256,252
State and Federal Aids not Restricted to Specific Functions	2,795,197	2,655,185	-	-	2,795,197	2,655,185
Interest and Investment Earnings	576,526	134,123	444,974	378,886	1,021,500	513,009
Gain on Sale of Capital Assets	-	17,046	-	-	-	17,046
Miscellaneous Revenues	1,191,522	288,864	-	-	1,191,522	288,864
Total	<u>22,392,447</u>	<u>21,277,562</u>	<u>64,765,761</u>	<u>58,726,022</u>	<u>87,158,208</u>	<u>80,003,584</u>
EXPENSES						
General Government	2,946,636	2,634,223	-	-	2,946,636	2,634,223
Public Safety	6,551,493	6,165,009	-	-	6,551,493	6,165,009
Public Works	5,444,667	5,580,435	-	-	5,444,667	5,580,435
Health and Human Services	4,536	7,751	-	-	4,536	7,751
Culture and Recreation	3,214,710	2,515,576	-	-	3,214,710	2,515,576
Development	1,848,708	328,559	-	-	1,848,708	328,559
Interest on Debt	1,334,675	1,520,282	-	-	1,334,675	1,520,282
Electric Utility	-	-	50,989,814	45,900,745	50,989,814	45,900,745
Water Utility	-	-	3,423,593	3,356,623	3,423,593	3,356,623
Storm Water Utility	-	-	1,143,552	608,757	1,143,552	608,757
Sanitary Sewer Utility	-	-	3,614,209	2,881,149	3,614,209	2,881,149
Total Expenses	<u>21,345,425</u>	<u>18,751,835</u>	<u>59,171,168</u>	<u>52,747,274</u>	<u>80,516,593</u>	<u>71,499,109</u>
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	<u>1,047,022</u>	<u>2,525,727</u>	<u>5,594,593</u>	<u>5,978,748</u>	<u>6,641,615</u>	<u>8,504,475</u>
TRANSFERS	<u>2,257,600</u>	<u>2,551,846</u>	<u>(2,257,600)</u>	<u>(2,551,846)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>3,304,622</u>	<u>5,077,573</u>	<u>3,336,993</u>	<u>3,426,902</u>	<u>6,641,615</u>	<u>8,504,475</u>
BEGINNING NET POSITION	<u>37,867,321</u>	<u>32,789,748</u>	<u>106,633,739</u>	<u>103,206,837</u>	<u>144,501,060</u>	<u>135,996,585</u>
ENDING NET POSITION	<u>\$ 41,171,943</u>	<u>\$ 37,867,321</u>	<u>\$ 109,970,732</u>	<u>\$ 106,633,739</u>	<u>\$ 151,142,675</u>	<u>\$ 144,501,060</u>

The increase in net position for governmental activities for year ended December 31, 2022 was at 28.15% compared to previous years increase in net position of 30.25% for year ended December 31, 2020. Current year activity increased net position by \$3,304,621.

Business-type activities growth in net position for year ended December 31, 2022 was 2.62% compared with 3.32% for year ended December 31, 2021. Management expects growth to continue at a modest rate especially for business-type activities.

Business-type activities revenue increased \$6,039,739 or 10.28% and expenses increased \$6,450,958 or 12.23% during 2022 primarily due to increased customer demand in the business-type activities.

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Debt and Debt Management

	Outstanding 1/1/2022	Issued in 2022	Retired in 2022	Outstanding 12/31/2022	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Notes	\$ 39,214,522	\$ 6,000,000	\$ 3,834,520	\$ 41,380,002	\$ 4,075,000
General Obligation Bonds	8,999,998	-	665,000	8,334,998	790,000
Lease Liability	1,762,800	-	126,868	1,635,932	128,143
Taxable Redevelopment Lease Revenue Bonds	8,075,000	-	425,000	7,650,000	425,000
Premium	1,455,066	292,346	262,310	1,485,102	-
Compensated Absences	608,631	71,959	-	680,590	170,148
Total Governmental Activities Debt	<u>\$ 60,116,017</u>	<u>\$ 6,364,305</u>	<u>\$ 5,313,698</u>	<u>\$ 61,166,624</u>	<u>\$ 5,588,291</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Notes	\$ 900,480	\$ -	\$ 240,480	\$ 660,000	\$ 180,000
Revenue Bonds	78,315,000	17,235,000	10,735,000	84,815,000	4,870,000
Premium	4,374,269	-	506,744	3,867,525	-
Compensated Absences	16,335	-	5,616	10,719	-
Total Business-Type Activities Debt	<u>\$ 83,606,084</u>	<u>\$ 17,235,000</u>	<u>\$ 11,487,840</u>	<u>\$ 89,353,244</u>	<u>\$ 5,050,000</u>

Management's Analysis

Overall, long-term obligations increased from \$141,959,301 in 2021 to \$148,883,935 in 2022. Governmental activities outstanding debt increased \$1,177,475 or 2.02%. Whereas the business-type activities outstanding debt increased \$5,747,159 or 6.87%. All general obligation notes and bonds are scheduled to be paid off within ten (10) years and all the revenue bonds are scheduled to be paid off within twenty-five (25) years.

The City has maintained its current Standard & Poor's general obligation bond rating of AA- for the past several years. The current outstanding general obligation bonds and notes of \$50,375,000 is 68.85% 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 \$5,000,000 per year for the next five (5) years.

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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 2022	Actual 2022	Budget Variance Positive (Negative)
REVENUES			
Taxes	\$ 6,731,153	\$ 6,738,557	\$ 7,404
Intergovernmental	4,227,711	4,259,847	32,136
Licenses and Permits	403,400	464,042	60,642
Fines and Forfeits	123,000	95,939	(27,061)
Changes for Services	947,700	1,164,046	216,346
Other	58,500	219,364	160,864
Transfers In	2,850,216	2,695,600	(154,616)
Total Revenues	<u>15,341,680</u>	<u>15,637,395</u>	<u>295,715</u>
EXPENDITURES			
General Government	2,475,919	2,418,916	57,003
Public Safety	6,703,818	6,883,716	(179,898)
Public Works	3,613,088	3,545,824	67,264
Health and Welfare	2,500	4,536	(2,036)
Culture and Recreation	2,108,147	1,919,460	188,687
Nondepartmental	848,208	448,678	399,530
Debt Service	-	143,916	(143,916)
Transfers Out	-	57,142	(57,142)
Total Expenditures	<u>15,751,680</u>	<u>15,422,188</u>	<u>329,492</u>
Net Change in Fund Balance	<u>\$ (410,000)</u>	<u>\$ 215,207</u>	<u>\$ 625,207</u>

Management's Analysis

The 2022 general fund budget to actual comparison is showing a surplus of \$625,207. The increase is due to increase in recreation revenues with the moving forward from COVID-19 protocols, and increased interest revenue, in combination with budget savings in expenditures throughout.

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Debt Service Fund Budgetary Analysis

	Final Budget 2022	Actual 2022	Budget Variance Positive (Negative)
REVENUES			
Taxes	\$ 3,783,090	\$ 3,783,090	\$ -
Total Revenues	<u>3,783,090</u>	<u>3,783,090</u>	<u>-</u>
EXPENDITURES			
Debt Service Principal	4,924,520	4,924,520	-
Debt Service Interest	1,433,775	1,575,031	(141,256)
Total Expenditures	<u>6,358,295</u>	<u>6,499,551</u>	<u>(141,256)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(2,575,205)</u>	<u>(2,716,461)</u>	<u>(141,256)</u>
OTHER FINANCING SOURCES			
Premium on Debt Issued	348,293	292,346	(55,947)
Transfers in	2,228,363	2,228,363	-
Total Other Financing Sources	<u>2,576,656</u>	<u>2,520,709</u>	<u>(55,947)</u>
Net Change in Fund Balance	<u>\$ 1,451</u>	<u>\$ (195,752)</u>	<u>\$ (197,203)</u>

Management's Analysis

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

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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, 2022, the City's governmental funds reported combined year ending fund balance of \$14,877,110, a decrease of \$61,402 for the calendar year 2022. Of the total fund balance, the unassigned fund balance is a negative \$699,635, 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, \$72,988
- Restricted for debt service and donations, \$8,885,816
- Committed, \$6,207,941
- Assigned, \$410,000

Fund Balance Analysis – General Fund

The total general fund balance increased from \$4,936,230 at calendar year end 2021 to \$5,151,437 for calendar year end 2022. The city council adopted a policy in 2010 to maintain the fund balance at 15% of the operating budget. Fifteen percent of the 2022 operating budget is \$2,601,658. The unassigned general fund balance as of December 31, 2022 was \$5,151,437. The year-end fund balance for 2022 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 2022. Unassigned fund balance equals 27.03% of budgeted expenditures while total fund balance represents 29.70% of budgeted expenditures for 2022.

Fund Balance Analysis – Debt Service Fund

The debt service fund balance has a balance of \$5,490,495 at year-end 2022, 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 year-end 2022 fund balance of \$2,439,873. The combined fund balance for special revenue funds increased \$74,656 for calendar year ended.

Fund Balance Analysis – Capital Project Funds

The combined nonmajor capital project funds have a calendar year end 2022 surplus fund balance of \$1,795,305. The ongoing capital funds surplus is due to timing of borrowed funds being spent. Tax Incremental Districts (TID) 1, 5, 9, and 10 have a deficit, while TID 4, 6 and 8 have a surplus. However, there has been new development within TID5, TID6 and TID 10 that will give the tax incremental districts a boost in increment dollars. The intent is to ensure all districts are at a net balance of zero at the time the district close.

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

POPRIETARY FUNDS

Net Position Analysis – Stormwater Utility

Unrestricted net position of the Stormwater Utility at the end of the year amounted to \$3,167,838. The total decrease in net position was \$186,029.

Net Position Analysis – Sanitary Sewer Utility

Unrestricted net position of the Sanitary Sewer Utility at the end of the year amounted to \$4,780,286. The total decrease in net position was \$428,666.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, net of accumulated depreciation is \$245,642,784. Governmental activities capital assets increased in 2022 by 3,597,316 from \$80,160,194 to \$83,757,510. The increase is because of the construction/remodel of the street improvements, etc. The net increase of \$2,564,545 in business-type activities capital assets from \$159,320,729 to \$161,885,274 for the calendar year ended 2022 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 - 2022, the City's tax base, which currently stands at \$1.46 Billion (see following schedule), averaged a 3.69% 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 consistently in the near term. Over the past five years (2018 - 2022), the city saw an average increase of 8.22%.

Ahlstom (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 Year	Equalized Value Including TID's	% Change	Equalized Value Excluding TID's	% Change
2022	\$ 1,463,310,100	11.33 %	\$ 1,380,840,000	13.07 %
2021	1,314,411,300	8.78	1,221,182,000	8.04
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	

**CITY OF KAUKAUNA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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 City has garnered significant interest from external developers seeking to expand their operations within its limits. Such developments play a crucial role in the overall functioning of the city, as they contribute to its tax base and enable the provision of quality services without imposing a substantial burden on current property owners. Moreover, the City remains committed to investing in and enhancing the amenities it offers. Exciting upcoming projects will further bolster the long-term investment in the city's infrastructure and amenities.

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, 2022**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 17,783,887	\$ 16,715,191	\$ 34,499,078
Receivables:			
Taxes and Special Charges	9,912,347	17,544	9,929,891
Delinquent Taxes	106	-	106
Accounts, Net	850,787	5,165,962	6,016,749
Special Assessments	3,680,022	-	3,680,022
Loans	2,235,080	-	2,235,080
Internal Balances	28,023	(28,023)	-
Due from Other Governments	1,761,236	-	1,761,236
Inventories and Prepaid Items	72,882	3,564,538	3,637,420
Investment in ATC LLC	-	4,028,341	4,028,341
Nonutility Plant, Net	-	308,845	308,845
Regulatory Asset	-	1,100,679	1,100,679
Assets Held for Resale	-	236,297	236,297
Restricted Assets:			
Cash and Investments	6,890,727	14,648,413	21,539,140
Net Pension Asset	5,089,694	2,591,122	7,680,816
Capital Assets, Not Being Depreciated	9,895,473	6,710,360	16,605,833
Capital Assets, Being Depreciated and Amortized, Net	73,862,037	155,174,914	229,036,951
Total Assets	<u>132,062,301</u>	<u>210,234,183</u>	<u>342,296,484</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Amounts	9,956,387	5,056,646	15,013,033
Other Postemployment Related Amounts	1,254,068	360,359	1,614,427
Total Deferred Outflows of Resources	<u>11,210,455</u>	<u>5,417,005</u>	<u>16,627,460</u>
LIABILITIES			
Accounts Payable	913,681	3,019,095	3,932,776
Accrued and Other Current Liabilities	1,091,271	573,933	1,665,204
Due to Other Governments	9,800	-	9,800
Accrued Interest Payable	228,021	441,586	669,607
Customer Deposits	-	2,466,295	2,466,295
Unearned Revenues	1,596,042	1,535,454	3,131,496
Long-Term Obligations:			
Due within One Year	5,588,291	5,050,000	10,638,291
Due in More Than One Year	55,578,333	84,303,244	139,881,577
Net Other Postemployment Benefits	7,701,424	1,973,505	9,674,929
Total Liabilities	<u>72,706,863</u>	<u>99,363,112</u>	<u>172,069,975</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Year	16,590,001	-	16,590,001
Pension Related Amounts	11,981,428	6,099,647	18,081,075
Other Postemployment Related Amounts	822,521	217,697	1,040,218
Total Deferred Inflows of Resources	<u>29,393,950</u>	<u>6,317,344</u>	<u>35,711,294</u>
NET POSITION			
Net Investment in Capital Assets	24,734,791	79,004,216	103,739,007
Restricted:			
Debt Service	6,043,229	7,388,137	13,431,366
Tax Incremental Districts	511,395	-	511,395
Donations	375,498	-	375,498
Pension Benefits	5,089,694	2,591,122	7,680,816
Unrestricted	4,417,336	20,987,257	25,404,593
Total Net Position	<u>\$ 41,171,943</u>	<u>\$ 109,970,732</u>	<u>\$ 151,142,675</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 2,946,636	\$ 64,348	\$ -	\$ -	\$ (2,882,288)	\$ -	\$ (2,882,288)
Public Safety	6,551,493	1,183,547	115,330	14,486	(5,238,130)	-	(5,238,130)
Public Works	5,444,667	523,416	1,237,268	1,096,040	(2,587,943)	-	(2,587,943)
Health and Human Services	4,536	316	-	-	(4,220)	-	(4,220)
Culture and Recreation	3,214,710	337,963	321,275	42,439	(2,513,033)	-	(2,513,033)
Conservation and Development	1,848,708	1,250	-	99,250	(1,748,208)	-	(1,748,208)
Interest and Fiscal Charges	1,334,675	-	-	-	(1,334,675)	-	(1,334,675)
Total Governmental Activities	21,345,425	2,110,840	1,673,873	1,252,215	(16,308,497)	-	(16,308,497)
BUSINESS-TYPE ACTIVITIES							
Kaukauna Utilities	54,413,407	58,692,521	-	785,383	-	5,064,497	5,064,497
Storm Water Utility	1,143,552	1,356,145	-	-	-	212,593	212,593
Sanitary Sewer Utility	3,614,209	3,486,738	-	-	-	(127,471)	(127,471)
Total Business-Type Activities	59,171,168	63,535,404	-	785,383	-	5,149,619	5,149,619
Total Primary Government	\$ 80,516,593	\$ 65,646,244	\$ 1,673,873	\$ 2,037,598	(16,308,497)	5,149,619	(11,158,878)
GENERAL REVENUES							
Taxes:							
Property Taxes					12,188,143	-	12,188,143
Sales Tax					194,615	-	194,615
Other Taxes					409,516	-	409,516
Federal and State Grants and Other Contributions not Restricted to Specific Functions							
Interest and Investment Earnings					2,795,197	-	2,795,197
Miscellaneous					576,526	444,974	1,021,500
Miscellaneous					1,191,522	-	1,191,522
Transfers					2,257,600	(2,257,600)	-
Total General Revenues and Transfers					19,613,119	(1,812,626)	17,800,493
CHANGE IN NET POSITION							
					3,304,622	3,336,993	6,641,615
Net Position - Beginning of Year					37,867,321	106,633,739	144,501,060
NET POSITION - END OF YEAR							
					\$ 41,171,943	\$ 109,970,732	\$ 151,142,675

See accompanying Notes to Basic Financial Statements.

**CITY OF KAUKAUNA, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

ASSETS	General	Debt Service	Other Governmental Funds	Total
Cash and Investments	\$ 8,077,577	\$ 215,495	\$ 9,490,815	\$ 17,783,887
Restricted Cash and Investments	424,565	1,952,256	4,513,906	6,890,727
Receivables:				
Taxes and Special Charges	6,212,402	2,270,561	1,429,384	9,912,347
Delinquent Taxes	106	-	-	106
Accounts, Net	485,539	-	365,248	850,787
Special Assessments	-	-	3,680,022	3,680,022
Loans	-	-	2,235,080	2,235,080
Due from Other Funds	1,207,285	5,275,000	63,027	6,545,312
Due from Other Governments	1,236	-	1,760,000	1,761,236
Inventories and Prepaid Items	72,882	-	-	72,882
Total Assets	\$ 16,481,592	\$ 9,713,312	\$ 23,537,482	\$ 49,732,386
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 270,325	\$ -	\$ 643,356	\$ 913,681
Accrued and Other Current Liabilities	1,079,772	-	11,499	1,091,271
Due to Other Funds	11,499	-	6,505,790	6,517,289
Due to Other Governments	9,800	-	-	9,800
Unearned Revenues	7,870	-	1,588,172	1,596,042
Total Liabilities	1,379,266	-	8,748,817	10,128,083
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Levied for Subsequent Year	9,708,798	4,222,817	2,658,386	16,590,001
Other Public Charges, Grants, and Donations	242,091	-	1,980,000	2,222,091
Loans Receivable	-	-	2,235,080	2,235,080
Special Assessments	-	-	3,680,021	3,680,021
Total Deferred Inflows of Resources	9,950,889	4,222,817	10,553,487	24,727,193
FUND BALANCES				
Nonspendable	72,988	-	-	72,988
Restricted	-	5,490,495	3,395,321	8,885,816
Committed	-	-	6,207,941	6,207,941
Assigned	410,000	-	-	410,000
Unassigned	4,668,449	-	(5,368,084)	(699,635)
Total Fund Balances	5,151,437	5,490,495	4,235,178	14,877,110
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,481,592	\$ 9,713,312	\$ 23,537,482	\$ 49,732,386

See accompanying Notes to Basic Financial Statements.

**CITY OF KAUKAUNA, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2022**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 14,877,110
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.	83,757,510
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	
Ambulance Charges	2,222,091
Loans Receivable	2,235,080
Special Assessments	3,680,021
Long-term assets are not current financial resources; therefore, are not reported in the funds:	
Net Pension Asset	5,089,694
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	9,956,387
Deferred Inflows Related to Pensions	(11,981,428)
Deferred Outflows Related to Other Postemployment Benefits	1,254,068
Deferred Inflows Related to Other Postemployment Benefits	(822,521)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and Notes Payable	(59,000,932)
Premium on Debt	(1,485,102)
Compensated Absences	(680,590)
Other Postemployment Benefit	(7,701,424)
Accrued Interest on Long-Term Obligations	<u>(228,021)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position	<u>\$ 41,171,943</u>

CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General	Debt Service	Other Governmental Funds	Total
REVENUES				
Taxes	\$ 6,738,557	\$ 3,783,090	\$ 2,270,627	\$ 12,792,274
Special Assessments	-	-	989,688	989,688
Intergovernmental	4,259,847	-	286,507	4,546,354
Licenses and Permits	464,042	-	-	464,042
Fines and Forfeits	95,939	-	-	95,939
Public Charges for Services	1,164,046	-	506,258	1,670,304
Miscellaneous	219,364	-	832,193	1,051,557
Total Revenues	<u>12,941,795</u>	<u>3,783,090</u>	<u>4,885,273</u>	<u>21,610,158</u>
EXPENDITURES				
Current:				
General Government	2,418,916	-	42,408	2,461,324
Public Safety	6,883,716	-	384,248	7,267,964
Public Works	3,545,824	-	633,152	4,178,976
Health and Human Services	4,536	-	-	4,536
Culture and Recreation	1,919,460	-	432,723	2,352,183
Conservation and Development	-	-	60,512	60,512
Nondepartmental	448,678	-	-	448,678
Debt Service:				
Principal	126,868	4,924,520	-	5,051,388
Interest and Fiscal Charges	17,048	1,575,031	612	1,592,691
Capital Outlay	-	-	7,773,012	7,773,012
Total Expenditures	<u>15,365,046</u>	<u>6,499,551</u>	<u>9,326,667</u>	<u>31,191,264</u>
EXCESS (DEFICIENCY) OF REVENUES UNDER EXPENDITURES	(2,423,251)	(2,716,461)	(4,441,394)	(9,581,106)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	6,000,000	6,000,000
Premium on Debt Issued	-	292,346	-	292,346
Proceeds from Sale of Capital Assets	-	-	969,758	969,758
Transfers In	2,695,600	2,228,363	2,047,387	6,971,350
Transfers Out	(57,142)	-	(4,656,608)	(4,713,750)
Total Other Financing Sources (Uses)	<u>2,638,458</u>	<u>2,520,709</u>	<u>4,360,537</u>	<u>9,519,704</u>
NET CHANGE IN FUND BALANCES	215,207	(195,752)	(80,857)	(61,402)
Fund Balances - Beginning of Year	<u>4,936,230</u>	<u>5,686,247</u>	<u>4,316,035</u>	<u>14,938,512</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,151,437</u>	<u>\$ 5,490,495</u>	<u>\$ 4,235,178</u>	<u>\$ 14,877,110</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page \$ (61,402)

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 Expenditures in Governmental Fund Statements	5,387,700
Depreciation and Amortization Expense Reported in the Statement of Activities	(3,436,730)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	1,420,482
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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	(6,000,000)
Principal Repaid	4,924,520
Interest Accrued on Long-Term Debt	(4,294)
Premium on Debt Issued, Including Current Year Amortization	(30,036)
Lease Liability Paid	126,868

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	(71,959)
Net Pension Liability (Asset)	1,194,500
Deferred Outflows of Resources Related to Pensions	3,487,446
Deferred Inflows of Resources Related to Pensions	(3,449,563)
Other Postemployment Benefits	(325,139)
Deferred Outflows of Resources Related to Other Postemployment Benefits	161,865
Deferred Inflows of Resources Related to Other Postemployment Benefits	(19,636)

Change in Net Position of Governmental Activities as Reported in the Statement of Activities	<u>\$ 3,304,622</u>
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CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL — GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 6,731,153	\$ 6,731,153	\$ 6,738,557	\$ 7,404
Intergovernmental	4,227,711	4,227,711	4,259,847	32,136
Licenses and Permits	403,400	403,400	464,042	60,642
Fines and Forfeits	123,000	123,000	95,939	(27,061)
Public Charges for Services	947,700	947,700	1,164,046	216,346
Miscellaneous	58,500	58,500	219,364	160,864
Total Revenues	<u>12,491,464</u>	<u>12,491,464</u>	<u>12,941,795</u>	<u>450,331</u>
EXPENDITURES				
Current:				
General Government	2,475,919	2,475,919	2,418,916	57,003
Public Safety	6,703,818	6,703,818	6,883,716	(179,898)
Public Works	3,613,088	3,613,088	3,545,824	67,264
Health and Human Services	2,500	2,500	4,536	(2,036)
Culture and Recreation	2,108,147	2,108,147	1,919,460	188,687
Nondepartmental	848,208	848,208	448,678	399,530
Debt Service				
Principal	-	-	126,868	(126,868)
Interest and Fiscal Charges	-	-	17,048	(17,048)
Total Expenditures	<u>15,751,680</u>	<u>15,751,680</u>	<u>15,365,046</u>	<u>386,634</u>
EXCESS (DEFICIENCY) OF REVENUES UNDER EXPENDITURES	(3,260,216)	(3,260,216)	(2,423,251)	836,965
OTHER FINANCING SOURCES (USES)				
Transfers In	2,850,216	2,850,216	2,695,600	(154,616)
Transfers Out	-	-	(57,142)	(57,142)
Total Other Financing Sources (Uses)	<u>2,850,216</u>	<u>2,850,216</u>	<u>2,638,458</u>	<u>(211,758)</u>
NET CHANGE IN FUND BALANCE	(410,000)	(410,000)	215,207	625,207
Fund Balance - Beginning of Year	<u>4,936,230</u>	<u>4,936,230</u>	<u>4,936,230</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 4,526,230</u></u>	<u><u>\$ 4,526,230</u></u>	<u><u>\$ 5,151,437</u></u>	<u><u>\$ 625,207</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
DECEMBER 31, 2022

	Kaukauna Utilities	Stormwater Utility	Sanitary Sewer Utility	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 9,312,360	\$ 3,148,436	\$ 4,254,395	\$ 16,715,191
Receivables:				
Taxes and Special Charges	-	3,522	14,022	17,544
Accounts, Net	5,161,572	-	4,390	5,165,962
Due from Other Funds	141,520	226,075	1,024,679	1,392,274
Inventories and Prepaid Items	3,564,538	-	-	3,564,538
Total Current Assets	<u>18,179,990</u>	<u>3,378,033</u>	<u>5,297,486</u>	<u>26,855,509</u>
Restricted Assets:				
Cash and Investments	6,885,868	4,983,382	2,779,163	14,648,413
Other Assets:				
Investment in ATC LLC	4,028,341	-	-	4,028,341
Regulatory Asset	1,100,679	-	-	1,100,679
Nonutility Plant, Net	308,845	-	-	308,845
Property Held for Future Use	236,297	-	-	236,297
Net Pension Asset	2,480,409	41,516	69,197	2,591,122
Total Other Assets	<u>8,154,571</u>	<u>41,516</u>	<u>69,197</u>	<u>8,265,284</u>
Capital Assets:				
Nondepreciable	5,098,658	43,632	1,568,070	6,710,360
Depreciable, Net	<u>126,765,394</u>	<u>9,289,308</u>	<u>19,120,212</u>	<u>155,174,914</u>
Total Capital Assets	<u>131,864,052</u>	<u>9,332,940</u>	<u>20,688,282</u>	<u>161,885,274</u>
Total Assets	165,084,481	17,735,871	28,834,128	211,654,480
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	4,838,902	79,600	138,144	5,056,646
Other Postemployment Related Amounts	354,454	2,214	3,691	360,359
Total Deferred Outflows of Resources	<u>5,193,356</u>	<u>81,814</u>	<u>141,835</u>	<u>5,417,005</u>

See accompanying Notes to Basic Financial Statements.

CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF NET POSITION — PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2022

	Kaukauna Utilities	Stormwater Utility	Sanitary Sewer Utility	Total
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 2,681,115	\$ 3,941	\$ 334,039	\$ 3,019,095
Accrued and Other Current Liabilities	560,741	4,465	8,727	573,933
Due to Other Funds	1,316,278	-	104,019	1,420,297
Customer Deposits	2,466,295	-	-	2,466,295
Unearned Revenues	1,502,826	6,550	26,078	1,535,454
Current Portion of Long-Term Debt:				
General Obligation	-	180,000	-	180,000
Revenue Bonds	4,095,000	350,000	425,000	4,870,000
Accrued Interest Payable	98,762	165,562	177,262	441,586
Total Current Liabilities	<u>12,721,017</u>	<u>710,518</u>	<u>1,075,125</u>	<u>14,506,660</u>
Long-Term Obligations, Less Current Portion:				
General Obligation Debt	-	480,000	-	480,000
Revenue Bonds	59,110,000	9,690,000	11,145,000	79,945,000
Compensated Absences	-	9,179	1,539	10,718
Debt Premium	3,739,753	70,864	56,909	3,867,526
Net Other Postemployment Benefits	1,955,651	6,695	11,159	1,973,505
Total Long-Term Liabilities	<u>64,805,404</u>	<u>10,256,738</u>	<u>11,214,607</u>	<u>86,276,749</u>
Total Liabilities	77,526,421	10,967,256	12,289,732	100,783,409
DEFERRED INFLOWS OF RESOURCES				
Pension Related Amounts	5,839,024	97,730	162,893	6,099,647
Other Postemployment Related Amounts	215,258	915	1,524	217,697
Total Deferred Inflows of Resources	<u>6,054,282</u>	<u>98,645</u>	<u>164,417</u>	<u>6,317,344</u>
NET POSITION				
Net Investment in Capital Assets	64,390,486	3,416,430	11,197,300	79,004,216
Restricted				
Debt Service	6,787,106	126,000	475,031	7,388,137
Pension Benefits	2,480,409	41,516	69,197	2,591,122
Unrestricted	<u>13,039,133</u>	<u>3,167,838</u>	<u>4,780,286</u>	<u>20,987,257</u>
Total Net Position	<u>\$ 86,697,134</u>	<u>\$ 6,751,784</u>	<u>\$ 16,521,814</u>	<u>\$ 109,970,732</u>

See accompanying Notes to Basic Financial Statements.

CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Kaukauna Utilities	Stormwater Utility	Sanitary Sewer Utility	Total
OPERATING REVENUES				
Charges for Services	\$ 57,984,782	\$ 1,356,145	\$ 3,486,738	\$ 62,827,665
Other	652,738	-	-	652,738
Total Operating Revenues	<u>58,637,520</u>	<u>1,356,145</u>	<u>3,486,738</u>	<u>63,480,403</u>
OPERATING EXPENSES				
Operation and Maintenance	45,322,756	346,218	2,593,206	48,262,180
Depreciation	6,207,108	161,305	339,012	6,707,425
Taxes	-	11,497	-	11,497
Total Operating Expenses	<u>51,529,864</u>	<u>519,020</u>	<u>2,932,218</u>	<u>54,981,102</u>
OPERATING INCOME	7,107,656	837,125	554,520	8,499,301
NONOPERATING REVENUES (EXPENSES)				
Interest Income	436,717	4,478	3,779	444,974
Merchandising and Jobbing	55,001	-	-	55,001
Interest and Fiscal Charges	(2,299,289)	(624,532)	(681,991)	(3,605,812)
Amortization of Debt Discount/Premium	(201,528)	-	-	(201,528)
Miscellaneous Revenues (Expenses)	(382,726)	-	-	(382,726)
Total Nonoperating Revenues (Expenses)	<u>(2,391,825)</u>	<u>(620,054)</u>	<u>(678,212)</u>	<u>(3,690,091)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	4,715,831	217,071	(123,692)	4,809,210
Capital Contributions	785,383	-	-	785,383
Transfers In	-	-	252,000	252,000
Transfers Out	<u>(2,271,812)</u>	<u>(88,070)</u>	<u>(149,718)</u>	<u>(2,509,600)</u>
CHANGE IN NET POSITION	3,229,402	129,001	(21,410)	3,336,993
Net Position - Beginning of Year	<u>83,467,732</u>	<u>6,622,783</u>	<u>16,543,224</u>	<u>106,633,739</u>
NET POSITION - END OF YEAR	<u>\$ 86,697,134</u>	<u>\$ 6,751,784</u>	<u>\$ 16,521,814</u>	<u>\$ 109,970,732</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Kaukauna Utilities	Stormwater Utility	Sanitary Sewer Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 60,069,473	\$ 1,355,595	\$ 3,482,497	\$ 64,907,565
Cash Paid for Employee Wages and Benefits	(41,313,884)	(204,894)	(251,903)	(41,770,682)
Cash Paid to Suppliers	(4,595,636)	(161,256)	(2,293,389)	(7,050,280)
Net Cash Provided by Operating Activities	<u>14,159,953</u>	<u>989,445</u>	<u>937,205</u>	<u>16,086,603</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to/from Other Funds	-	(7,378)	(539,055)	(546,433)
Transfers In/Out	(2,271,812)	(88,070)	102,282	(2,257,600)
Net Cash Used by Noncapital Financing Activities	<u>(2,271,812)</u>	<u>(95,448)</u>	<u>(436,773)</u>	<u>(2,804,033)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(7,347,056)	(90,108)	(1,882,997)	(9,320,161)
Cost of Removal of Capital Assets	(97,924)	-	-	(97,924)
Capital Contributions	459,244	(42)	(431)	458,771
Principal Paid on Long-Term Debt	(3,960,000)	(4,115,480)	(2,900,000)	(10,975,480)
Interest Paid on Long-Term Debt	(2,305,922)	(509,553)	(569,075)	(3,384,550)
Proceeds of Long-Term Debt	-	9,140,000	8,095,000	17,235,000
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(13,251,658)</u>	<u>4,424,817</u>	<u>2,742,497</u>	<u>(6,084,344)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	345,439	4,478	3,779	353,696
Investment in ATC LLC	(123,303)	-	-	(123,303)
Net Cash Provided by Investing Activities	<u>222,136</u>	<u>4,478</u>	<u>3,779</u>	<u>230,393</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,141,381)	5,323,292	3,246,708	7,428,619
Cash and Cash Equivalents - Beginning of Year	<u>17,339,609</u>	<u>2,808,526</u>	<u>3,786,850</u>	<u>23,934,985</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 16,198,228</u>	<u>\$ 8,131,818</u>	<u>\$ 7,033,558</u>	<u>\$ 31,363,604</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

	Kaukauna Utilities	Stormwater Utility	Sanitary Sewer Utility	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 7,107,656	\$ 837,125	\$ 554,520	\$ 8,499,301
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Nonoperating Revenue	(327,725)	-	-	(327,725)
Depreciation	6,207,108	161,305	339,012	6,707,425
Depreciation Charged to Operating Accounts	295,170	-	-	295,170
Depreciation on Nonutility Plant	8,679	-	-	8,679
Change in Liability (Asset) and Deferred Outflows and Inflows of Resources:				
Pension Asset/Liability	(530,502)	(5,738)	(28,519)	(564,759)
Pension Related Deferred Outflows	(1,607,142)	(22,225)	(66,469)	(1,695,836)
Pension Related Deferred Inflows	1,568,033	19,362	73,795	1,661,190
Other Postemployment Benefits Liability	107,125	(575)	2,893	109,443
Other Postemployment Benefits Liability Related Deferred Outflows	(19,821)	861	(195)	(19,155)
Other Postemployment Benefits Liability Related Deferred Inflows	8,741	(51)	426	9,116
Regulatory Asset	220,136	-	-	220,136
Change in Operating Assets and Liabilities:				
Accounts Receivables, Net of Allowance	(242,613)	-	(2,590)	(245,203)
Due to/from Municipality	37	-	-	37
Inventories and Prepaid Items	(510,344)	-	-	(510,344)
Accounts Payable	18,703	(1,789)	72,608	89,522
Accrued and Other Current Liabilities	(59,948)	1,720	(6,625)	(64,853)
Customer Deposits	1,316,298	-	-	1,316,298
Unearned Revenues	600,362	(550)	(1,651)	598,161
Net Cash Provided by Operating Activities	<u>\$ 14,159,953</u>	<u>\$ 989,445</u>	<u>\$ 937,205</u>	<u>\$ 16,086,603</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Cash Equivalents in Current Assets	\$ 9,312,360	\$ 3,148,436	\$ 4,254,395	\$ 16,715,191
Cash and Cash Equivalents in Restricted Assets	6,885,868	4,983,382	2,779,163	14,648,413
Total Cash and Cash Equivalents	<u>\$ 16,198,228</u>	<u>\$ 8,131,818</u>	<u>\$ 7,033,558</u>	<u>\$ 31,363,604</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
ATC Dividends Reinvested	\$ (84,580)	\$ -	\$ -	\$ (84,580)
Amortization	\$ (201,529)	\$ -	\$ -	\$ (201,529)
Acquisition of Capital Assets Purchase on Account	\$ -	\$ -	\$ (156,149)	\$ (156,149)
Developer Financed Additions to Utility Plant	\$ 326,139	\$ -	\$ -	\$ 326,139

See accompanying Notes to Basic Financial Statements.

**CITY OF KAUKAUNA, WISCONSIN
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2022**

	Tax Collection Custodial Fund
ASSETS	
Cash and Investments	\$ 6,371,526
Taxes Receivable	7,408,886
Total Assets	13,780,412
 DEFERRED INFLOW	
Property Taxes Levied for Subsequent Year	13,780,412
 NET POSITION	
Restricted	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF KAUKAUNA, WISCONSIN
 STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUND
 YEAR ENDED DECEMBER 31, 2022**

	<u>Tax Collection Custodial Fund</u>
ADDITIONS	
Property Tax Collections	\$ 13,932,071
DEDUCTIONS	
Payments to Taxing Jurisdictions	<u>13,932,071</u>
CHANGE IN NET POSITION	-
Net Position - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022**

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.

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, 2022**

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 Fund

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.

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 and fiduciary 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. General capital asset acquisitions, including entering into contracts giving the City of Kaukauna the right to use lease assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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.

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.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Accounts Receivable

Accounts receivable have been shown net of allowance for uncollectible accounts of \$403,991.

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 2022 tax roll are recognized as revenue in 2023.)

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.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 ½ of 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 is valued at net asset value per share which is equal to the original cost plus additional contributions and reinvested dividends and approximates fair value.

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, except intangible right-to-use lease assets, the measurement of which is discussed in Note 1.E.15 below, 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.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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/amortized using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities	Business-Type Activities
	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
Right-to-Use Lease Asset - Buildings	3 to 5	3 to 5

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.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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. Leases

The City is a lessee for space usage.

Lessee

The City recognizes a lease liability and an intangible right-to-use lease asset in the district-wide financial statements based on the criteria dictated in GASB Statement No. 87, *Leases*.

At the commencement of a lease, the City determines based on the criteria dictated in GASB Statement No. 87, *Leases*, if the lease is a financed purchased or a lease liability. Then the City initially measures the lease liability at the present value of payments expected to be made during the lease term.

Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease liabilities are reported with the long-term obligations on the statement of net position.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

15. Leases

Lessee (Continued)

An intangible right-to-use lease asset is initially measured as the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The intangible right-to-use lease asset is amortized on a straight-line basis over the life of the lease. The intangible right-to-use lease asset is reported with the City capital assets in its own category called Leased Assets (Right-to-Use).

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The City accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the City treats the components as a single lease unit.

The City monitors changes in circumstances that would require a re-measurement of its lease and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

16. 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 (revenue), 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.

17. 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 (revenue), 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 member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

18. Fund Equity

Governmental Fund Financial Statements

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

- **Nonspendable Fund Balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- **Restricted Fund Balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance.** Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.
- **Assigned Fund Balance.** Amounts that are constrained for specific purposes by action of City management. The City Council has authorized the City Finance Director to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- **Unassigned Fund Balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

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

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

18. Fund Equity (Continued)

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 or amortization, 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. 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.

G. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Adoption of New Accounting Standards (Continued)

The City adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. As a result of the implementation of this standard, the City recorded right-to-use assets and related lease payable of \$1,635,932.

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. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the general fund, certain special revenue funds, debt service funds and certain capital projects funds.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.
5. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022 as follows:

Funds	Excess Expenditures
General Fund:	
Public Safety	\$ 179,898
Health and Human Services	2,036

C. Deficit Fund Equity

The following funds had deficit fund balance as of December 31, 2022:

Funds	Deficit Fund Balance
Capital Projects Funds:	
Streets and Sidewalks	\$ 433,300
Tax Incremental District #5	3,973,127
Tax Incremental District #8	163,111
Tax Incremental District #9	99,245
Tax Incremental District #10	117,238
Tax Incremental District #11	15,274
Tax Incremental District #12	8,136
Environmental Remediation TID	558,653

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

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 2022 and 2023 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 2022 budget was 2.57%. The actual limit for the City for the 2023 budget was 2.09%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 \$62,409,744 on December 31, 2022, as summarized below:

Petty Cash and Cash on Hand	\$ 1,150
Deposits with Financial Institutions	17,189,105
Beneficial Interest in Assets Held by Community Foundation of the Fox Valley	17,667
Investments:	
U.S. Agency Securities	1,097,215
Federal Home Loan Mortgage	269,031
Bond Mutual Funds	391,156
Wisconsin Investment Series Cooperative (WISC):	
LTD Series	1,183,416
TS Series	1,399,512
Negotiable Certificates of Deposit	1,835,770
Repurchase Agreements	11,366,080
Money Market Mutual Funds	927,042
U.S. Treasury Notes and Bonds	1,965,203
Wisconsin Local Government Investment Pool	24,767,397
Total	\$ 62,409,744

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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	\$ 34,499,078
Restricted Cash and Investments	21,539,140
Fiduciary Fund Statement of Net Position:	
Custodial Fund	6,371,526
Total	<u>\$ 62,409,744</u>

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2022:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments:			
U.S. Treasuries	\$ -	\$ 1,965,203	\$ -
U.S. Agency Securities	-	1,097,215	-
Federal Home Loan Mortgage	-	269,031	-
Bond Mutual Funds	163,367	227,789	-
Negotiable Certificates of Deposit	-	1,835,770	-
Beneficial Interest in Assets Held by Community Foundation of the Fox Valley	-	-	17,667
Total	<u>\$ 163,367</u>	<u>\$ 5,395,008</u>	<u>\$ 17,667</u>

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

Custodial Credit Risk

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

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, \$11,177,889 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, 2022, the City held repurchase agreement investments of \$11,366,080 of which the underlying securities are, held by the investment's counterparty, not in the name of the City.

Credit Risk

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

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
Money Market Mutual Funds	\$ 927,042	\$ -	\$ -	\$ -	\$ 927,042
Mutual Bond Funds	391,156	-	-	-	391,156
U.S. Treasuries	1,965,203	-	-	-	1,965,203
Federal Home Loan Mortgage	269,031	-	-	269,031	-
U.S. Agency Securities	1,097,215	-	-	1,097,215	-
Negotiable Certificates of Deposit	1,835,770	-	-	-	1,835,770
WISC Investments:					
LTD Series	1,183,416	-	-	-	1,183,416
TS Series	1,399,512	-	-	-	1,399,512
Wisconsin Local Government Investment Pool	24,767,397	-	-	-	24,767,397
Totals	<u>\$ 33,835,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,366,246</u>	<u>\$ 32,469,496</u>

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, the City had no 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.

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.

As of December 31, 2022, the Wisconsin Local Government Investment Pool had a weighted average maturity of 74 days. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Money Market Mutual Funds	\$ 927,042	\$ 927,042	\$ -	\$ -	\$ -
Mutual Funds	391,156	391,156	-	-	-
U.S. Treasuries	1,965,203	1,212,266	752,937	-	-
Federal Home Loan Mortgage	269,031	-	269,031	-	-
U.S. Agency Securities	1,097,215	-	1,097,215	-	-
WISC Investments:					
TS Series	1,399,512	1,399,512	-	-	-
LTD Series	1,183,416	1,183,416	-	-	-
Repurchase Agreements	11,366,080	11,366,080	-	-	-
Negotiable Certificates of Deposit	1,835,770	1,835,770	-	-	-
Wisconsin Local Government Investment Pool	24,767,397	24,767,397	-	-	-
Totals	\$ 45,201,822	\$ 43,082,639	\$ 2,119,183	\$ -	\$ -

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):

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations (Continued)

Highly Sensitive Investments	Fair Value at Year-End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 269,031

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin Local Government Investment Pool of \$24,767,397 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, 2022, 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.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Restricted Assets

Restricted assets of the primary government on December 31, 2022 totaled \$22,582,344 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
General:		
HRA Account	\$ 424,565	To be used for insurance related expenditures
Special Revenue:		
Thousand Islands Environmental Center	450,987	To be used for future activities of the Environmental Center
Subdivision Fees	1,779	To be used for future expenditures relating to subdivisions
American Rescue Plan Act	1,588,172	To be used for future expenditures relating to the American Rescue Plan Act
Nelson Crossing	1,618	To be used for future activities of Nelson Crossing
Total Special Revenue	<u>2,042,556</u>	
Debt Service	1,952,256	
Capital Projects:		
Special Assessments	274,685	To be used for future capital expenditures
Pools and Parks	231,156	To be used for future capital expenditures relating to space improvements
Tax Incremental District #4	1,763	To be used for future expenses relating to the tax incremental district
Tax Incremental District #5	112,977	To be used for future expenses relating to the tax incremental district
Tax Incremental District #6	417,350	To be used for future expenses relating to the tax incremental district
Tax Incremental District #8	514,965	To be used for future expenses relating to the tax incremental district
Tax Incremental District #9	13,324	To be used for future expenses relating to the tax incremental district
Tax Incremental District #10	44,044	To be used for future expenses relating to the tax incremental district
Tax Incremental District #11	40,557	To be used for future expenses relating to the tax incremental district
Environmental Remediation TID	52,526	To be used for future expenses relating to the tax incremental district
Redevelopment Authority	768,003	To be used for retirement of Taxable Redevelopment Lease Revenue Bonds
Total Capital Projects	<u>2,471,350</u>	
Total Governmental Activities	6,890,727	
Enterprise:		
Electric Utility:		
Debt Reserve	6,155,188	To be used for subsequent year payments and to reserve additional
Water Utility:		
Debt Reserve/Special Redemption	730,680	To be used for subsequent year payments and to reserve additional
Stormwater Utility:		
Capital Improvements	4,223,335	To be used for future stormwater capital projects
Debt Reserve	760,047	To reserve additional funds for debt retirement
Total Stormwater Utility	<u>4,983,382</u>	
Sanitary Sewer Utility:		
Capital Improvements	2,292,076	To be used for future sanitary sewer capital projects
Debt Reserve	487,087	To reserve additional funds for debt retirement
Total Sanitary Sewer Utility	<u>2,779,163</u>	
Total Business-Type Activities	<u>14,648,413</u>	
Total Restricted Assets	<u>\$ 21,539,140</u>	

CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance (1)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 8,285,039	\$ -	\$ -	\$ 8,285,039
Construction in Progress	11,479,547	2,499,252	12,368,365	1,610,434
Total Capital Assets, Nondepreciable	<u>19,764,586</u>	<u>2,499,252</u>	<u>12,368,365</u>	<u>9,895,473</u>
Capital Assets, Being Depreciated and Amortized:				
Land Improvements	1,871,093	-	-	1,871,093
Buildings and Improvements	22,883,178	5,660,983	-	28,544,161
Machinery and Equipment	10,234,548	941,887	283,412	10,893,023
Infrastructure	62,388,834	8,653,943	-	71,042,777
Right-to-Use Lease Assets - Buildings	2,549,180	-	-	2,549,180
Subtotals	<u>99,926,833</u>	<u>15,256,813</u>	<u>283,412</u>	<u>114,900,234</u>
Less: Accumulated Depreciation and Amortization	<u>37,884,879</u>	<u>3,436,730</u>	<u>283,412</u>	<u>41,038,197</u>
Total Capital Assets, Depreciable, Net	<u>62,041,954</u>	<u>11,820,083</u>	<u>-</u>	<u>73,862,037</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,806,540</u>	<u>\$ 14,319,335</u>	<u>\$ 12,368,365</u>	<u>83,757,510</u>
Less: Debt Incurred for Capital Assets				56,973,259
Less: Premium				1,485,102
Less: Accounts Payable Related to Capital Assets				<u>564,358</u>
Net Investment in Capital Assets				<u>\$ 24,734,791</u>
Business-Type Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 2,517,811	\$ -	\$ -	\$ 2,517,811
Intangible	534,579	303,372	-	837,951
Construction in Progress	1,453,039	11,298,993	9,397,433	3,354,599
Total Capital Assets, Nondepreciable	<u>4,505,429</u>	<u>11,602,365</u>	<u>9,397,433</u>	<u>6,710,361</u>
Capital Assets, Depreciable:				
Buildings	26,320,925	278,177	36,864	26,562,238
Improvements Other Than Buildings	141,691,831	5,750,651	463,112	146,979,370
Machinery and Equipment	38,348,353	916,696	268,015	38,997,034
Infrastructure	34,470,502	405,034	-	34,875,536
Subtotals	<u>240,831,611</u>	<u>7,350,558</u>	<u>767,991</u>	<u>247,414,178</u>
Less: Accumulated Depreciation	<u>86,016,311</u>	<u>7,002,594</u>	<u>779,640</u>	<u>92,239,265</u>
Subtotals	<u>86,016,311</u>	<u>7,002,594</u>	<u>779,640</u>	<u>92,239,265</u>
Total Capital Assets, Depreciable, Net	<u>154,815,300</u>	<u>347,964</u>	<u>(11,649)</u>	<u>155,174,913</u>
Business-Type Activities Capital Assets, Net	<u>\$ 159,320,729</u>	<u>\$ 11,950,329</u>	<u>\$ 9,385,784</u>	<u>161,885,274</u>
Less: Capital Related Debt				76,563,105
Less: Debt Premium				3,867,525
Less: Accounts Payable Related to Capital Assets				<u>684,963</u>
Net Investment in Capital Assets				<u>\$ 80,769,681</u>

(1) The beginning balance was restated due to the implementation of GASB Statement No. 87. See Note 1.H.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 82,134
Public Safety	230,021
Public Works	2,296,063
Culture and Recreation	562,351
Conservation and Development	266,161
Total Depreciation Expense - Governmental Activities	<u>\$ 3,436,730</u>
Business-Type Activities:	
Kaukauna Utilities	\$ 6,502,277
Stormwater Utility	161,305
Sanitary Sewer Utility	339,012
Total Increase in Accumulated Depreciation - Business-Type Activities	<u>\$ 7,002,594</u>

The Utilities holds nonutility property consisting of land and buildings and improvements totaling \$308,845, 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, 2022 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds:		
General Fund	\$ 1,207,285	\$ 11,499
Debt Service Fund	5,275,000	-
Nonmajor Governmental Funds:		
Industrial Park	-	240,000
Special Assessments	-	9,434
Streets & Sidewalks Fund	-	38,344
Environmental Remediation TID	-	700,000
Tax Incremental District #4	-	50,000
Tax Incremental District #5	-	4,575,000
Tax Incremental District #8	-	640,852
Tax Incremental District #9	-	111,300
Tax Incremental District #10	-	117,238
Tax Incremental District #11	-	15,274
Tax Incremental District #12	-	6,232
Solid Waste	63,027	2,116
Enterprise Funds:		
Kaukauna Utilities	141,520	1,316,278
Stormwater Utility	226,075	-
Sanitary Sewer Utility	1,024,679	104,019
Totals	<u>\$ 7,937,586</u>	<u>\$ 7,937,586</u>

Stormwater and Sanitary Sewer Utility amounts include amounts due from customers.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

Interfund transfers for the year ended December 31, 2022 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 2,695,600	\$ 57,142
Debt Service	2,228,363	-
Nonmajor Governmental	2,047,387	4,656,608
Kaukauna Utilities	-	2,271,812
Stormwater Utility	-	88,070
Sanitary Sewer	252,000	149,718
Total	<u>\$ 7,223,350</u>	<u>\$ 7,223,350</u>

Transfers are used for the following purposes:

Tax Equivalent Payment Made by Water and Electric Utility to General Fund	\$ 2,298,876
Administration Fees from the Storm Water and Sewer Utilities	237,788
Transfers for Debt Retirement	2,228,363
To Finance Construction Project Costs	1,840,211
To Move Unrestricted Revenues to the Fund That is Required or Allowed to Expend	<u>618,112</u>
Transfers - Fund Statements	7,223,350
Less: Eliminating Transfers Out	<u>(4,965,750)</u>
Transfers - Government-Wide Statements	<u>\$ 2,257,600</u>

E. Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2022:

	Beginning Balance (1)	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds	\$ 8,999,998	\$ -	\$ 665,000	\$ 8,334,998	\$ 790,000
Notes	39,214,522	6,000,000	3,834,520	41,380,002	4,075,000
Total General Obligation Debt	48,214,520	6,000,000	4,499,520	49,715,000	4,865,000
Lease Liability	1,762,800	-	126,868	1,635,932	128,143
Taxable Redevelopment Lease					
Revenue Bonds	8,075,000	-	425,000	7,650,000	425,000
Premium on Outstanding Debt	1,455,066	292,346	262,310	1,485,102	-
Compensated Absences	608,631	224,117	152,158	680,590	170,148
Governmental Activities					
Long-Term Obligations	<u>\$ 60,116,017</u>	<u>\$ 6,516,463</u>	<u>\$ 5,465,856</u>	<u>\$ 61,166,624</u>	<u>\$ 5,588,291</u>

(1) The beginning balance was restated due to the implementation of GASB Statement No. 87. See Note 1.H.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Business-Type Activities:					
General Obligation Debt:					
Notes	\$ 900,480	\$ -	\$ 240,480	\$ 660,000	\$ 180,000
Revenue Bonds	78,315,000	17,235,000	10,735,000	84,815,000	4,870,000
Premium on Outstanding Debt	4,374,269	-	506,744	3,867,525	-
Compensated Absences	16,335	-	5,616	10,719	-
Business-Type Activities Long-Term Obligations	<u>\$ 83,606,084</u>	<u>\$ 17,235,000</u>	<u>\$ 11,487,840</u>	<u>\$ 89,353,244</u>	<u>\$ 5,050,000</u>

Total interest paid during the year on long-term debt totaled \$3,749,361.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
General Obligation Notes	09/04/13	12/31/23	2.00 - 4.00%	\$ 1,125,000	\$ 225,000
General Obligation Notes	05/20/14	11/01/24	2.00 - 3.00%	875,000	100,000
General Obligation Notes	05/20/14	11/01/24	2.00 - 4.00%	1,000,000	300,000
General Obligation Notes	09/02/14	09/01/24	1.50 - 3.00%	1,300,000	650,000
General Obligation Bonds	03/17/15	09/01/25	2.00 - 3.00%	2,435,000	635,000
General Obligation Bonds	09/01/15	12/01/27	2.00 - 4.00%	1,650,000	1,175,000
General Obligation Notes	09/01/15	12/01/25	2.00 - 3.00%	3,550,000	1,650,000
General Obligation Notes	11/01/16	11/01/24	2.00 - 3.00%	1,525,000	425,000
General Obligation Bonds	08/15/17	12/01/30	2.00 - 3.00%	1,565,000	1,020,000
General Obligation Notes	08/15/17	12/01/27	2.00 - 3.00%	8,450,000	6,100,000
General Obligation Notes	09/05/18	06/01/28	2.00 - 3.25%	5,200,000	4,715,000
General Obligation Bonds	10/30/19	06/01/28	1.95 - 2.50%	6,305,000	4,500,000
General Obligation Notes	10/30/19	09/01/29	2.00 - 3.00%	5,025,000	5,505,000
General Obligation Notes	09/03/20	09/01/30	1.00 - 2.00%	9,800,000	8,775,000
General Obligation Notes	09/01/21	09/01/31	0.35 - 1.85%	5,200,000	5,100,000
General Obligation Notes	09/01/21	09/01/31	2.00 - 3.00%	3,680,000	3,500,000
General Obligation Notes	05/03/22	03/01/32	4.00%	6,000,000	6,000,000
Total Outstanding General Obligation Debt					<u>\$ 50,375,000</u>

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 \$50,375,000 on December 31, 2022 are detailed below:

Year Ended December 31,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 4,865,000	\$ 1,329,487	\$ 180,000	\$ 17,100	\$ 5,045,000	\$ 1,346,587
2024	5,011,000	1,123,310	224,000	11,040	5,235,000	1,134,350
2025	4,969,000	999,638	256,000	3,840	5,225,000	1,003,478
2026	6,660,000	870,453	-	-	6,660,000	870,453
2027	6,885,000	684,334	-	-	6,885,000	684,334
2028-2032	21,325,000	1,390,621	-	-	21,325,000	1,390,621
Total	<u>\$ 49,715,000</u>	<u>\$ 6,397,843</u>	<u>\$ 660,000</u>	<u>\$ 31,980</u>	<u>\$ 50,375,000</u>	<u>\$ 6,429,823</u>

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

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2022 was \$22,790,505 as follows:

Equalized Valuation of the City	\$ 1,463,310,100
Statutory Limitation Percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	73,165,505
Total Outstanding General Obligation Debt Applicable to Debt Limitation	<u>50,375,000</u>
Legal Margin for New Debt	<u>\$ 22,790,505</u>

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Revenue Bonds

Revenue bonds outstanding on December 31, 2022 totaled \$84,815,000 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
Kaukauna Utilities:					
Electric Utility:					
Revenue Bond	06/02/15	12/15/30	2.0-4.0%	\$ 9,415,000	\$ 4,375,000
Revenue Bond	12/15/15	12/15/25	2.0-3.0%	3,365,000	1,440,000
Revenue Bond	03/08/18	12/15/37	4.0%	11,150,000	9,400,000
Revenue Bond	10/09/18	12/15/28	3.00-5.00%	10,130,000	6,190,000
Revenue Bond	09/10/19	12/15/35	2.6-3.0%	20,275,000	19,835,000
Revenue Bond	12/15/20	12/15/30	3.0-4.0%	16,320,000	14,945,000
Total Electric Utility Revenue Bonds					56,185,000
Water Utility:					
Revenue Bond	08/29/14	12/01/23	2.0-2.65%	2,500,000	425,000
Revenue Bond	10/03/17	12/01/37	2.0-3.25%	3,950,000	3,750,000
Revenue Bond	12/30/20	12/04/40	2.0-3.0%	3,085,000	2,845,000
Total Water Utility Revenue Bonds					7,020,000
Stormwater:					
Revenue Bond	11/01/16	09/01/31	2.0-3.25%	1,350,000	900,000
Revenue Bond	06/03/22	09/01/42	3.0-4.25%	9,140,000	9,140,000
					10,040,000
Sanitary Sewer:					
Revenue Bond	09/04/13	09/01/28	3.00-5.00%	1,950,000	900,000
Revenue Bond	09/01/15	09/01/30	3.00-4.00%	1,225,000	725,000
Revenue Bond	11/01/16	09/01/31	3.00-3.25%	1,225,000	825,000
Revenue Bond	09/05/18	09/01/33	2.00-4.00%	1,190,000	1,025,000
Revenue Bond	06/03/22	09/01/42	3.00-4.25%	8,095,000	8,095,000
Total Sanitary Sewer Revenue Bonds					11,570,000
Total Outstanding Revenue Bonds					<u>\$ 84,815,000</u>

Annual principal and interest maturities of the outstanding revenue bonds of \$84,815,000 on December 31, 2022 are detailed below:

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,870,000	\$ 2,903,081	\$ 7,773,081
2024	4,750,000	3,013,890	7,763,890
2025	4,950,000	2,670,126	7,620,126
2026	5,120,000	2,488,559	7,608,559
2027	5,295,000	2,308,064	7,603,064
2028-2032	28,360,000	8,471,232	36,831,232
2033-2037	24,050,000	3,633,828	27,683,828
2038-2042	7,420,000	917,625	8,337,625
Total	<u>\$ 84,815,000</u>	<u>\$ 26,406,405</u>	<u>\$ 111,221,405</u>

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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:

	Kaukauna Utilities			
	Electric Utility	Water Utility	Stormwater Utility	Sanitary Sewer Utility
Net Customer Revenues:				
Operating Revenues	\$ 54,490,566	\$ 4,146,954	\$ 1,356,145	\$ 3,486,738
Other Income	104,076	4,916	4,478	3,779
Total Revenues	<u>54,594,642</u>	<u>4,151,870</u>	<u>1,360,623</u>	<u>3,490,517</u>
Less: Operating Expenses	42,884,845	2,437,911	357,715	2,593,206
Net Customer Revenues	<u>\$ 11,709,797</u>	<u>\$ 1,713,959</u>	<u>\$ 1,002,908</u>	<u>\$ 897,311</u>
Debt Service:				
Principal	\$ 3,365,000	\$ 595,000	\$ 350,000	\$ 425,000
Interest	2,082,365	223,557	127,250	285,152
Total Debt Service	<u>\$ 5,447,365</u>	<u>\$ 818,557</u>	<u>\$ 477,250</u>	<u>\$ 710,152</u>
Remaining Principal and Interest	<u>\$ 70,349,038</u>	<u>\$ 8,857,919</u>	<u>\$ 14,811,303</u>	<u>\$ 17,203,145</u>

Taxable Redevelopment Lease Revenue Bonds

Taxable redevelopment lease revenue bond debt service requirements are financed from operations of the Redevelopment Authority. Revenue bond debt outstanding on December 31, 2022 totaled \$7,650,000 and was composed of the following issue:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/22
Lease Revenue Bond	7/1/15	12/1/40	2.00 - 4.125%	\$ 10,500,000	<u>\$ 7,650,000</u>

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 \$7,650,000 on December 31, 2022 are detailed below:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 425,000	\$ 294,844	\$ 719,844
2024	425,000	277,844	702,844
2025	425,000	260,844	685,844
2026	425,000	243,844	668,844
2027	425,000	226,844	651,844
2028-2032	2,125,000	891,438	3,016,438
2033-2037	2,125,000	479,719	2,604,719
2038-2040	1,275,000	78,891	1,353,891
Total	<u>\$ 7,650,000</u>	<u>\$ 2,754,268</u>	<u>\$ 10,404,268</u>

F. Leases Payable

The City leases space usage for various terms under long-term, noncancelable lease agreements. The leases expire in 2034.

Total principal and interest costs for such leases for governmental funds were \$145,191 for the year ended December 31, 2022. The future minimum lease payments for these agreements are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 128,143	\$ 15,773	\$ 143,916
2024	129,545	14,486	144,031
2025	132,118	13,178	145,296
2026	133,445	11,851	145,296
2027	134,786	10,510	145,296
2028 - 2032	699,284	31,895	731,179
2033 - 2037	278,611	2,795	281,406
Total Minimum Payments Required	<u>\$ 1,635,932</u>	<u>\$ 100,488</u>	<u>\$ 1,736,420</u>

Right-to-use assets acquired through outstanding leases are as follows:

Buildings and Improvements	\$ 2,549,180
Less Accumulated Depreciation for:	
Buildings and Improvements	1,030,293
Total	<u>\$ 1,518,887</u>

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan

Wisconsin Retirement System

1. Plan Description

The Wisconsin Retirement System (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, 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 Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

Wisconsin Retirement System (Continued)

1. Plan Description (Continued)

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:

<u>Year</u>	<u>Core Fund Adjustment (%)</u>	<u>Variable Fund Adjustment (%)</u>
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21
2021	5.1	13

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, 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, 2022, the WRS recognized \$1,167,094 in contributions from the City.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

3. Contributions (Continued)

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Executives and Elected Officials)	6.50 %	6.50 %
Protective with Social Security	6.50 %	12.00 %
Protective without Social Security	6.50 %	16.40 %

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

At December 31, 2022, the City reported an asset of \$7,680,816 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. 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, 2021, the City's proportion was 0.09529330%, which was an increase of 0.00044425% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the City recognized pension revenue of \$664,885.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 12,407,967	\$ 894,748
Net differences Between Projected and Actual Earnings on Pension Plan Investments	-	17,182,622
Changes in Assumptions	1,432,976	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,996	3,705
Employer Contributions Subsequent to the Measurement Date	1,167,094	-
Total	<u>\$ 15,013,033</u>	<u>\$ 18,081,075</u>

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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

\$1,167,094 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Expense</u>
2023	\$ (359,961)
2024	(2,081,270)
2025	(915,167)
2026	(878,738)
Total	\$ (4,235,136)

5. Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability:	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table
Postretirement Adjustments*	1.7%

* *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.*

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The Total Pension Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	52.0%	6.8%	4.2%
Fixed Income	25.0%	4.3%	1.8%
Inflation Sensitive Assets	19.0%	2.7%	0.2%
Real Estate	7.0%	5.6%	3.0%
Private Equity/Debt	12.0%	9.7%	7.0%
Cash	-15.0%	0.9%	N/A
Total Core Fund	100.0%	6.6%	4.0%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	6.3%	3.7%
International Equities	30.0%	7.2%	4.6%
Total Variable Fund	100.0%	6.8%	4.2%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

Single Discount Rate. A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 1.84% (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, 2020. 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 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 6.80%, 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 (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,450,083	\$ (7,680,815)	\$ (17,132,618)

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, 2022, the City has outstanding amount of contributions to the pension plan of \$177,605 for the year ended December 31, 2022.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. 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, 2022, the City contributed \$2,460 to the plan, and the City recognized pension expense of \$2,460.

H. Other Postemployment Benefits

The City reports OPEB related balances at December 31, 2022 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Local Retiree Life Insurance Fund (LRLIF)	\$ 1,238,630	\$ 409,667	\$ 169,210	\$ 148,255
Single-Employer Defined OPEB Plan	8,436,299	1,204,760	871,008	525,910
Total Pension Liability	<u>\$ 9,674,929</u>	<u>\$ 1,614,427</u>	<u>\$ 1,040,218</u>	<u>\$ 674,165</u>

1. Single-Employer Defined Postemployment Benefit Plan

Plan Description

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the Utilities, fire and police, and elected and appointed. 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.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

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

Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	28
Active Employees	146
Total	174

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, 2022 and was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions. The total OPEB liability in the January 1, 2022 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:	3.72%
Healthcare Cost Trend Rates:	3.00% for 2022 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 2.06% used for all years of benefit payments was based on the current yield for 20-year, tax-exempt AA Municipal bond rate or higher as of the measurement date.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. 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 3.72%. 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)
	Total OPEB
Balance at December 31, 2021	\$ 8,037,054
Changes for the Year:	
Service Cost	332,749
Interest	161,572
Differences Between Expected and Actual Experience	398,100
Change in Assumptions	(105,617)
Benefit Payments	(387,559)
Net Changes	399,245
Balance at December 31, 2022	\$ 8,436,299

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.72%) or 1-percentage-point higher (4.72%) than the current rate:

	1% Decrease to Discount Rate (2.72%)	Current Discount Rate (3.72%)	1% Increase to Discount Rate (4.72%)
Total OPEB Liability	\$ 9,232,144	\$ 8,436,299	\$ 7,735,264

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. 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 City, as well as what the City's 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:

	1% Decrease (Varies)	Healthcare Cost Trend Rates (Varies)	1% Increase (Varies)
Total OPEB Liability	\$ 7,613,756	\$ 8,436,299	\$ 9,396,722

OPEB Expense

For the year ended December 31, 2022, the City recognized OPEB expense of \$525,910.

As of December 31, 2022, 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	\$ 363,721	\$ 774,513
Changes in Assumptions	841,039	96,495
Total	\$ 1,204,760	\$ 871,008

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:

<u>Year Ending December 31,</u>	<u>Expense</u>
2023	\$ 31,589
2024	31,589
2025	31,589
2026	31,589
2027	31,589
Thereafter	175,807
Total	\$ 333,752

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

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

Payable to the OPEB Plan.

At December 31, 2022, the City had no outstanding amount of contributions to the Plan required for the year ended December 31, 2022.

2. Local Retiree Life Insurance Fund

Plan Description

The LRLIF is a 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 Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can also be found at using the link above.

Benefits Provided

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

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a 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 member premiums until age 65 in order to be eligible for the benefit after age 65.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

Contribution rates as of December 31, 2022 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
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, 2021 are listed below:

Life Insurance Member Contribution Rates* For the Year Ended December 31, 2021		
<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

*Disabled members under age 70 receive a waiver-of-premium benefit.

During the year ending December 31, 2022, the LRLIF recognized \$4,030 in contributions from the employer.

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

At December 31, 2022, the City reported a liability of \$1,238,630 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to December 31, 2021. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The City's 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, 2021, the City's proportion was 0.20956900%, which was a decrease of .00918300% from its proportion measured as of December 31, 2020.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

For the year ended December 31, 2022, the City recognized OPEB expense of \$148,255.

At December 31, 2022, 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	\$ -	\$ 63,008
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	16,116	-
Changes in Assumptions	374,233	60,037
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	19,318	46,165
Total	\$ 409,667	\$ 169,210

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

Year Ending December 31,	Expense
2023	\$ 55,004
2024	53,134
2025	48,407
2026	62,490
2027	26,202
Thereafter	(4,780)
Total	\$ 240,457

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2021
Measurement Date of Net OPEB Liability (Asset):	December 31, 2021
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.06%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.17%
Salary Increases:	
Wage Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumption used to measure the total OPEB liability changed from the prior year, including the price inflation, mortality and separation rates. The total OPEB liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the January 1, 2021 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.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. 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)**

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return %</u>
U.S. Intermediate Credit Bonds	Bloomberg US Interim Credit	45%	1.68%
U.S. Long Credit Bonds	Bloomberg US Long Credit	5%	1.82%
U.S. Mortgages	Bloomberg US MBS	50%	1.94%
Inflation			2.30%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return remained unchanged from the prior year at 4.25%. 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. The expected inflation rate increased from 2.20% as of December 31, 2020 to 2.3% as of December 31, 2021.

Single Discount Rate. A single discount rate of 2.17% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.25% for the prior year. The significant change was primarily caused by the decrease in the municipal bond rate from 2.12% as of December 31, 2019 to 2.06% as of December 31, 2021. 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.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. 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 2.17%, 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 (1.17%) or 1-percentage-point higher (3.17%) than the current rate:

	1% Decrease to Discount Rate (1.17%)	Current Discount Rate (2.17%)	1% Increase to Discount Rate (3.17%)
City's Proportionate Share of the Net OPEB Liability	\$ 1,680,375	\$ 1,238,630	\$ 906,236

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

Payable to the OPEB Plan

At December 31, 2022, the City had no outstanding amount of contributions to the Plan required for the year ended December 31, 2022.

I. 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, 2022, nonspendable fund balance was as follows:

General Fund:

Nonspendable:

Inventories and Prepaid Items	\$ 72,882
Delinquent Taxes	106
Total Nonspendable Fund Balance	\$ 72,988

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. 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, 2022, restricted fund balance was as follows:

Debt Service Fund:

Restricted for:

Debt Service	\$ 5,490,495
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Special Revenue Fund:

Restricted for:

Donations	375,498
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Capital Projects Fund:

Restricted for:

Tax Incremental Districts	511,395
Capital Expenditures	1,727,673
Debt Service	<u>780,755</u>

Total Restricted Fund Balance	<u><u>\$ 8,885,816</u></u>
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**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Equity (Continued)

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2022, governmental fund balance was committed as follows:

Special Revenue Funds:

Committed for:

Subdivision Fees	\$ 181,143
1000 Islands Environmental Center	75,540
Revolving Economic Development Loans	1,047,288
Rental Rehabilitation Grants	3,165
Housing Development Grants	28,670
CDBG Grant	198,097
Public Safety Grants	173,346
Library Foundation	17,667
Grignon Home	1
Vehicle Registration	66,576
Solid Waste	61,639
Red Hill Landfill	197,639
Nelson Crossing	1,659
Library Special Use	<u>11,945</u>

Capital Projects Fund:

Committed for:

Industrial Park	319,455
Special Assessments	1,091,633
Equipment	456,290
Pools and Parks	2,981,647
Buildings and Miscellaneous	<u>1,022,214</u>

Total Committed Fund Balance	<u><u>\$ 7,935,614</u></u>
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Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2022, fund balance was assigned as follows:

General Fund:

Subsequent Year's Expenditures	<u><u>\$ 410,000</u></u>
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**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 OTHER INFORMATION

A. WIPPI Energy Contract (WPII)

The Kaukauna Electric Utility purchases its electric requirements from WPII Energy (WPII). WPII 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). WPII'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 WPII located throughout the States of Wisconsin, Iowa, and Michigan. On December 31, 1989, each of WPII's members, including the City of Kaukauna, commenced purchasing electric service from WPII under a new Long-term Power Supply Contract for Participating Members (the Long-term Contract) under which WPII 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 WPII are required to pay for all power and energy requirements supplied or made available by WPII at rates sufficient to cover all of WPII's revenue requirement which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPII'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 WPII. The Long-term Contract provides that all payments to WPII 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 WPII 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 WPII for distribution to its customers under the above arrangement amounted to approximately \$274 million in 2022.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Tax Incremental Financing Districts

The City has established separate capital projects funds for eight 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, 2006, TID No. 7 was created in September, 2012, TID No. 8 was created in September, 2013, TID No. 9 was created in September 2016, TID No. 10 was created in September 2019, TID No. 11 was created in September 2021, and TID No. 12 was created in September 2022. 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, 2022 from future excess tax increment revenues of the TID’s are as follows:

	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6	Tax Incremental District #8
Net Unreimbursed (Reimbursed) Project Costs	\$ 225,515	\$ 11,288,127	\$ 535,116	\$ 5,805,507
	Tax Incremental District #9	Tax Incremental District #10	Tax Incremental District #11	Tax Incremental District #12
Net Unreimbursed (Reimbursed) Project Costs	\$ 99,246	\$ 634,638	\$ 15,274	\$ 8,136
	Tax Incremental ERTID			
Net Unreimbursed (Reimbursed) Project Costs	\$ 943,653			

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
TID No. 11	2041
TID No. 12	2042

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 26% of operating revenues.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KAUKAUNA, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) —
WISCONSIN RETIREMENT SYSTEM
LAST 10 MEASUREMENT PERIODS**

Measurement Period Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	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 %
12/31/20	0.09484905%	(5,921,557)	12,302,168	48.13 %	105.26 %
12/31/21	0.09529330%	(7,680,815)	12,606,353	60.93 %	106.02 %

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (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 %
12/31/21	1,117,295	1,117,295	-	12,606,353	8.86 %
12/31/22	1,167,094	1,167,094	-	13,446,296	8.68 %

See Notes to Required Supplementary Information.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:					
Service Cost	\$ 332,749	\$ 322,333	\$ 354,074	\$ 347,131	\$ 355,549
Interest	161,572	163,634	308,561	315,176	301,683
Changes of Benefit Terms	-	-	(343,744)	-	-
Differences Between Expected and Actual Experience	398,100	-	(1,005,945)	-	-
Changes of Assumptions	(105,616)	38,653	1,049,847	-	-
Benefit Payments	<u>(387,559)</u>	<u>(412,303)</u>	<u>(304,140)</u>	<u>(328,495)</u>	<u>(311,475)</u>
Net Change in Total OPEB Liability	399,246	112,317	58,653	333,812	345,757
Total OPEB Liability - Beginning	<u>8,037,054</u>	<u>7,924,737</u>	<u>7,866,084</u>	<u>7,532,272</u>	<u>7,186,515</u>
Total OPEB Liability - Ending	<u>\$ 8,436,300</u>	<u>\$ 8,037,054</u>	<u>\$ 7,924,737</u>	<u>\$ 7,866,084</u>	<u>\$ 7,532,272</u>
Covered-Employee Payroll	\$ 14,285,967	\$ 13,366,187	\$ 13,203,276	\$ 12,454,203	\$ 12,210,002

City's Total OPEB Liability as a Percentage of

**CITY OF KAUKAUNA, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) —
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 MEASUREMENT PERIODS**

Measurement Period Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (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 %
12/31/20	0.21875200%	1,203,293	12,606,353	9.55 %	31.36 %
12/31/21	0.20956900%	1,238,630	12,420,000	9.97 %	29.57 %

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	\$ 4,357	\$ 4,357	\$ -	\$ 11,511,789	0.04 %
12/31/19	4,192	4,192	-	11,899,616	0.04 %
12/31/20	4,382	4,382	-	12,302,169	0.04 %
12/31/21	4,182	4,182	-	12,606,353	0.03 %
12/31/22	4,030	4,030	-	13,446,296	0.03 %

See Notes to Required Supplementary Information.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

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.

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

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

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)

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.

Benefit Terms: There were no recent changes in benefit terms.

**CITY OF KAUKAUNA, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Local Retiree Life Insurance Fund (LRLIF) (Continued)

Assumptions: In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

The assumption changes that were used to measure the December 31, 2021 total OPEB liabilities, including the following:

- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

The assumption changes that were used to measure the December 31, 2018 total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.

SUPPLEMENTARY INFORMATION

CITY OF KAUKAUNA, WISCONSIN
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Special Revenue							
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants	CDBG Grant	Public Safety Grants	Library Foundation	Subdivision Fees
ASSETS								
Cash and Investments	\$ 13,964	\$ 1,047,288	\$ 3,165	\$ 28,670	\$ 198,097	\$ 177,575	\$ 17,667	\$ 181,142
Restricted Cash and investments	450,987	-	-	-	-	-	-	1,779
Receivables:								
Taxes and Special Charges	-	-	-	-	-	-	-	2,069
Accounts, Net	-	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-	553
Loans	-	384,549	13,960	68,200	108,371	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-	-	-
Total Assets	\$ 464,951	\$ 1,431,837	\$ 17,125	\$ 96,870	\$ 306,468	\$ 177,575	\$ 17,667	\$ 185,543
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ 5,090	\$ -	\$ -	\$ -	\$ -	\$ 4,229	\$ -	\$ -
Accrued and Other Current Liabilities	8,823	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
Unearned Revenues	-	-	-	-	-	-	-	-
Total Liabilities	13,913	-	-	-	-	4,229	-	-
DEFERRED INFLOWS OF RESOURCES								
Property Taxes Levied for Subsequent Year	-	-	-	-	-	-	-	3,847
Other Public Charges, Grants, and Donations	-	-	-	-	-	-	-	-
Loans Receivable	-	384,549	13,960	68,200	108,371	-	-	-
Special Assessments	-	-	-	-	-	-	-	553
Total Deferred Inflows of Resources	-	384,549	13,960	68,200	108,371	-	-	4,400
FUND BALANCES								
Restricted	375,498	-	-	-	-	-	-	-
Committed	75,540	1,047,288	3,165	28,670	198,097	173,346	17,667	181,143
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	451,038	1,047,288	3,165	28,670	198,097	173,346	17,667	181,143
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 464,951	\$ 1,431,837	\$ 17,125	\$ 96,870	\$ 306,468	\$ 177,575	\$ 17,667	\$ 185,543

CITY OF KAUKAUNA, WISCONSIN
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2022

Special Revenue (Continued)

ASSETS	PACE Loan Fund	Grignon Home	Vehicle Registration	Solid Waste	Red Hill Landfill	American Rescue Plan Act	Nelson Crossing	Library Special Use
Cash and Investments	\$ -	\$ 3,228	\$ 66,576	\$ -	\$ 197,639	\$ -	\$ 1,659	\$ 11,945
Restricted Cash and investments	-	-	-	-	-	1,588,172	1,618	-
Receivables:								
Taxes and Special Charges	-	-	-	-	-	-	1,882	-
Accounts, Net	-	-	-	900	-	-	-	-
Special Assessments	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	63,027	-	-	-	-
Due from Other Governments	-	-	-	-	-	-	-	-
Total Assets	\$ -	\$ 3,228	\$ 66,576	\$ 63,927	\$ 197,639	\$ 1,588,172	\$ 5,159	\$ 11,945
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ -	\$ 551	\$ -	\$ 172	\$ -	\$ -	\$ -	\$ -
Accrued and Other Current Liabilities	-	2,676	-	-	-	-	-	-
Due to Other Funds	-	-	-	2,116	-	-	-	-
Unearned Revenues	-	-	-	-	-	1,588,172	-	-
Total Liabilities	-	3,227	-	2,288	-	1,588,172	-	-
DEFERRED INFLOWS OF RESOURCES								
Property Taxes Levied for Subsequent Year	-	-	-	-	-	-	3,500	-
Other Public Charges, Grants, and Donations	-	-	-	-	-	-	-	-
Loans Receivable	-	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-	3,500	-
FUND BALANCES								
Restricted	-	-	-	-	-	-	-	-
Committed	-	1	66,576	61,639	197,639	-	1,659	11,945
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	-	1	66,576	61,639	197,639	-	1,659	11,945
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ -	\$ 3,228	\$ 66,576	\$ 63,927	\$ 197,639	\$ 1,588,172	\$ 5,159	\$ 11,945

CITY OF KAUKAUNA, WISCONSIN
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2022

	Capital Projects								
	Industrial Park	Special Assessments	Space Needs	Streets and Sidewalks	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6	Tax Incremental District #8	Tax Incremental District #9
ASSETS									
Cash and Investments	\$ 557,982	\$ 1,101,304	\$ -	\$ -	\$ 476,514	\$ 496,599	\$ 84,881	\$ -	\$ 12,055
Restricted Cash and investments	-	274,685	-	-	1,763	112,977	417,350	514,965	13,324
Receivables:									
Taxes and Special Charges	-	319,471	-	-	2,050	131,397	485,396	43,293	15,497
Accounts, Net	1,529	-	-	-	-	105,351	-	220,000	-
Special Assessments	-	3,679,469	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	1,660,000	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Other Governments	-	-	-	1,760,000	-	-	-	-	-
Total Assets	\$ 559,511	\$ 5,374,929	\$ -	\$ 1,760,000	\$ 480,327	\$ 846,324	\$ 987,627	\$ 2,438,258	\$ 40,876
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
LIABILITIES									
Accounts Payable	\$ 56	\$ 238	\$ -	\$ 394,956	\$ -	\$ 77	\$ -	\$ -	\$ -
Accrued and Other Current Liabilities	-	-	-	-	-	-	-	-	-
Due to Other Funds	240,000	9,434	-	38,344	50,000	4,575,000	-	640,852	111,300
Unearned Revenues	-	-	-	-	-	-	-	-	-
Total Liabilities	240,056	9,672	-	433,300	50,000	4,575,077	-	640,852	111,300
DEFERRED INFLOWS OF RESOURCES									
Property Taxes Levied for Subsequent Year	-	594,156	-	-	3,813	244,374	902,746	80,517	28,821
Special Charges Assessed	-	-	-	1,760,000	-	-	-	220,000	-
Loans Receivable	-	-	-	-	-	-	-	1,660,000	-
Special Assessments	-	3,679,468	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	4,273,624	-	1,760,000	3,813	244,374	902,746	1,960,517	28,821
FUND BALANCES									
Restricted	-	-	-	-	426,514	-	84,881	-	-
Committed	319,455	1,091,633	-	-	-	-	-	-	-
Unassigned	-	-	-	(433,300)	-	(3,973,127)	-	(163,111)	(99,245)
Total Fund Balances	319,455	1,091,633	-	(433,300)	426,514	(3,973,127)	84,881	(163,111)	(99,245)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 559,511	\$ 5,374,929	\$ -	\$ 1,760,000	\$ 480,327	\$ 846,324	\$ 987,627	\$ 2,438,258	\$ 40,876

CITY OF KAUKAUNA, WISCONSIN
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2022

Capital Projects (Continued)									
ASSETS	Tax Incremental District #10	Tax Incremental District #11	Tax Incremental District #12	Environmental Remediation TID	Equipment	Pool and Parks	RDA	Buildings and Miscellaneous	Total
Cash and Investments	\$ -	\$ -	\$ -	\$ 145,688	\$ 679,650	\$ 2,949,550	\$ 12,752	\$ 1,025,225	\$ 9,490,815
Restricted Cash Ind investments	44,044	40,557	-	52,526	-	231,156	768,003	-	4,513,906
Receivables									
Taxes and Special Charges	51,225	47,170	-	61,090	-	268,844	-	-	1,429,384
Accounts, Net	-	-	-	-	-	37,468	-	-	365,248
Special Assessments	-	-	-	-	-	-	-	-	3,680,022
Loans	-	-	-	-	-	-	-	-	2,235,080
Due from Other Funds	-	-	-	-	-	-	-	-	63,027
Due from Other Governments	-	-	-	-	-	-	-	-	1,760,000
Total Assets	\$ 95,269	\$ 87,727	\$ -	\$ 259,304	\$ 679,650	\$ 3,487,018	\$ 780,755	\$ 1,025,225	\$ 23,537,482
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
LIABILITIES									
Accounts Payable	\$ -	\$ -	\$ 1,904	\$ 4,341	\$ 223,360	\$ 5,371	\$ -	\$ 3,011	\$ 643,356
Accrued and Other Current Liabilities	-	-	-	-	-	-	-	-	11,499
Due to Other Funds	117,238	15,274	6,232	700,000	-	-	-	-	6,505,790
Unearned Revenues	-	-	-	-	-	-	-	-	1,588,172
Total Liabilities	117,238	15,274	8,136	704,341	223,360	5,371	-	3,011	8,748,817
DEFERRED INFLOWS OF RESOURCES									
Property Taxes Levied for Subsequent Year	95,269	87,727	-	113,616	-	500,000	-	-	2,658,386
Other Public Charges, Grants, and Donations	-	-	-	-	-	-	-	-	1,980,000
Loans Receivable	-	-	-	-	-	-	-	-	2,235,080
Special Assessments	-	-	-	-	-	-	-	-	3,680,021
Total Deferred Inflows of Resources	95,269	87,727	-	113,616	-	500,000	-	-	10,553,487
FUND BALANCES									
Restricted	-	-	-	-	133,448	1,594,225	780,755	-	3,395,321
Committed	-	-	-	-	322,842	1,387,422	-	1,022,214	6,207,941
Unassigned	(117,238)	(15,274)	(8,136)	(558,653)	-	-	-	-	(5,368,084)
Total Fund Balances	(117,238)	(15,274)	(8,136)	(558,653)	456,290	2,981,647	780,755	1,022,214	4,235,178
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 95,269	\$ 87,727	\$ -	\$ 259,304	\$ 679,650	\$ 3,487,018	\$ 780,755	\$ 1,025,225	\$ 23,537,482

CITY OF KAUKAUNA, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	Special Revenue							
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants	CDBG Grant	Public Safety Grants	Library Foundation	
REVENUES								
Taxes	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115
Intergovernmental	30,000	-	-	-	-	4,229	-	-
Public Charges for Services	15,068	-	-	-	-	36,452	-	-
Miscellaneous	50,294	189,442	-	-	57,681	-	(3,099)	-
Total Revenues	<u>215,362</u>	<u>189,442</u>	<u>-</u>	<u>-</u>	<u>57,681</u>	<u>40,681</u>	<u>(3,099)</u>	<u>5,589</u>
EXPENDITURES								
Current:								
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	5,450	-	-
Public Works	-	-	-	-	-	-	-	-
Culture and Recreation	325,098	-	-	-	-	-	13,050	-
Conservation and Development	6,034	52,316	-	-	121	-	-	-
Debt Service:								
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>331,132</u>	<u>52,316</u>	<u>-</u>	<u>-</u>	<u>121</u>	<u>5,450</u>	<u>13,050</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(115,770)	137,126	-	-	57,560	35,231	(16,149)	5,589
OTHER FINANCING SOURCES (USES)								
Long-Term Debt Issued	-	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-
Transfers In	38,357	40,975	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>38,357</u>	<u>40,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(77,413)	178,101	-	-	57,560	35,231	(16,149)	5,589
Fund Balance - Beginning of Year	<u>528,451</u>	<u>869,187</u>	<u>3,165</u>	<u>28,670</u>	<u>140,537</u>	<u>138,115</u>	<u>33,816</u>	<u>175,554</u>
FUND BALANCE - END OF YEAR	<u>\$ 451,038</u>	<u>\$ 1,047,288</u>	<u>\$ 3,165</u>	<u>\$ 28,670</u>	<u>\$ 198,097</u>	<u>\$ 173,346</u>	<u>\$ 17,667</u>	<u>\$ 181,143</u>

CITY OF KAUKAUNA, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

Special Revenue (Continued)								
	PACE Loan Fund	Grignon Home	Vehicle Registration	Solid Waste	Red Hill Landfill	American Rescue Plan Act	Nelson Crossing	Library Special Use
REVENUES								
Taxes	\$ -	\$ 44,175	\$ 146,451	\$ -	\$ -	\$ -	\$ 1,800	\$ -
Intergovernmental	-	-	-	-	-	114,785	-	-
Public Charges for Services	-	-	-	375,519	79,219	-	-	-
Miscellaneous	-	24,088	-	6,675	-	-	-	14,655
Total Revenues	<u>-</u>	<u>68,263</u>	<u>146,451</u>	<u>382,194</u>	<u>79,219</u>	<u>114,785</u>	<u>1,800</u>	<u>14,655</u>
EXPENDITURES								
Current:								
General Government	-	-	-	-	-	27,362	-	-
Public Safety	-	-	-	-	-	87,423	-	-
Public Works	-	-	-	246,013	2,067	-	-	-
Culture and Recreation	-	75,842	-	-	-	-	1,611	17,122
Conservation and Development	-	-	-	-	-	-	-	-
Debt Service:								
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>75,842</u>	<u>-</u>	<u>246,013</u>	<u>2,067</u>	<u>114,785</u>	<u>1,611</u>	<u>17,122</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(7,579)	146,451	136,181	77,152	-	189	(2,467)
OTHER FINANCING SOURCES (USES)								
Long-Term Debt Issued	-	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-
Transfers In	-	17,185	-	-	-	-	1,600	-
Transfers Out	(40,975)	-	(200,000)	(186,000)	(50,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(40,975)</u>	<u>17,185</u>	<u>(200,000)</u>	<u>(186,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>1,600</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(40,975)	9,606	(53,549)	(49,819)	27,152	-	1,789	(2,467)
Fund Balance - Beginning of Year	40,975	(9,605)	120,125	111,458	170,487	-	(130)	14,412
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 66,576</u>	<u>\$ 61,639</u>	<u>\$ 197,639</u>	<u>\$ -</u>	<u>\$ 1,659</u>	<u>\$ 11,945</u>

CITY OF KAUKAUNA, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	Capital Projects								
	Industrial Park	Special Assessments	Space Needs	Streets and Sidewalks	Tax Incremental District #4	Tax Incremental District #5	Tax Incremental District #6	Tax Incremental District #8	Tax Incremental District #9
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 124,744	\$ 563,291	\$ 933,683	\$ 116,914	\$ 29,891
Intergovernmental	-	-	-	-	8,421	1,980	12,977	14,645	220
Public Charges for Services	-	-	-	-	-	-	-	-	-
Miscellaneous	-	164,815	1,997	57,202	-	5,000	77,013	50,907	-
Total Revenues	<u>-</u>	<u>1,149,029</u>	<u>1,997</u>	<u>57,202</u>	<u>133,165</u>	<u>570,271</u>	<u>1,023,673</u>	<u>182,466</u>	<u>30,111</u>
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-
Conservation and Development	-	-	-	-	-	1,892	-	-	-
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
Capital Outlay	852	-	98,534	2,779,657	8,106	-	112	3,173,161	20,151
Total Expenditures	<u>852</u>	<u>-</u>	<u>98,534</u>	<u>2,779,657</u>	<u>8,106</u>	<u>1,892</u>	<u>112</u>	<u>3,173,161</u>	<u>20,151</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(852)	1,149,029	(96,537)	(2,722,455)	125,059	568,379	1,023,561	(2,990,695)	9,960
OTHER FINANCING SOURCES (USES)									
Long-Term Debt Issued	-	-	50,000	2,462,500	-	-	-	-	-
Proceeds from Sale of Capital Assets	226,960	-	-	-	-	-	-	-	-
Transfers In	-	-	109,059	929,000	88,393	537,500	-	-	-
Transfers Out	-	(1,351,000)	-	-	(77,100)	(862,714)	(1,092,636)	(469,143)	-
Total Other Financing Sources (Uses)	<u>226,960</u>	<u>(1,351,000)</u>	<u>159,059</u>	<u>3,391,500</u>	<u>11,293</u>	<u>(325,214)</u>	<u>(1,092,636)</u>	<u>(469,143)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	226,108	(201,971)	62,522	669,045	136,352	243,165	(69,075)	(3,459,838)	9,960
Fund Balance - Beginning of Year	93,347	1,293,604	(62,522)	(1,102,345)	290,162	(4,216,292)	153,956	3,296,727	(109,205)
FUND BALANCE - END OF YEAR	<u>\$ 319,455</u>	<u>\$ 1,091,633</u>	<u>\$ -</u>	<u>\$ (433,300)</u>	<u>\$ 426,514</u>	<u>\$ (3,973,127)</u>	<u>\$ 84,881</u>	<u>\$ (163,111)</u>	<u>\$ (99,245)</u>

CITY OF KAUKAUNA, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

Capital Projects (Continued)

	Tax Incremental District #10	Tax Incremental District #11	Tax Incremental District #12	Environmental Remediation TID	Equipment	Pool and Parks	RDA	Buildings and Miscellaneous	Total
REVENUES									
Taxes	\$ 98,899	\$ -	\$ -	\$ 90,664	\$ -	\$ -	\$ -	\$ -	\$ 2,270,627
Intergovernmental	-	-	-	-	4,250	95,000	-	-	286,507
Public Charges for Services	-	-	-	-	-	-	-	-	506,258
Miscellaneous	-	-	-	-	22,929	89,966	9,379	13,249	832,193
Total Revenues	98,899	-	-	90,664	27,179	184,966	9,379	13,249	4,885,273
EXPENDITURES									
Current:									
General Government	-	-	-	-	-	-	-	15,046	42,408
Public Safety	-	-	-	-	291,375	-	-	-	384,248
Public Works	-	-	-	-	-	-	-	385,072	633,152
Culture and Recreation	-	-	-	-	-	-	-	-	432,723
Conservation and Development	149	-	-	-	-	-	-	-	60,512
Debt Service:									
Interest and Fiscal Charges	-	-	-	-	-	-	612	-	612
Capital Outlay	-	2,160	8,136	17,107	740,856	875,741	476	47,963	7,773,012
Total Expenditures	149	2,160	8,136	17,107	1,032,231	875,741	1,088	448,081	9,326,667
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	98,750	(2,160)	(8,136)	73,557	(1,005,052)	(690,775)	8,291	(434,832)	(4,441,394)
OTHER FINANCING SOURCES (USES)									
Long-Term Debt Issued	-	-	-	-	1,138,500	2,285,000	-	64,000	6,000,000
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	742,798	969,758
Transfers In	-	-	-	270,068	-	-	-	15,250	2,047,387
Transfers Out	(50,675)	-	-	(152,056)	-	-	(15,250)	(109,059)	(4,656,608)
Total Other Financing Sources (Uses)	(50,675)	-	-	118,012	1,138,500	2,285,000	(15,250)	712,989	4,360,537
NET CHANGE IN FUND BALANCES	48,075	(2,160)	(8,136)	191,569	133,448	1,594,225	(6,959)	278,157	(80,857)
Fund Balance - Beginning of Year	(165,313)	(13,114)	-	(750,222)	322,842	1,387,422	787,714	744,057	4,316,035
FUND BALANCE - END OF YEAR	\$ (117,238)	\$ (15,274)	\$ (8,136)	\$ (558,653)	\$ 456,290	\$ 2,981,647	\$ 780,755	\$ 1,022,214	\$ 4,235,178

**CITY OF KAUKAUNA, WISCONSIN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,783,090	\$ 3,783,090	\$ 3,783,090	\$ -
EXPENDITURES				
Current				
Debt Service:				
Principal	4,924,520	4,924,520	4,924,520	-
Interest and Fiscal Charges	1,433,775	1,433,775	1,575,031	(141,256)
Total Expenditures	<u>6,358,295</u>	<u>6,358,295</u>	<u>6,499,551</u>	<u>(141,256)</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(2,575,205)	(2,575,205)	(2,716,461)	(141,256)
OTHER FINANCING SOURCES (USES)				
Premium on Debt Issued	348,293	348,293	292,346	(55,947)
Transfers In	2,228,363	2,228,363	2,228,363	-
Total Other Financing Sources (Uses)	<u>2,576,656</u>	<u>2,576,656</u>	<u>2,520,709</u>	<u>(55,947)</u>
NET CHANGE IN FUND BALANCE	1,451	1,451	(195,752)	(197,203)
Fund Balance - Beginning of Year	<u>5,686,247</u>	<u>5,686,247</u>	<u>5,686,247</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,687,698</u>	<u>\$ 5,687,698</u>	<u>\$ 5,490,495</u>	<u>\$ (197,203)</u>

**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**

Honorable Mayor and City Council
City of Kaukauna
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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2023. 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.

Report on 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-002 to be a material weakness.

Honorable Mayor and City Council
City of Kaukauna, Wisconsin

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-001 to be a significant deficiency.

Report on Compliance and Other Matters

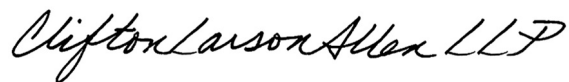
As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
June 22, 2023

**CITY OF KAUKAUNA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022**

Internal Control Over Financial Reporting

FINDING NO. CONTROL DEFICIENCIES

2022-001 Preparation of Annual Financial Report

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.

Criteria or Specific Requirement: 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.

Repeat Finding: This is a repeat of Finding 2021-001.

**CITY OF KAUKAUNA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Internal Control Over Financial Reporting (Continued)

FINDING NO. CONTROL DEFICIENCIES

2022-001 Preparation of Annual Financial Report (Continued)

Recommendation: We recommend the City continue reviewing the annual financial report. 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 System's activities and operations. 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.

Views of Responsible
Officials and Planned

Corrective actions: 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, 2022**

Internal Control Over Financial Reporting (Continued)

FINDING NO. CONTROL DEFICIENCIES

2022-002 Adjustments to the City's Financial Records

Type of Finding: Material Weakness 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.

Criteria or Specific Requirements: 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.

Repeat Finding: This is a repeat of finding 2021-002.

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.

Views of Responsible Officials and Planned

Corrective Actions: 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.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.