

CITY OF KAUKAUNA, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2015

CITY OF KAUKAUNA, WISCONSIN

December 31, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaukauna, Wisconsin ("the City") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note E.7., the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules relating to pensions and other post-employment benefits on pages 4 through 13 and 54 through 57 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
July 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management Discussion and Analysis December 31, 2015

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, 2015. 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 \$2,034,167 to \$109,727,533; governmental activities net position increased \$778,988 to \$22,861,730 while business type activities net position also increased \$1,255,179 to \$86,865,803.
- Total fund balance in governmental funds as of December 31, 2015 is \$10,671,473. Of this balance, \$172,830 is nonsuspendable, \$3,331,077 is restricted for debt service, \$86,510 is committed for improvements and equipment, \$8,131,447 is assigned to subsequent years' budgets, and unassigned and available for ongoing operations and capital improvement projects has a negative balance of \$1,050,391.
- General fund's total fund balance increased \$641,061 or 14.4%. The increase in fund balance is primarily the result of positive revenue budget variances in intergovernmental revenues, licenses and permits, charges for services other revenues and transfer in of \$382,270 that are partially offset by negative revenue budget variances of \$36,461 in fines and forfeitures, interest income and taxes. Positive expenditure budget variances in general government, public safety, public works, culture, and recreation of \$342,921 were partially offset by a negative expenditure budget variances in health of \$1,590.
- General fund revenues and operating transfers in for 2015 were under budget by \$345,809. General fund expenditures and operating transfers out for 2015 were also under budget by \$870,252. Expenditures were under budget primarily as a result of cost saving measures in general government, public safety, and culture and recreation.
- At the end of 2015, total fund balance for the general fund is \$5,099,821. The unassigned portion of fund balance \$4,461,991, increased \$168,241 or 3.9%, and it is equal to 35.1% of 2015 budgeted general fund expenditures. The increase in total general fund balance results from positive revenue and very positive expenditure variances for 2015.
- The City's outstanding general obligation debt increased \$2,990,000 from \$35,925,000 to \$38,915,000 for the fiscal year ended December 31, 2015. This increase is the result of borrowing need for TIF#5 and building and infrastructure improvements.
- The City's outstanding revenue bonds decreased \$2,000,000 from \$76,040,000 to \$74,040,000 for the fiscal year ended December 31, 2015.

- The Electric Utility's net position decreased \$514,243 (1.0%) in 2015 as compared to 2014. This decrease in large part due to a contribution of approximately \$1,400,000 in park property and improvements to the City. In 2015, the Electric Utility restated its net position as of January 1 to account for a change in accounting principle of GASB 68. From this restatement, the statements show an increase in net position of \$1,211,506. The Water Utility's net position increased \$654,709 (3.4%) in 2015 as compared to 2014. This increase was due to a decrease in total liabilities of \$2,083,574 (38.9%) offset by a decrease in total assets of \$301,447 (1.2%). In 2015, the Water Utility restated its net position as of January 1 to account for a change in accounting principle of GASB 68. This affect was an increase of \$302,877.
- The Electric Utility's cash and cash equivalents decreased \$904,460 in 2015. Most cash flow activities remained the same when compared to 2014. The decrease mentioned above is from the construction of Hydro Park for Municipality in the amount of \$257,000 and a decrease in cash flows from normal operating actives in the amount of \$704,200 offset by an increase in Financing and other capital financing activities \$57,460.
- The Water Utility's cash and cash equivalents decreased \$1,069,043 in 2015. The decrease is from the increase in cash paid to suppliers \$927,462 and increase capital related financing activities of \$715,775 offset by an increase in cash received from customers \$574,194.

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 similar to 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 of 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 of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities (those supported primarily by taxes and intergovernmental revenues) of the City include general government; public safety; public works; health and welfare; culture and recreation; conservation and development, and non-departmental. The business-type activities (those supported by user fees) are the Electric Utility, Water Utility, Sanitary Sewer Utility and Storm Water Utility.

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

The government-wide financial statements can be found on pages 14 – 16 of this report.

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

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

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

The City maintained 27 individual governmental type funds during the course of 2015. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and debt service fund which are considered major funds. Data from the remaining 25 governmental type funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found later in this report.

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

The basic governmental fund financial statements can be found on pages 17 - 21 of this report.

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

The basic proprietary fund financial statements can be found on pages 22 - 24 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 25 - 54 of this report.

Supplemental Information - The combining statements referred to in connection with non-major governmental funds is presented immediately following the required supplementary information. Required supplemental information and supplemental combining and individual fund statements and schedules can be found on pages 55 - 68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As discussed earlier, net position over time, serve as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceed liabilities and deferred inflows of resources for total net position of \$109,727,533 at yearend December 31, 2015.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	\$ 45,432,008	\$ 42,118,298	\$ 33,422,462	\$ 33,425,672	\$ 78,854,470	\$ 75,543,970
Capital assets	41,053,532	38,724,888	137,352,199	137,143,407	178,405,731	175,868,295
TOTAL ASSETS	86,485,540	80,843,186	170,774,661	170,569,079	257,260,201	251,412,265
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension	1,579,964	-	838,147	-	2,418,111	-
LIABILITIES						
Noncurrent liabilities	36,972,824	34,383,074	79,698,485	80,429,356	116,671,309	114,812,430
Other liabilities	16,123,909	15,600,912	5,048,520	6,123,052	21,172,429	21,723,964
TOTAL LIABILITIES	53,096,733	49,983,986	84,747,005	86,552,408	137,843,738	136,536,394
DEFERRED INFLOWS OF RESOURCES						
Property taxes	12,107,041	11,723,401	-	-	12,107,041	11,723,401
NET POSITION						
Net investment in capital assets	7,678,557	7,426,142	58,453,401	58,510,768	66,131,958	65,936,910
Restricted	6,138,323	2,404,700	8,939,801	7,171,549	15,078,124	9,576,249
Unrestricted	9,044,850	9,304,957	19,472,601	18,334,354	28,517,451	27,639,311
TOTAL NET POSITION	\$ 22,861,730	\$ 19,135,799	\$ 86,865,803	\$ 84,016,671	\$ 109,727,533	\$ 103,152,470

Management's Analysis

By far the largest portion of the City's total net position, \$66,131,958 or 60.0%, is its investment in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure), less any related outstanding indebtedness used to acquire those assets. The investment in capital assets net of related debt increased \$195,048 or 0.3%. 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, \$15,078,124 or 13.7% represents resources that are subject to restrictions regarding their use. The remaining balance of unrestricted net position, \$28,517,451 or 26.0% may be used to meet the government's ongoing obligations to creditors and provide services to its citizens.

Business-type activities total net position increased by \$2,849,132 to \$86,865,803 in 2015, an increase of 3.4%. The increase in net position is primarily due to investment in Sanitary Sewer utility capital assets.

At the end of the current fiscal year, the City is able to 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues						
Charges for services	\$ 1,243,286	\$ 1,343,634	\$ 67,646,926	\$ 68,652,953	\$ 68,890,212	\$ 69,996,587
Operating grants and contributions	1,211,960	1,375,432	-	-	1,211,960	1,375,432
Capital grants and contributions	1,722,206	2,520,099	212,431	509,311	1,934,637	3,029,410
General revenues						
Property taxes	8,887,764	8,546,151	-	-	8,887,764	8,546,151
Other taxes	130,479	168,229	-	-	130,479	168,229
State and federal aids not restricted to specific functions	2,492,276	2,470,166	-	-	2,492,276	2,470,166
Interest and investment earnings	164,280	323,408	284,971	332,549	449,251	655,957
Gain on sale of capital assets	604,770	-	-	-	604,770	-
Miscellaneous	199,530	321,265	44,515	36,139	244,045	357,404
TOTAL REVENUES	16,656,551	17,068,384	68,188,843	69,530,952	84,845,394	86,599,336
EXPENSES						
General government	2,199,635	2,313,995	-	-	2,199,635	2,313,995
Public safety	5,553,098	5,312,676	-	-	5,553,098	5,312,676
Public works	4,706,566	4,494,405	-	-	4,706,566	4,494,405
Health and human services	3,590	3,982	-	-	3,590	3,982
Culture and recreation	2,501,066	2,428,087	-	-	2,501,066	2,428,087
Development	2,395,063	373,201	-	-	2,395,063	373,201
Interest on debt	1,010,026	1,039,993	-	-	1,010,026	1,039,993
Electric utility	-	-	59,094,252	57,696,628	59,094,252	57,696,628
Water utility	-	-	2,649,573	2,509,517	2,649,573	2,509,517
Storm water utility	-	-	476,456	440,544	476,456	440,544
Sanitary sewer utility	-	-	2,221,902	2,363,934	2,221,902	2,363,934
TOTAL EXPENSES	18,369,044	15,966,339	64,442,183	63,010,623	82,811,227	78,976,962
INCREASE (DECREASE) IN NET POSITION						
BEFORE TRANSFERS	(1,712,493)	1,102,045	3,746,660	6,520,329	2,034,167	7,622,374
TRANSFERS	2,491,481	2,194,154	(2,491,481)	(2,194,154)	-	-
CHANGE IN NET POSITION	778,988	3,296,199	1,255,179	4,326,175	2,034,167	7,622,374
BEGINNING NET POSITION	19,135,799	15,839,600	84,016,671	79,690,496	103,152,470	95,530,096
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,946,943	-	1,593,953	-	4,540,896	-
ENDING NET POSITION	\$ 22,861,730	\$ 19,135,799	\$ 86,865,803	\$ 84,016,671	\$ 109,727,533	\$ 103,152,470

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Management's Analysis

The increase in net position for governmental activities for year ended December 31, 2015 was significant at 19.47% compared with a similar increase in net position of 20.8% for year ended December 31, 2014. Business-type activities growth in net position for year ended December 31, 2015 was 3.39% compared with 5.4% for year ended December 31, 2014. Management expects growth to continue at a modest rate especially for business-type activities.

Governmental activities revenue remains relatively flat with a slight decrease of \$114,506 or 0.6%. Business-type activities revenue decreased \$3,513,081 or 5.1% during 2015 primarily due to reduced customer demand in the business-type activities.

Debt and Debt Management

Condensed Summary of Long-Term Obligations

	Outstanding 1/1/2015	Issued In 2015	Retired In 2015	Outstanding 12/31/2015	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation notes	\$ 17,375,684	\$ 3,695,000	\$ 5,143,300	\$ 15,927,384	\$ 2,495,707
General obligation bonds	14,490,504	4,085,000	440,795	18,134,709	966,148
Premium	315,458	90,756	52,576	353,638	87,358
Unfunded pension liability -					
Private pension plan	22,000	-	5,000	17,000	-
OPEB liability	1,640,672	696,883	347,383	1,990,172	-
Long-term employee					
Compensated absences	538,756	11,165	-	549,921	-
TOTAL GOVERNMENTAL ACTIVITIES DEBT	\$ 34,383,074	\$ 8,578,804	\$ 5,989,054	\$ 36,972,824	\$ 3,549,213
BUSINESS-TYPE ACTIVITIES					
General obligation notes	\$ 2,549,316	\$ 1,420,000	\$ 516,700	\$ 3,452,616	\$ 569,292
General obligation bonds	1,509,496	-	109,205	1,400,291	158,853
Premium	-	385,906	11,393	374,513	28,427
Revenue bonds	76,040,000	14,005,000	16,005,000	74,040,000	3,000,000
OPEB liability	330,544	170,007	69,486	431,065	-
TOTAL BUSINESS-TYPE ACTIVITIES DEBT	\$ 80,429,356	\$ 15,980,913	\$ 16,711,784	\$ 79,698,485	\$ 3,756,572

Management's Analysis

Overall, long-term obligations increased slightly from \$114,812,430 in 2014 to \$116,671,309 in 2015. Governmental activities outstanding debt decreased \$730,871 or 0.9% while business-type activities outstanding debt increased \$2,589,750 or 7.5%. All general obligation notes and bonds are scheduled to be paid off within ten (10) years and all of 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 \$38,915,000 is 75.3% of the statutory limit for cities in the State of Wisconsin.

The City's five-year capital improvement plan anticipates general obligation borrowing of approximately \$1,300,000 to \$1,800,000 per year for the next five (5) years as well as the construction of phase 3 of the Space needs analysis beginning in 2017.

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

General Fund Budget to Actual Comparison

	Final Budget 2015	Actual 2015	Budget Variance Position (Negative)
REVENUES			
Taxes	4,644,910	4,618,576	(26,334)
Intergovernmental	3,603,767	3,638,481	34,714
Licenses and permits	266,500	324,411	57,911
Fines and forfeitures	132,000	124,622	(7,378)
Changes for services	691,880	928,926	237,046
Interest	15,000	12,251	(2,749)
Other	-	6,823	6,823
Transfers in	2,788,562	2,834,338	45,776
TOTAL REVENUES	12,142,619	12,488,428	345,809
EXPENDITURES			
General government	1,700,580	1,687,380	13,200
Public safety	5,350,728	5,210,341	140,387
Public Works	2,782,610	2,695,955	86,655
Health and welfare	2,000	3,590	(1,590)
Culture and recreation	2,010,124	1,907,445	102,679
Non-departmental	871,577	342,656	528,921
TOTAL EXPENDITURES	12,717,619	11,847,367	870,252
 Excess (Deficit) of Revenues Over Expenditures	 <u>(575,000)</u>	 <u>641,061</u>	 <u>1,216,061</u>

Management's Analysis

The 2015 general fund budget to actual comparison is very comparable to many prior years.

Revenue Variances – Intergovernmental, licenses and permit, and charges for services were over budget because of conservative budgeting. Taxes were under budget \$26,334 primarily because the timing of collection. Interest was under budget \$2,749 because of poor performance on investments.

Expenditure Variances – The general fund expenditure budget was under budget except for health and welfare, because most general government departments spent less than they budgeted. Public safety budget was under budget primarily because of various open positions throughout the year and public safety departments spent less than they budgeted in non-personal services.

Within the public work budget, snow and ice removal was under budget by \$79,313. Street signs and markers was over \$28,613 as was refuse collection and disposal at \$19,949 over budget. Engineering, street oiling, equipment maintenance, Street maintenance, bus subsidy and traffic control were \$545,904 under budget.

General Fund Budgetary Analysis (Continued)

Within the culture and recreation budget youth sports, adult sports, dance class and swimming pool were under budget by \$84,921. Dance classes, library was \$137,953 under budget, Civic promotion was over budget \$120,195

Non-departmental is under budget because budgeted contingency of \$575,000 was never used. The budgeted contingency is offset in the revenue budget by budgeting to use a similar amount of funds available in general fund balance. Management expects the excess of revenues over expenditures in the general fund to be approximately \$100,000 to \$200,000 at the end of any given year.

Debt Service Fund Budgetary Analysis

Debt Service Fund Budget to Actual Comparison

	Final Budget 2015	Actual 2015	Budget Variance Positive (Negative)
REVENUES			
Taxes	\$ 2,547,532	\$ 2,547,532	\$ -
TOTAL REVENUES	<u>2,547,532</u>	<u>2,547,532</u>	<u>-</u>
EXPENDITURES			
Debt service principal	4,425,000	5,584,095	(1,159,095)
Debt service interest	1,251,319	1,042,821	208,498
TOTAL EXPENDITURES	<u>5,676,319</u>	<u>6,626,916</u>	<u>(950,597)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(3,128,787)</u>	<u>(4,079,384)</u>	<u>(950,597)</u>
OTHER FINANCING SOURCES			
Transfers in	-	4,716,720	4,716,720
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>4,716,720</u>	<u>4,716,720</u>
Net Change in Fund Balance	<u>\$ (3,128,787)</u>	<u>\$ 637,336</u>	<u>\$ 3,766,123</u>

Management's Analysis

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

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, 2015, the City's governmental funds reported combined year ending fund balance of \$10,671,473, an increase of \$2,291,920 for the calendar year 2015. Of the total fund balance, the unassigned fund balance is a negative \$1,050,391, 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, \$172,830.
- Restricted for debt service, \$3,331,077
- Committed, \$86,510
- Assigned, \$8,131,447

Fund Balance Analysis – General Fund

The total general fund balance increased from \$4,458,760 at calendar year end 2014 to \$5,099,821 for calendar year end 2015. The city council adopted a policy in 2010 to maintain the fund balance at 15% of the operating budget. Fifteen percent of the 2015 operating budget is \$1,870,318. The unassigned general fund balance as of December 31, 2015 was \$4,461,991. The yearend fund balance for 2015 is in compliance with 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 2015. Unassigned fund balance equals 35.1% of budgeted expenditures while total fund balance represents 40.1% of budgeted expenditures for 2015.

Fund Balance Analysis – Debt Service Fund

The debt service fund balance has a balance of \$3,331,077 at yearend 2015, which is equal to the amount due from other funds. Going forward, the debt service fund is expected to have no balance at yearend except for an amount equal to due from other funds.

Fund Balance Analysis – Special Revenue Funds

The combined non-major special revenue funds have a calendar yearend 2015 fund balance of \$1,327,794. The combined fund balance for special revenue funds increased \$196,677 or 17.4% for calendar year ended December 31, 2015 compared to calendar year end 2014. The largest contributing fund balance increases were in the Revolving Economic Development Loan Fund. Total yearend special revenue fund balance of \$1,327,794 is 253% of total special revenue fund expenditures of \$524,434 for 2015.

Fund Balance Analysis – Capital Project Funds

The combined non-major capital project funds have a calendar year end 2015 fund balance of \$912,781. In the industrial park fund, deficit balance of \$1,691,747 is the result of an interfund advance of \$1,650,000 that is expected to be repaid within the near future. Tax incremental districts 4, 5, 6 and 8, and the environmental remediation tax incremental district lack sufficient new development and consequently there is a lack of tax increment within the districts.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, net of accumulated depreciation is \$178,405,731 outstanding debt related to the purchase of capital assets is \$112,273,773 or 62.9% of asset value net of accumulated depreciation. Governmental activities capital assets increased in 2015 by \$2,328,644 from \$38,724,888 to \$41,053,532 as a result of continued investment in the City's infrastructure. The net increase of \$208,792 in business-type activities capital assets from \$137,143,407 to \$137,352,199 for the calendar year ended 2015 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 2005 - 2015, the City's tax base, which currently stands at \$945 million (see following schedule), averaged a 2.34% annual increase; however, the decrease over five years (2009 – 2014) averages 0.67% per year. Management believes that tax base growth, which has historically been driven by residential and commercial construction, will increase rather modestly in the near term. Over the past two years (2014-2015), we saw an average increase of 2.69%. This increase gets the city closer to the pre 2009 year where the city average 5.93% growth from 2005-2008.

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

Summary of Changes in Equalized Value

Assessment Year	Equalized Value Including TID's	% Change	Equalized Value Excluding TID's	% Change
2015	\$ 944,939,000	2.38%	\$ 904,221,100	1.06%
2014	922,944,000	3.00%	894,717,600	2.39%
2013	896,096,700	-0.25%	873,869,600	-0.26%
2012	898,369,100	-3.63%	876,128,200	-3.64%
2011	932,227,600	-0.34%	909,241,100	-0.56%
2010	935,396,400	1.25%	914,342,300	1.66%
2009	923,842,800	-0.45%	899,406,800	-0.55%
2008	928,064,700	4.88%	904,389,700	2.87%
2007	884,859,600	2.42%	879,136,000	1.97%
2006	863,927,100	8.20%	862,166,500	8.15%
2005	798,476,200	8.23%	797,165,900	8.17%

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

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF KAUKAUNA, WISCONSIN

Statement of Net Position

December 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Redevelopment Authority
ASSETS				
Cash and investments	\$ 17,565,429	\$ 11,544,635	\$ 29,110,064	\$ 3,229,397
Receivables				
Taxes	15,215,632	-	15,215,632	-
Accounts (net)	203,506	5,145,307	5,348,813	-
Special assessments	1,639,034	-	1,639,034	-
Due from developers	1,650,000	-	1,650,000	-
Loans	2,007,536	-	2,007,536	-
Internal balances	148,485	(148,485)	-	-
Due from other governments	32,000	-	32,000	-
Restricted assets				
Cash and investments	5,310,325	10,066,326	15,376,651	797,189
Inventories and prepaid items	172,830	3,370,531	3,543,361	-
Other assets				
Investment in ATC LLC	-	2,687,254	2,687,254	-
Net pension asset	1,487,231	756,894	2,244,125	-
Capital assets				
Land	9,492,477	2,265,126	11,757,603	1,300,000
Buildings and improvements	4,302,002	25,153,752	29,455,754	-
Improvements other than buildings	1,330,160	115,866,410	117,196,570	-
Machinery and equipment	7,257,393	28,154,605	35,411,998	-
Infrastructure	43,214,242	23,658,511	66,872,753	-
Construction in progress	-	1,833,057	1,833,057	5,742,547
Less: Accumulated depreciation	(24,542,742)	(59,579,262)	(84,122,004)	-
TOTAL ASSETS	86,485,540	170,774,661	257,260,201	11,069,133
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	1,579,964	838,147	2,418,111	-
LIABILITIES				
Accounts payable	394,324	3,433,435	3,827,759	494,967
Accrued liabilities	947,101	479,141	1,426,242	-
Accrued interest payable	259,949	198,732	458,681	234,992
Due to other governments	13,789,781	-	13,789,781	-
Contracts payable	285,541	-	285,541	-
Unearned revenues	447,213	937,212	1,384,425	-
Noncurrent liabilities				
Due within one year	3,549,213	3,756,572	7,305,785	302,732
Due in more than one year	33,423,611	75,941,913	109,365,524	10,265,568
TOTAL LIABILITIES	53,096,733	84,747,005	137,843,738	11,298,259
DEFERRED INFLOWS OF RESOURCES				
Property taxes	12,107,041	-	12,107,041	-
NET POSITION				
Net investment in capital assets	7,678,557	58,453,401	66,131,958	-
Restricted				
Debt service	3,071,128	7,344,760	10,415,888	-
Pension benefits	3,067,195	1,595,041	4,662,236	-
Unrestricted	9,044,850	19,472,601	28,517,451	(229,126)
TOTAL NET POSITION	\$ 22,861,730	\$ 86,865,803	\$ 109,727,533	\$ (229,126)

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

CITY OF KAUKAUNA, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 2,199,635	\$ 39,373	\$ -	\$ -
Public safety	5,553,098	468,221	41,644	10,354
Public works	4,706,566	408,479	915,030	281,692
Health and human services	3,590	1,643	-	-
Culture and recreation	2,501,066	323,465	227,568	1,430,160
Development	2,395,063	2,105	27,718	-
Interest on debt	1,010,026	-	-	-
Total Governmental Activities	18,369,044	1,243,286	1,211,960	1,722,206
Business-type Activities				
Electric	59,094,252	59,957,655	-	117,019
Water	2,649,573	3,672,153	-	93,824
Storm water	476,456	877,267	-	-
Sanitary sewer	2,221,902	3,139,851	-	1,588
Total Business-type Activities	64,442,183	67,646,926	-	212,431
Total Primary Government	\$ 82,811,227	\$ 68,890,212	\$ 1,211,960	\$ 1,934,637
Component Unit				
Redevelopment Authority	\$ 234,992	\$ -	\$ -	\$ -

General revenues
 Property taxes
 Other taxes
 State and federal aids not restricted to specific functions
 Interest and investment earnings
 Gain on sale of capital assets
 Miscellaneous
 Transfers
 Total general revenues and transfers

Change in net position

Net position - January 1, as originally reported

Cumulative effect of change in accounting principle

Net Position - January 1, as restated

Net position - December 31

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Redevelopment Authority

\$ (2,160,262)	\$ -	\$ (2,160,262)	\$ -
(5,032,879)	-	(5,032,879)	-
(3,101,365)	-	(3,101,365)	-
(1,947)	-	(1,947)	-
(519,873)	-	(519,873)	-
(2,365,240)	-	(2,365,240)	-
(1,010,026)	-	(1,010,026)	-
<u>(14,191,592)</u>	<u>-</u>	<u>(14,191,592)</u>	<u>-</u>

-	980,422	980,422	-
-	1,116,404	1,116,404	-
-	400,811	400,811	-
-	919,537	919,537	-
<u>-</u>	<u>3,417,174</u>	<u>3,417,174</u>	<u>-</u>

<u>(14,191,592)</u>	<u>3,417,174</u>	<u>(10,774,418)</u>	<u>-</u>
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-	-	-	<u>(234,992)</u>
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8,887,764	-	8,887,764	-
130,479	-	130,479	-
2,492,276	-	2,492,276	-
164,280	284,971	449,251	5,866
604,770	-	604,770	-
199,530	44,515	244,045	-
2,491,481	(2,491,481)	-	-
<u>14,970,580</u>	<u>(2,161,995)</u>	<u>12,808,585</u>	<u>5,866</u>

<u>778,988</u>	<u>1,255,179</u>	<u>2,034,167</u>	<u>(229,126)</u>
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19,135,799	84,016,671	103,152,470	-
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<u>2,946,943</u>	<u>1,593,953</u>	<u>4,540,896</u>	<u>-</u>
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<u>22,082,742</u>	<u>85,610,624</u>	<u>107,693,366</u>	<u>-</u>
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<u>\$ 22,861,730</u>	<u>\$ 86,865,803</u>	<u>\$ 109,727,533</u>	<u>\$ (229,126)</u>
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CITY OF KAUKAUNA, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,152,104	\$ -	\$ 8,413,325	\$ 17,565,429
Receivables				
Taxes	12,892,832	1,303,567	1,019,233	15,215,632
Accounts (net)	203,506	-	-	203,506
Special assessments	-	-	1,639,034	1,639,034
Loans	-	-	2,007,536	2,007,536
Due from developers	-	-	1,650,000	1,650,000
Due from other funds	2,662,987	3,331,077	297,374	6,291,438
Due from other governments	32,000	-	-	32,000
Inventories	27,040	-	-	27,040
Prepaid items	145,790	-	-	145,790
Restricted and other assets				
Cash and cash equivalents	2,896,433	1,073,409	1,340,483	5,310,325
TOTAL ASSETS	\$ 28,012,692	\$ 5,708,053	\$ 16,366,985	\$ 50,087,730
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 255,759	\$ -	\$ 138,565	\$ 394,324
Accrued liabilities	944,373	-	2,728	947,101
Contracts payable	-	-	285,541	285,541
Due to other funds	51,403	-	6,091,550	6,142,953
Due to other governments	13,789,781	-	-	13,789,781
Unearned revenue	-	-	447,213	447,213
Total Liabilities	15,041,316	-	6,965,597	22,006,913
Deferred Inflows of Resources				
Property taxes	7,871,555	2,376,976	1,858,510	12,107,041
Special assessments	-	-	1,644,767	1,644,767
Loans and developer receivables	-	-	3,657,536	3,657,536
Total Deferred Inflows of Resources	7,871,555	2,376,976	7,160,813	17,409,344
Fund Balance				
Nonspendable				
Inventories and prepaid expenses	172,830	-	-	172,830
Restricted for				
Debt service	-	3,331,077	-	3,331,077
Committed				
Improvements and equipment	-	-	86,510	86,510
Assigned				
Subsequent year's expenditures	465,000	-	7,666,447	8,131,447
Unassigned, reported in				
General fund	4,461,991	-	-	4,461,991
Capital projects funds	-	-	(5,512,382)	(5,512,382)
Total Fund Balance	5,099,821	3,331,077	2,240,575	10,671,473
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 28,012,692	\$ 5,708,053	\$ 16,366,985	\$ 50,087,730

CITY OF KAUKAUNA, WISCONSIN
 Balance Sheet (Continued)
 Governmental Funds
 December 31, 2015

Reconciliation to the Statement of Net Position

Total fund balances as shown above		\$ 10,671,473
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		41,053,532
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.		5,302,303
The City's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements.		
Net pension asset		1,487,231
Deferred outflows of resources		1,579,964
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term debt	\$ (34,062,093)	
Premium on outstanding debt	(353,638)	
Unfunded pension plan	(17,000)	
OPEB liability	(1,990,172)	
Compensated absences	(549,921)	
Accrued interest	(259,949)	(37,232,773)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 14)		<u>\$ 22,861,730</u>

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

CITY OF KAUKAUNA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,618,576	\$ 2,547,532	\$ 1,852,135	\$ 9,018,243
Special assessments	-	-	895,543	895,543
Intergovernmental	3,638,481	-	38,037	3,676,518
Licenses and permits	324,411	-	-	324,411
Fines and forfeitures	124,622	-	323	124,945
Charges for services	928,926	-	371,660	1,300,586
Interest and return on investments	12,251	-	18,389	30,640
Other	6,823	-	650,281	657,104
Total Revenues	9,654,090	2,547,532	3,826,368	16,027,990
Expenditures				
Current				
General government	1,687,380	-	-	1,687,380
Public safety	5,210,341	-	21,507	5,231,848
Public works	2,695,955	-	-	2,695,955
Health and welfare	3,590	-	-	3,590
Culture and recreation	1,907,445	-	484,220	2,391,665
Conservation and development	-	-	20,207	20,207
Nondepartmental	342,656	-	-	342,656
Capital outlay				
General government	-	-	436,616	436,616
Public safety	-	-	544,837	544,837
Public works	-	-	2,557,992	2,557,992
Culture and recreation	-	-	125,836	125,836
Conservation and development	-	-	2,383,936	2,383,936
Debt service				
Principal retirement	-	5,584,095	-	5,584,095
Interest and fiscal charges	-	1,042,821	-	1,042,821
Bond issuance costs	-	-	48,873	48,873
Total Expenditures	11,847,367	6,626,916	6,624,024	25,098,307
Excess of Revenues Over (Under)				
Expenditures	(2,193,277)	(4,079,384)	(2,797,656)	(9,070,317)
Other Financing Sources (Uses)				
General obligation notes issued	-	-	7,780,000	7,780,000
Premium on debt issued	-	-	90,756	90,756
Sale of capital assets	-	-	1,000,000	1,000,000
Transfers in	2,834,338	4,716,720	-	7,551,058
Transfers out	-	-	(5,059,577)	(5,059,577)
Total Other Financing Sources (Uses)	2,834,338	4,716,720	3,811,179	11,362,237
Net Change in Fund Balances	641,061	637,336	1,013,523	2,291,920
Fund Balances - January 1	4,458,760	2,693,741	1,227,052	8,379,553
Fund Balances - December 31	\$ 5,099,821	\$ 3,331,077	\$ 2,240,575	\$ 10,671,473

(Continued)

CITY OF KAUKAUNA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
For the Year Ended December 31, 2015

Reconciliation to the Statement of Activities

Net change in fund balance from previous page \$ 2,291,920

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 3,017,603	
Depreciation expense	<u>(1,723,889)</u>	
		1,293,714

Governmental funds report the gross proceeds on sales of capital assets as other financing sources. However, in the statement of activities only the gain is reported.

(395,230)

Change in the net pension asset and related deferred inflows and outflows of resources as a result of employee contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan

120,252

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

28,990

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-term debt issued	\$ (7,780,000)	
Principal paid on long term debt	5,584,095	
Interest accrued on long term debt	29,092	
Premium on debt issuance	<u>(38,180)</u>	
		(2,204,993)

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 governmental funds.

Compensated absences	(11,165)	
Unfunded pension liability	5,000	
Other post-employment benefits	<u>(349,500)</u>	
		<u>(355,665)</u>

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 15 and 16)

\$ 778,988

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

CITY OF KAUKAUNA, WISCONSIN
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 4,644,910	\$ 4,644,910	\$ 4,618,576	\$ (26,334)
Intergovernmental	3,603,767	3,603,767	3,638,481	34,714
Licenses and permits	266,500	266,500	324,411	57,911
Fines and forfeitures	132,000	132,000	124,622	(7,378)
Charges for services	691,880	691,880	928,926	237,046
Interest	15,000	15,000	12,251	(2,749)
Other	-	-	6,823	6,823
Total Revenues	<u>9,354,057</u>	<u>9,354,057</u>	<u>9,654,090</u>	<u>300,033</u>
Expenditures				
Current				
General government	1,700,580	1,700,580	1,687,380	13,200
Public safety	5,350,728	5,350,728	5,210,341	140,387
Public works	2,782,610	2,782,610	2,695,955	86,655
Health and welfare	2,000	2,000	3,590	(1,590)
Culture and recreation	2,010,124	2,010,124	1,907,445	102,679
Nondepartmental	871,577	871,577	342,656	528,921
Total Expenditures	<u>12,717,619</u>	<u>12,717,619</u>	<u>11,847,367</u>	<u>870,252</u>
Excess of Revenues Under Expenditures	(3,363,562)	(3,363,562)	(2,193,277)	1,170,285
Other Financing Sources				
Transfers in	2,788,562	2,788,562	2,834,338	45,776
Net Change in Fund Balance	(575,000)	(575,000)	641,061	1,216,061
Fund Balance - January 1	<u>4,458,760</u>	<u>4,458,760</u>	<u>4,458,760</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 3,883,760</u>	<u>\$ 3,883,760</u>	<u>\$ 5,099,821</u>	<u>\$ 1,216,061</u>

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

CITY OF KAUKAUNA, WISCONSIN

Statement of Net Position

Proprietary Funds

December 31, 2015

	Electric Utility	Water Utility	Storm Water Utility	Sanitary Sewer Utility	Total
ASSETS					
Current Assets					
Cash and investments	\$ 8,812,109	\$ 755,100	\$ 197,570	\$ 1,779,856	\$ 11,544,635
Accounts receivable (net)	4,431,133	685,790	4,250	24,134	5,145,307
Due from other funds	20,704	176,272	150,951	505,131	853,058
Materials and supplies inventory	1,787,265	15,271	-	-	1,802,536
Prepaid items	1,449,771	118,224	-	-	1,567,995
Total Current Assets	16,500,982	1,750,657	352,771	2,309,121	20,913,531
Restricted and Other Assets					
Restricted cash and investments	1,013,665	728,313	495,911	1,548,597	3,786,486
U.S. Government agency securities	5,755,180	524,660	-	-	6,279,840
Total Restricted and Other Assets	6,768,845	1,252,973	495,911	1,548,597	10,066,326
Capital Assets					
Utility plant in service	142,828,321	28,153,571	7,452,796	16,344,615	194,779,303
Construction in progress	1,288,308	14,581	154,423	375,745	1,833,057
Net non-utility plant	319,101	-	-	-	319,101
Less: Accumulated depreciation	(48,848,110)	(7,193,839)	(1,054,247)	(2,483,066)	(59,579,262)
Total Capital Assets	95,587,620	20,974,313	6,552,972	14,237,294	137,352,199
Other Assets					
Investment in ATC LLC	2,687,254	-	-	-	2,687,254
Net pension asset	567,782	141,945	30,962	16,205	756,894
Total Other Assets	3,255,036	141,945	30,962	16,205	3,444,148
TOTAL ASSETS	122,112,483	24,119,888	7,432,616	18,111,217	171,776,204
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension	634,280	158,570	29,482	15,815	838,147
LIABILITIES					
Current Liabilities					
Accounts payable	3,158,687	69,148	10,967	194,633	3,433,435
Accrued liabilities	380,129	95,032	1,635	2,345	479,141
Accrued interest	129,019	7,076	26,593	36,044	198,732
Customer advances and deposits	561,460	-	-	-	561,460
Unearned revenues	312,318	11,676	7,750	44,008	375,752
Due to other funds	10,812	713,456	10,813	266,462	1,001,543
Noncurrent liabilities					
Due within one year	2,453,426	425,000	370,778	507,368	3,756,572
Due in more than one year	66,055,940	2,936,213	3,114,728	3,835,032	75,941,913
TOTAL LIABILITIES	73,061,791	4,257,601	3,543,264	4,885,892	85,748,548
NET POSITION					
Net investment in capital assets	27,121,746	18,369,295	3,067,466	9,894,894	58,453,401
Restricted					
Debt service	6,768,845	575,915	-	-	7,344,760
Pension benefits	1,202,062	300,515	60,444	32,020	1,595,041
Unrestricted	14,592,319	775,132	790,924	3,314,226	19,472,601
TOTAL NET POSITION	\$ 49,684,972	\$ 20,020,857	\$ 3,918,834	\$ 13,241,140	\$ 86,865,803

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

CITY OF KAUKAUNA, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Electric Utility	Water Utility	Storm Water Utility	Sanitary Sewer Utility	Total
Operating Revenues					
Charges for services	\$ 59,579,393	\$ 3,583,477	\$ 877,267	\$ 3,139,851	\$ 67,179,988
Rents	291,536	-	-	-	291,536
Forfeited discounts	68,656	19,758	-	-	88,414
Other	18,070	68,918	-	-	86,988
Total Operating Revenues	59,957,655	3,672,153	877,267	3,139,851	67,646,926
Operating Expenses					
Operation and maintenance	48,782,874	1,983,109	259,788	1,846,906	52,872,677
Depreciation	4,433,906	503,612	119,526	228,485	5,285,529
Taxes	1,520,980	64,556	9,881	-	1,595,417
Total Operating Expenses	54,737,760	2,551,277	389,195	2,075,391	59,753,623
Operating Income	5,219,895	1,120,876	488,072	1,064,460	7,893,303
Nonoperating Revenues (Expenses)					
Interest and dividend income	282,372	234	-	2,365	284,971
Merchandising and jobbing	44,480	35	-	-	44,515
Interest and fiscal charges	(2,921,210)	(98,296)	(87,261)	(146,511)	(3,253,278)
Miscellaneous expenses	(1,446,677)	-	-	-	(1,446,677)
Amortization of debt premium	11,395	-	-	-	11,395
Total Nonoperating Revenues (Expenses)	(4,029,640)	(98,027)	(87,261)	(144,146)	(4,359,074)
Net Income before Contributions and Transfers	1,190,255	1,022,849	400,811	920,314	3,534,229
Customer contributions	117,019	93,824	-	1,588	212,431
Transfers out	(1,821,517)	(461,964)	(91,000)	(117,000)	(2,491,481)
Change in Net Position	(514,243)	654,709	309,811	804,902	1,255,179
Net Position - January 1, as originally stated	48,987,709	19,063,271	3,556,336	12,409,355	84,016,671
Cumulative effect in change of accounting principle	1,211,506	302,877	52,687	26,883	1,593,953
Net Position - January 1, as restated	50,199,215	19,366,148	3,609,023	12,436,238	85,610,624
Net Position - December 31	\$ 49,684,972	\$ 20,020,857	\$ 3,918,834	\$ 13,241,140	\$ 86,865,803

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

CITY OF KAUKAUNA, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Electric Utility	Water Utility	Storm Water Utility	Sanitary Sewer Utility	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 60,293,864	\$ 4,032,959	\$ 876,789	\$ 3,146,795	\$ 68,350,407
Cash paid to suppliers	(47,554,694)	(2,070,715)	(237,463)	(1,379,024)	(51,241,896)
Cash paid to employees	(3,243,446)	(789,881)	(144,542)	(73,236)	(4,251,105)
Net Cash Provided by Operating Activities	9,495,724	1,172,363	494,784	1,694,535	12,857,406
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	-	10,813	265,612	276,425
Transfers to General Fund	(1,821,517)	(461,964)	(91,000)	(117,000)	(2,491,481)
Construction of Hydro Park for municipality	(257,228)	-	-	-	(257,228)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,078,745)	(461,964)	(80,187)	148,612	(2,472,284)
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(3,309,479)	(1,268,252)	(1,056,862)	(1,076,753)	(6,711,346)
Capital asset removal cost	(75,519)	(8,546)	-	-	(84,065)
Proceeds of salvage	78,426	8,659	-	-	87,085
Principal paid on long-term debt	(15,505,000)	(400,000)	(235,042)	(490,863)	(16,630,905)
Interest paid on long-term debt	(3,409,716)	(111,537)	(76,453)	(136,270)	(3,733,976)
Interest subsidy received from Internal Revenue Service	821,957	-	-	-	821,957
Long-term debt issued	12,780,000	-	1,420,000	1,225,000	15,425,000
Customer contributions	-	-	-	1,588	1,588
Premium on long-term debt	385,906	-	-	-	385,906
Issuance costs paid	(335,906)	-	-	-	(335,906)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(8,569,331)	(1,779,676)	51,643	(477,298)	(10,774,662)
Cash flows from investing activities					
Income on investments	282,372	234	-	2,365	284,971
Investment in ATC LLC	(34,480)	-	-	-	(34,480)
Net Cash Provided by Investing Activities	247,892	234	-	2,365	250,491
Net Change in Cash and Cash Equivalents	(904,460)	(1,069,043)	466,240	1,368,214	(139,049)
Cash and Cash Equivalents - January 1	16,485,414	3,077,116	227,241	1,960,239	21,750,010
Cash and Cash Equivalents - December 31	\$ 15,580,954	\$ 2,008,073	\$ 693,481	\$ 3,328,453	\$ 21,610,961
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 5,219,895	\$ 1,120,876	\$ 488,072	\$ 1,064,460	\$ 7,893,303
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation (operating and other)	4,573,013	552,182	119,526	228,485	5,473,206
Merchandising and jobbing	44,480	35	-	-	44,515
Miscellaneous	(16,518)	-	-	-	(16,518)
Changes in related pension asset and deferred outflows	9,444	2,362	(7,757)	(5,137)	(1,088)
Changes in certain assets and liabilities:					
Accounts receivable, net of allowance	56,286	360,771	372	(9,108)	408,321
Due from other funds	(20,704)	(143,968)	(79,725)	429,287	184,890
Materials and supplies inventory	108,552	(4,736)	-	-	103,816
Prepaid items	37,378	6,595	-	-	43,973
Accounts payable	(420,070)	(444,516)	(24,854)	(29,504)	(918,944)
Accrued liabilities	(63,546)	(16,830)	-	-	(80,376)
Customer deposits and advances	235,443	-	-	-	235,443
OPEB liability	80,417	20,104	-	-	100,521
Due to other funds	(603)	(292,188)	-	-	(292,791)
Unearned revenues	(347,743)	11,676	(850)	16,052	(320,865)
Net Cash Provided by Operating Activities	\$ 9,495,724	\$ 1,172,363	\$ 494,784	\$ 1,694,535	\$ 12,857,406

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

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Kaukauna ("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:

1. Reporting Entity

The City of Kaukauna is a municipal corporation governed by an elected eight member council. Included in the City's operations (the primary government) are the City's Electric and Water Utilities, managed by a separate commission appointed by the City Council. In accordance with GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has identified the following component unit that is required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

Discretely presented component unit:

The component unit columns in the basic financial statements include the financial data of the City's component unit, the Redevelopment Authority of the City of Kaukauna. It is reported in a separate column to emphasize that it is legally separate from the City. The Redevelopment Authority's fiscal year end is December 31. The Redevelopment Authority does not issue separate financial statements.

2. Related Organization

City officials are responsible for appointing the board members of the Housing Authority of the City of Kaukauna, but the City's accountability for this organization does not extend beyond making the appointments. The City is not financially accountable for the Housing Authority as defined by standards in GASB Statement No. 61. Therefore this organization is not included in the City's reporting entity. Additional information on the Housing Authority follows:

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.

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 main 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 proprietary funds:

ELECTRIC UTILITY

This fund accounts for the provision of electric service to City residents, businesses, public authorities and the communities of Little Chute and Combined Locks, Wisconsin.

WATER UTILITY

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

STORM WATER UTILITY

This fund accounts for the provision of storm water management to City residents, businesses and public authorities.

SANITARY SEWER UTILITY

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

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and electric functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost 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.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. 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 amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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 are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable have been shown net of allowance for uncollectible accounts of \$409,637.

c. 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 activities and business-type activities.

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

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

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

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

f. 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Governmental Activities	Business-type Activities
	Years	
<u>Assets</u>		
Buildings	20 - 40	25 - 50
Improvements other than buildings	10 - 20	25 - 100
Machinery and equipment	3 - 20	3 - 10
Infrastructure	18 - 70	70

g. Compensated Absences

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

h. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The City also has additional types of items, which arise only under a modified accrual basis of accounting, which qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, special assessments and loans and developer receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

i. 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. 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 capital project fund expenditures.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Pensions

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

k. 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 Finance Director to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

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

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that are 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.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Use of Estimates

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

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

- a. 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.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, certain special revenue, debt service funds and certain capital projects funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. 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.
- d. 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.
- e. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2015.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2015:

Fund	Deficit Fund Equity
Capital Projects Funds	
Industrial Park	\$ 1,691,747
Tax Incremental District #4	151,271
Tax Incremental District #5	2,503,396
Tax Incremental District #6	158,655
Environmental Remediation TID	942,625
2013 Projects	64,688

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

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS

1. 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 in 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 \$44,486,715 on December 31, 2015 as summarized below:

Petty cash and cash on hand	\$ 1,327
Deposits with financial institutions	11,039,422
Beneficial interest in assets held by Community Foundation of the Fox Valley	18,647
Investments	33,427,319
	\$ 44,486,715

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position

Cash and investments	\$ 29,110,064
Restricted cash and investments	15,376,651
	\$ 44,486,715

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.

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.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2015, \$8,425,937 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, 2015, the City held repurchase agreement investments of \$8,407,715 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 investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The City does not have an additional credit risk policy. Presented below is the actual rating at year end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Money market mutual funds	\$ 910,748	\$ -	\$ -	\$ -	\$ 910,748
Government security mutual funds	723,725	-	-	-	723,725
Federal National Mortgage	598,259	-	598,259	-	-
Federal Home Loan Bank	400,350	-	400,350	-	-
Federal Home Loan Mortgage	555,435	-	555,435	-	-
Federal Farm Credit Bank	180,275	-	180,275	-	-
Corporate Bonds	1,972,971	-	-	1,972,971	-
Wisconsin local government investment pool	19,659,194	-	-	-	19,659,194
Beneficial interest in assets held by Community Foundation of the Fox Valley	18,647	-	-	-	18,647
Totals	\$ 25,019,604	\$ -	\$ 1,734,319	\$ 1,972,971	\$ 21,312,314

Interest Rate Risk

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

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 910,748	\$ 910,748	\$ -	\$ -	\$ -
Government security mutual funds	723,725	723,725	-	-	-
Federal National Mortgage	598,259	200,472	199,362	198,425	-
Federal Home Loan Bank	400,350	200,426	199,924	-	-
Federal Home Loan Mortgage	555,435	280,727	274,708	-	-
Federal Farm Credit Bank	180,275	180,275	-	-	-
Corporate Bonds	1,972,971	369,082	1,396,251	207,638	-
Repurchase agreements	8,407,715	8,407,715	-	-	-
Negotiable certificates of deposit	2,975,084	747,476	1,712,234	515,374	-
Wisconsin local government investment pool	19,659,194	19,659,194	-	-	-
Beneficial interest in assets held by Community Foundation of the Fox Valley	18,647	18,647	-	-	-
Totals	\$ 36,402,403	\$ 31,698,487	\$ 3,782,479	\$ 921,437	\$ -

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Highly Sensitive Investments	Fair Value at Year End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	<u>\$ 1,734,319</u>

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$19,659,194 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2015, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

Component Unit Cash and Investments

At year end, the carrying amount of the Redevelopment Authority's cash and investments was \$4,026,586, which included \$797,189 for bond reserve restricted cash. These amounts are not included in the totals presented above.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. 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 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.

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

3. Restricted Assets

Restricted assets on December 31, 2015 totaled \$15,376,651 held for the following purposes:

General Fund	
HRA account	<u>\$ 2,896,433</u>
Special Revenue Fund	
Thousand Islands Environmental Center	498,012
Special assessments	238,437
Subdivision fees	2,055
Total Special Revenue	<u>738,504</u>
Debt Service	
	<u>1,073,409</u>
Capital Projects	
Park development	6,774
Space needs	86,617
Tax Incremental District #4	5,939
Tax Incremental District #6	404,110
Tax Incremental District #7	4,700
Tax Incremental District #8	78,062
Environmental Remediation TID	15,777
Total Capital Projects	<u>601,979</u>
Enterprise Funds	
Electric Utility	
Debt service	743,456
Debt reserve	5,755,180
HRA/FSA cash	270,209
Total Electric Utility	<u>6,768,845</u>
Water Utility	
Debt service	728,313
Debt reserve	524,660
Total Water Utility	<u>1,252,973</u>
Storm Water Utility	
Capital improvements	<u>495,911</u>
Sanitary Sewer Utility	
Capital improvements	<u>1,548,597</u>
Total Restricted Assets	<u><u>\$ 15,376,651</u></u>

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,787,707	\$ 100,000	\$ 395,230	\$ 9,492,477
Capital assets, being depreciated:				
Buildings and improvements	4,280,445	21,557	-	4,302,002
Improvements other than buildings	-	1,330,160	-	1,330,160
Machinery and equipment	6,767,656	792,511	302,774	7,257,393
Infrastructure	41,010,707	2,203,535	-	43,214,242
Subtotals	52,058,808	4,347,763	302,774	56,103,797
Less accumulated depreciation	23,121,627	1,723,889	302,774	24,542,742
Total capital assets, being depreciated, net	28,937,181	2,623,874	-	31,561,055
Governmental activities capital assets, net	\$ 38,724,888	\$ 2,723,874	\$ 395,230	41,053,532
Less related long-term debt outstanding				33,374,975
Net investment in capital assets				\$ 7,678,557

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,024,184	\$ 240,942	\$ -	\$ 2,265,126
Construction in progress	3,567,904	544,756	2,279,603	1,833,057
Total capital assets, not being depreciated	5,592,088	785,698	2,279,603	4,098,183
Capital assets, being depreciated:				
Buildings	24,754,078	434,517	34,843	25,153,752
Improvements other than buildings	112,014,946	4,385,095	533,631	115,866,410
Machinery and equipment	28,878,865	768,555	1,492,815	28,154,605
Infrastructure	22,054,990	1,603,521	-	23,658,511
Subtotals	187,702,879	7,191,688	2,061,289	192,833,278
Less accumulated depreciation	56,151,560	5,488,991	2,061,289	59,579,262
Total capital assets, being depreciated, net	131,551,319	1,702,697	-	133,254,016
Business-type activities capital assets, net	\$ 137,143,407	\$ 2,488,395	\$ 2,279,603	137,352,199
Less related long-term debt outstanding				78,898,798
Net investment in capital assets				\$ 58,453,401

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities		
General government	\$	13,052
Public safety		130,779
Public works		1,473,608
Culture and recreation		106,450
Total depreciation expense - governmental activities	<u>\$</u>	<u>1,723,889</u>
Business-type activities		
Electric utility	\$	4,433,906
Water utility		503,612
Storm water utility		119,526
Sanitary sewer utility		228,485
Depreciation expense charged operating accounts		187,677
Salvage and cost of removal		15,785
Total depreciation expense - business-type activities	<u>\$</u>	<u>5,488,991</u>

Component unit capital asset activity is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 1,300,000	\$ -	\$ 1,300,000
Construction in progress	-	5,742,547	-	5,742,547
Total capital assets, not being depreciated	<u>-</u>	<u>7,042,547</u>	<u>-</u>	<u>7,042,547</u>
Component unit capital assets, net	<u>\$ -</u>	<u>\$ 7,042,547</u>	<u>\$ -</u>	<u>7,042,547</u>
Less related long-term debt outstanding				<u>7,042,547</u>
Net investment in capital assets				<u>\$ -</u>

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. 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, 2015 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds		
General Fund	\$ 2,662,987	\$ 51,403
Special Assessments	-	2,374
Debt Service	3,331,077	-
Nonmajor Governmental Funds		
Industrial Park	240,000	1,931,830
Environmental Remediation TID	-	930,719
Tax Incremental District #4	-	162,691
Tax Incremental District #5	-	2,558,175
Tax Incremental District #6	-	249,314
Tax Incremental District #8	-	167,315
Solid Waste	57,374	30,595
2013 Projects	-	58,537
Enterprise Funds		
Electric Utility	20,704	10,812
Water Utility	176,272	713,456
Storm Water Utility	150,951	10,813
Sanitary Sewer Utility	505,131	266,462
Totals	\$ 7,144,496	\$ 7,144,496

The outstanding balances between funds result mainly from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

Interfund transfers for the year ended December 31, 2015 were as follows:

	Transfer to:		Totals
	General Fund	Debt Service	
Transfers from:			
Nonmajor governmental funds	\$ 342,857	\$ 4,166,206	\$ 4,509,063
Special assessments fund	-	550,514	550,514
Electric utility enterprise fund	1,821,517	-	1,821,517
Water utility enterprise fund	461,964	-	461,964
Storm water utility enterprise fund	91,000	-	91,000
Sanitary sewer enterprise fund	117,000	-	117,000
Totals	\$ 2,834,338	\$ 4,716,720	\$ 7,551,058

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Transfers are used to: (a) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (b) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (c) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2015:

	Outstanding 1/1/15	Issued	Retired	Outstanding 12/31/15	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes	\$ 17,375,684	\$ 3,695,000	\$ 5,143,300	\$ 15,927,384	\$ 2,495,707
Bonds	14,490,504	4,085,000	440,795	18,134,709	966,148
Total General Obligation Debt	<u>31,866,188</u>	<u>7,780,000</u>	<u>5,584,095</u>	<u>34,062,093</u>	<u>3,461,855</u>
Premium on outstanding debt	315,458	90,756	52,576	353,638	87,358
Unfunded pension liability -					
Private pension plan	22,000	-	5,000	17,000	-
OPEB liability	1,640,672	696,883	347,383	1,990,172	-
Compensated absences	538,756	11,165	-	549,921	-
Governmental activities Long-term obligations	<u>\$ 34,383,074</u>	<u>\$ 8,578,804</u>	<u>\$ 5,989,054</u>	<u>\$ 36,972,824</u>	<u>\$ 3,549,213</u>
Business-type activities:					
General Obligation Debt					
Notes	\$ 2,549,316	\$ 1,420,000	\$ 516,700	\$ 3,452,616	\$ 569,292
Bonds	1,509,496	-	109,205	1,400,291	158,853
Total General Obligation Debt	<u>4,058,812</u>	<u>1,420,000</u>	<u>625,905</u>	<u>4,852,907</u>	<u>728,145</u>
Revenue bonds	76,040,000	14,005,000	16,005,000	74,040,000	3,000,000
OPEB Liability	330,544	170,007	69,486	431,065	-
Premium on outstanding debt	-	385,906	11,393	374,513	28,427
Business-type activities Long-term obligations	<u>\$ 80,429,356</u>	<u>\$ 15,980,913</u>	<u>\$ 16,711,784</u>	<u>\$ 79,698,485</u>	<u>\$ 3,756,572</u>

Total interest paid during the year on long-term debt totaled \$4,780,164.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$6,575,000 issued 11/4/10; \$100,000 to \$950,000 due annually through 2026; interest 3.75% to 4.70%	\$ 6,400,000
\$3,950,000 issued 11/4/10; \$50,000 to \$650,000 due annually through 2026; interest 2.00% to 4.00%	3,850,000
\$5,900,000 issued 12/3/13; \$450,000 to \$1,625,000 due annually through 2020; interest 2.00% to 4.00%	5,200,000
\$2,435,000 issued 3/17/15; \$175,000 to \$475,000 due annually through 2025; interest 1.00% to 3.00%	2,435,000
\$1,650,000 issued 9/1/15; \$50,000 to \$325,000 due annually through 2027; interest 2.00% to 4.00%	<u>1,650,000</u>
Total Bonds	<u>19,535,000</u>

Notes

\$2,650,000 issued 5/1/06; \$465,000 due in 2016; interest 5.75%	465,000
\$3,400,000 issued 8/15/06; \$575,000 due in 2016; interest 4.25%	575,000
\$3,850,000 issued 9/01/07; \$800,000 due in 2016 and \$850,000 due in 2017; interest 3.95%	1,650,000
\$3,000,000 issued 9/1/08; \$500,000 to \$725,000 due annually through 2018; interest 3.70% to 4.00%	1,875,000
\$1,350,000 issued 9/1/10; \$100,000 to \$225,000 due annually through 2020; interest 2.00% to 2.55%	875,000
\$2,775,000 issued 10/4/11; \$75,000 to \$800,000 due annually through 2021; interest 2.00% to 3.00%	2,575,000
\$2,800,000 issued 8/1/12; \$75,000 to \$800,000 due annually through 2022; interest 2.00% to 3.00%	2,675,000
\$1,125,000 issued 9/4/13; \$50,000 to \$225,000 due annually through 2023; interest 2.00% to 4.00%	1,025,000
\$875,000 issued 5/20/14; \$25,000 to \$50,000 due annually through 2024; interest 2.00% to 3.00%	325,000
\$1,000,000 issued 9/2/14; \$50,000 to \$150,000 due annually through 2024; interest 2.00% to 4.00%	950,000
\$1,300,000 issued 9/2/14; \$25,000 to \$350,000 due annually through 2024; interest 1.50% to 3.00%	1,275,000
\$3,550,000 issued 9/1/15; \$175,000 to \$640,000 due annually through 2025; interest 2.00% to 3.00%	3,550,000
\$1,565,000 issued 9/1/15; \$1,565,000 due in 2017; interest 2.00%	<u>1,565,000</u>
Total Notes	<u>19,380,000</u>

Total Outstanding General Obligation Debt	<u>\$ 38,915,000</u>
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CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$38,915,000 on December 31, 2015 are detailed below:

Year Ended December 31,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,461,855	\$ 1,030,385	\$ 728,145	\$ 142,692	\$ 4,190,000	\$ 1,173,077
2017	4,688,625	1,097,902	776,375	166,372	5,465,000	1,264,274
2018	3,208,008	949,458	776,992	133,129	3,985,000	1,082,587
2019	3,312,835	821,195	697,165	104,893	4,010,000	926,088
2020	3,263,120	643,310	551,880	53,328	3,815,000	696,638
2021-2025	13,952,650	1,769,870	1,322,350	92,167	15,275,000	1,862,037
2026-2027	2,175,000	89,025	-	-	2,175,000	89,025
	<u>\$ 34,062,093</u>	<u>\$ 6,401,145</u>	<u>\$ 4,852,907</u>	<u>\$ 692,581</u>	<u>\$ 38,915,000</u>	<u>\$ 7,093,726</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, 2015 was \$11,660,747 as follows:

Equalized valuation of the City	\$ 944,893,400
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	47,244,670
Total outstanding general obligation debt applicable to debt limitation	\$ 38,915,000
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>3,331,077</u>
Net outstanding general obligation debt applicable to debt limitation	<u>35,583,923</u>
Legal Margin for New Debt	<u>\$ 11,660,747</u>

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Revenue Bonds

Revenue bond debt service requirements are financed from operations of the enterprise funds. Revenue bonds outstanding on December 31, 2015 totaled \$74,040,000 and were composed of the following issues:

Electric Utility

\$5,650,000 issued 11/15/06; \$125,000 to \$600,000 due annually through 2026; interest 4.0%	\$ 4,775,000
\$9,000,000 issued 06/01/08; \$300,000 to \$775,000 due annually through 2028; interest 4.375% to 5.25%	7,425,000
\$3,925,000 issued 6/09; \$425,000 to \$475,000 due annually through 2018; interest 4.25% to 4.5%	1,350,000
\$18,225,000 issued 2/1/12; \$3,300,000 to \$4,000,000 due annually 2031 through 2035; interest 5.0%	18,225,000
\$1,300,000 issued 2/1/12; \$125,000 to \$150,000 due annually through 2022; interest 2.25% to 3.625%	900,000
\$25,350,000 issued 2/1/12; \$600,000 to \$3,900,000 due annually through 2030; interest 5.0%	22,975,000
\$9,415,000 issued 6/2/15; \$500,000 to \$800,000 due annually through 2030; interest 2.0% to 3.0%	8,775,000
\$3,365,000 issued 12/15/15; \$100,000 to \$490,000 due annually through 2025; interest 2.0% to 4.0%	<u>3,365,000</u>
Total Electric Utility Revenue Bonds	<u>67,790,000</u>

Water Utility

\$1,000,000 issued 6/1/05; \$175,000 due in 2016 and \$200,000 due in 2017; interest 4.0% to 4.50%	375,000
\$1,275,000 issued 5/1/12; \$200,000 due in 2016 and \$225,000 due in 2017; interest 3.0%	425,000
\$2,500,000 issued 8/29/14; \$25,000 to \$425,000 due annually through 2023; interest 2.0% to 2.65%	<u>2,475,000</u>
Total Water Utility Revenue Bonds	<u>3,275,000</u>

Sanitary Sewer

\$1,950,000 issued 9/4/13; \$100,000 to \$175,000 due annually through 2028; interest 2.00% to 4.375%	1,750,000
\$1,225,000 issued 9/1/15; \$50,000 to \$100,000 due annually through 2030; interest 3.0% to 4.0%	<u>1,225,000</u>
	<u>2,975,000</u>

Total Revenue Bonds	<u>\$ 74,040,000</u>
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CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding revenue bonds of \$74,040,000 on December 31, 2015 are detailed as follows:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 3,000,000	\$ 3,293,731	\$ 6,293,731
2017	3,175,000	3,188,293	6,363,293
2018	3,200,000	3,072,481	6,272,481
2019	3,275,000	2,961,232	6,236,232
2020	3,425,000	2,848,106	6,273,106
2021-2025	18,390,000	12,056,313	30,446,313
2026-2030	21,350,000	7,674,844	29,024,844
2031-2035	18,225,000	2,821,250	21,046,250
	<u>\$ 74,040,000</u>	<u>\$ 37,916,250</u>	<u>\$ 111,956,250</u>

There are various requirements associated with each of the City's bond issues. It has been determined that the City is in compliance with all significant bond issue requirements.

The electric and water utility enterprise funds have pledged future water and electric customer revenues, net of specified operating expenses, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used by the utilities. The water bonds are payable solely from the water customer net revenues and are payable through 2023. The total principal and interest remaining to be paid on the bonds is \$3,632,249. Principal and interest paid for the current year and total customer net revenues were \$511,537 and \$1,624,722 respectively. The electric bonds are payable solely from the electric customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$104,443,970. Principal and interest paid for the current year and total customer net revenues were \$6,315,568 and \$9,936,173, respectively.

The sanitary sewer utility enterprise fund has pledged future sanitary sewer customer revenues, net of specified operating expenses, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used by the utility. The bonds are payable solely from the sanitary sewer customer net revenues and are payable through 2028. The total principal and interest remaining to be paid on the bonds is \$3,880,031. Principal and interest paid for the current year and total customer net revenues were \$170,031 and \$1,292,945, respectively.

Debt Refunding

On June 2, 2015 the City issued \$9,415,000 of Electric System Refunding Revenue Bonds, the proceeds of which were used to call the outstanding balances of the 2003 Electric System Revenue Bonds and the 2010 Electric System Revenue Build America Bonds. The call was undertaken to reduce total debt service payments over the next 15 years by \$1,657,505 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$835,733. On December 15, 2015, the City issued \$3,365,000 of Electric System Refunding Revenue Bonds, the proceeds of which were used to call the outstanding balance of the 2005 Electric System Revenue Bonds. The call was undertaken to reduce total debt service payments over the next 10 years by \$508,775 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$444,049.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Unfunded Pension Liability - Private Pension Plan

The State of Wisconsin administers a plan for two retired employees of the City of Kaukauna Police and Fire Departments. These individuals were covered by a private pension plan prior to the City joining the Wisconsin Retirement System. No new employees are added to the plan. The City's policy is to fund retirement contributions to meet current benefit payments to these retired employees. The total estimated future cost to the City of this plan is approximately \$17,000 as of December 31, 2015, all of which related to prior service.

Component Unit Redevelopment Authority Long-term Debt

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

	Outstanding 1/1/15	Issued	Retired	Outstanding 12/31/15	Due Within One Year
Component Unit:					
Taxable redevelopment lease					
revenue bonds	\$ -	\$ 10,500,000	\$ -	\$ 10,500,000	\$ 300,000
Premium	-	68,300	-	68,300	2,732
	<u>\$ -</u>	<u>\$ 10,568,300</u>	<u>\$ -</u>	<u>\$ 10,568,300</u>	<u>\$ 302,732</u>

Revenue Bonds

Revenue bond debt service requirements are financed from operations of the Redevelopment Authority. Revenue bond debt outstanding on December 31, 2015 totaled \$10,500,000 and was composed of the following issue:

Redevelopment Authority

\$10,500,000 issued 7/1/2015; \$300,000 to \$425,000 due annually through 2040;
interest 2.00% to 4.125%

\$ 10,500,000

Annual principal maturities of the outstanding debt on December 31, 2015 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 300,000	\$ 567,695	\$ 867,695
2017	425,000	392,594	817,594
2018	425,000	379,844	804,844
2019	425,000	362,844	787,844
2020	425,000	345,844	770,844
2021-2025	2,125,000	1,474,219	3,599,219
2026-2030	2,125,000	1,052,938	3,177,938
2031-2035	2,125,000	648,656	2,773,656
2036-2040	2,125,000	219,141	2,344,141
	<u>\$ 10,500,000</u>	<u>\$ 5,443,774</u>	<u>\$ 15,943,774</u>

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Pension Plan

a. Plan Description

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

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

b. Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%

c. 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, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$912,170 in contributions from the City.

Contribution rates as of December 31, 2015 are:

Employee Category	Employee	Employer
General	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At December 31, 2015, the City reported an asset of \$2,244,125 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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, 2014, the City's proportion was 0.09136299%, which was an increase of 0.00037340% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$881,525.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 325,328
Net differences between projected and actual earnings on pension plan investments	1,086,714
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,881
Employer contributions subsequent to the measurement date	1,002,188
Total	\$ 2,418,111

\$1,002,188 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 asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31,	Deferred Outflow of Resources
2015	\$ 322,813
2016	322,813
2017	322,813
2018	322,813
2019	124,671
	\$ 1,415,923

e. Actuarial Assumption

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Asset:	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
City's proportionate share of the net pension asset (liability)	\$ (6,331,063)	\$ 2,244,125	\$ 9,016,462

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

f. Payable to the WRS

At December 31, 2015 the City reported a payable of \$191,304 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2015.

8. Fund Equity

Government-wide Statements

Net position of the governmental activities reported on the government-wide statement of net position at December 31, 2015 includes the following:

Net investment in capital assets	
Land	\$ 9,492,477
Buildings and improvements	4,302,002
Improvements other than buildings	1,330,160
Machinery and equipment	7,257,393
Infrastructure	43,214,242
Less: accumulated depreciation	(24,542,742)
Less: related long-term debt outstanding	(33,374,975)
Total Net Investment in Capital Assets	<u>7,678,557</u>
Restricted	
Debt service	3,071,128
Pension benefits	3,067,195
Total Restricted	<u>6,138,323</u>
Unrestricted	<u>9,044,850</u>
Total Governmental Activities Net Position	<u>\$ 22,861,730</u>

Fund Statements

In the fund financial statements, portions of governmental fund balances are nonspendable and not available for appropriation. At December 31, 2015, fund balance was nonspendable as follows:

General Fund	
Nonspendable for inventories and prepaid items	<u>\$ 172,830</u>

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE D - OTHER POST-EMPLOYMENT BENEFITS

Plan Description - The City provides health care insurance coverage for employees who retire until they reach the age of 65. The health care insurance coverage is provided under two separate plans. One plan is for employees of the Electric and Water Utilities and the other is for all other City employees. For the Utilities, the retired employee contributes a percentage of the premium based on the number of years they retire after eligibility for Wisconsin Retirement (currently age 55). The employee also needs to have 15 years of service to be eligible. For all other City employees, the City pays 75% of the premium until age 64. At age 65, the retiree may continue in the health plan by paying 100% of the premium. There are 55 active and 25 retired employees in the Utilities' plan and 81 active and 23 retired employees under the City plan.

Annual OPEB Cost and Net OPEB Obligation - The annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Component	Amount	
	Utilities	City
Annual required contribution	\$ 179,034	\$ 741,688
Interest on net OPEB	13,222	65,627
Adjustment to annual required contribution	(22,249)	(110,432)
Annual OPEB cost (expense)	170,007	696,883
Contributions made	69,486	347,383
Change in net OPEB obligation	100,521	349,500
OPEB obligation - beginning of year	330,544	1,640,672
OPEB obligation - end of year	\$ 431,065	\$ 1,990,172

The annual required contribution for the current year was determined as part of two separate actuarial valuations using the projected unit credit method. The actuarial assumptions included (a) 4.0% discount rate, and (b) projected salary increases at 3.0%.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll. The remaining amortization period at December 31, 2015 is 24 years, and the remaining amount is \$1,421,535 for the Utilities' plan and \$6,119,617 for the City's plan.

Trend Information - The annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and prior years for the Utilities' plan is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 314,098	77.03%	\$ 119,744
12/31/2012	311,589	71.18%	209,545
12/31/2013	170,847	73.77%	254,355
12/31/2014	171,739	55.64%	350,544
12/31/2015	170,007	40.87%	431,065

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE D - OTHER POST-EMPLOYMENT BENEFITS (Continued)

The annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and prior years for the City's plan is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 593,612	62.47%	\$ 814,128
12/31/2012	595,957	67.85%	1,005,728
12/31/2013	715,118	55.34%	1,325,101
12/31/2014	706,473	55.33%	1,640,672
12/31/2015	696,883	49.85%	1,990,172

Funded Status and Funding Progress - As of the most recent actuarial valuations, conducted during 2013, the Utilities' plan unfunded actuarial accrued liability (UAAL) was \$1,353,291. The annual payroll for active employees covered by the plan for the 2014 fiscal year was \$4,360,213 for a ratio of the UAAL to covered payroll of 31%. The City's plan unfunded actuarial accrued liability (UAAL) was \$5,691,683. The annual payroll for active employees covered by the plan for the 2014 fiscal year was \$5,970,000 for a ratio of the UAAL to covered payroll of 95%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the 2013 actuarial valuations, the projected unit credit method was used. The actuarial assumptions included a rate of 4.0% to discount expected liabilities to the valuation date. The initial healthcare trend rate for the utilities' plan was 9.0%, reduced by decrements to an ultimate rate of 5.5% after 14 years. The initial healthcare trend rate for the City's plan was 12%, reduced by decrements to an ultimate rate of 5.5% after nine years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2015 was 24 years.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE E - OTHER INFORMATION

1. WPPI Energy Contract (WPPI)

The Kaukauna Electric Utility purchases its electric requirements from WPPI Energy (WPPI). WPPI is a municipal electric company and political subdivision of the State of Wisconsin created by contract by its members on September 5, 1980 pursuant to the Municipal Electric Company Act, Sec. 66.073 of the Wisconsin Statutes (the Act). WPPI's purposes include providing an adequate, economical and reliable supply of electric energy to its members.

The Kaukauna Electric Utility is one of 51 members of WPPI located throughout the States of Wisconsin, Iowa, and Michigan. On December 31, 1989, each of WPPI's members, including the City of Kaukauna, commenced purchasing electric service from WPPI under a new Long-term Power Supply Contract for Participating Members (the Long-term Contract) under which WPPI has agreed to sell and deliver to each member, and each member has agreed to take and pay for, the electric power and energy requirements of the members for an initial thirty-five (35) year term. The contract has been amended to extend the term of the contract through 2037. A subsequent amendment has extended the contract through 2055.

Under the Long-term Contract, the Kaukauna Electric Utility and the other members of WPPI are required to pay for all power and energy requirements supplied or made available by WPPI at rates sufficient to cover all of WPPI's revenue requirement which includes power supply costs, administrative expenses and debt service on outstanding bonds. WPPI's subsequent year's rates and operating budget are approved annually by its Board of Directors, which consists of representatives from each member municipality. The Kaukauna Electric Utility has agreed to charge rates to the retail ratepayers of its electric system sufficient to meet its obligations to WPPI. The Long-term Contract provides that all payments to WPPI under the Contract constitute operating expenses of the Kaukauna electric system payable from any operating and maintenance fund established by the Kaukauna Electric Utility.

The Long-term Contract may be terminated by either party upon five years prior written notice effective at the end of the initial thirty-five year term, or at any other time thereafter, provided that no WPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

Electric power purchases by the Kaukauna Electric Utility from the WPPI for distribution to its customers under the above arrangement amounted to approximately \$42.2 million in 2015.

2. 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.

From time to time, the City is party to 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.

3. Tax Incremental District

The City has established a separate capital projects fund for six Tax Incremental Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was "frozen" and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. Except for certain exceptions under Section 66.1105(6)(am)(2), the Statutes allow a tax incremental district to incur project costs up to five years prior to termination of the district. The City's TID No. 4 was created in September, 2000, TID No. 5 was created in September, 2003, TID No. 6 was created in September, 2006, TID No. 7 was created in September, 2012 and TID No. 8 was created in September, 2013. All TID's are still eligible to incur project costs.

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE E - OTHER INFORMATION (Continued)

Since creation of the above Districts, the City has provided various financing sources to the TID's. Detail of the amounts recoverable by the City as of December 31, 2015 from future excess tax increment revenues of the TID's are as follows:

	TID #4	TID # 5	TID #6			
Net Unreimbursed (Reimbursed) Project Costs	\$ 475,372	\$ 12,753,396	\$ 3,403,655			
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33.3%; border: 1px solid black; text-align: center;">TID #7</th> <th style="width: 33.3%; border: 1px solid black; text-align: center;">TID #8</th> <th style="width: 33.3%; border: 1px solid black; text-align: center;">ERTIF</th> </tr> </thead> </table>			TID #7	TID #8	ERTIF
TID #7	TID #8	ERTIF				
Net Unreimbursed (Reimbursed) Project Costs	\$ (10,328)	\$ 796,110	\$ 2,033,965			

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the Districts.

4. Major Customers

Revenue from two industrial customers aggregated approximately 35% of total Electric Utility enterprise fund operating revenue in 2015. Current accounts receivable at December 31, 2015 includes approximately \$1.52 million due from these customers.

5. Presentation of Sales Taxes

The electric utility enterprise fund collects sales tax from certain (or all) customers and remits the entire amount to the appropriate governmental entities. The utility's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

6. 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 2015 and 2016 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2015 budget was 0.83%. The actual limit for the City for the 2016 budget was 1.64%. 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.

7. Cumulative Effect of Change in Accounting Principles

The City has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. The cumulative effect of this change is summarized below:

	Business-type Activities						Total
	Governmental Activities	Electric Utility	Water Utility	Storm Water Utility	Sanitary Sewer Utility	Total	
Net Pension Asset	\$ 2,330,151	\$ 955,090	\$ 238,773	\$ 42,143	\$ 21,106	\$ 1,257,112	\$ 3,587,263
Deferred Outflows of Resources	616,792	256,416	64,104	10,544	5,777	336,841	953,633
Total Cumulative Effect of Change in Accounting Principle	\$ 2,946,943	\$ 1,211,506	\$ 302,877	\$ 52,687	\$ 26,883	\$ 1,593,953	\$ 4,540,896

CITY OF KAUKAUNA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE E - OTHER INFORMATION (Continued)

8. Hydro Park Contribution to the City

As part of the Electric Utility's facility improvement projects conducted over the past few years, public park facilities were also constructed and improved. The park facilities, known as Hydro Park, were completed during 2015 and contributed to the City. The cost of the park totaled \$1,430,015. The contribution is included in miscellaneous nonoperating expenses on the Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position and in the capital grants and contributions on the Statement of Activities for governmental activities.

9. Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also requires disclosures about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting for post-employment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The City will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. GASB No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB No. 75 is effective one year later. The City is currently evaluating the impact these standards will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KAUKAUNA, WISCONSIN
Schedule of Funding Progress
Other Post-Employment Benefit Plan
December 31, 2015

Utilities' Plan

Actuarial Valuation Date January 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Unit Credit	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ -	\$ 2,381,197	0.00%	\$ 2,381,197	\$ 3,878,980	61%
2010	-	2,141,160	0.00%	2,141,160	4,123,268	52%
2013	-	1,353,291	0.00%	1,353,291	4,360,213	31%

City's Plan

Actuarial Valuation Date January 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Unit Credit	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ -	\$ 6,560,000	0.00%	\$ 6,560,000	\$ 5,876,691	112%
2010	-	5,235,602	0.00%	5,235,602	4,674,201	112%
2013	-	5,691,683	0.00%	5,691,683	5,970,000	95%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.

CITY OF KAUKAUNA, WISCONSIN
Schedule of Employer Contributions
Other Post-Employment Benefit Plan
For the Year Ended December 31, 2015

Utilities' Plan

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 299,000	\$ 321,070	93%
2009	300,000	305,522	98%
2010	292,141	314,237	93%
2011	241,953	317,438	76%
2012	221,788	320,463	69%
2013	126,037	175,879	72%
2014	95,550	178,247	54%
2015	69,486	179,034	39%

City's Plan

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 408,000	\$ 630,000	65%
2009	434,000	613,680	71%
2010	400,095	589,761	68%
2011	370,830	604,899	61%
2012	404,357	610,423	66%
2013	395,745	739,267	54%
2014	390,902	740,378	53%
2015	347,383	741,688	47%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.

CITY OF KAUKAUNA, WISCONSIN
 Schedule of Proportionate Share of the Net Pension Asset
 Wisconsin Retirement System
 Last 10 Fiscal Years*

	2015
Proportion of the net pension asset	0.09136299%
Proportionate share of the net pension asset	\$ 2,244,125
Covered-employee payroll	\$ 10,905,307
Plan fiduciary net position as a percentage of the total pension asset	102.74%

* The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

CITY OF KAUKAUNA, WISCONSIN
Schedule of Contributions
Wisconsin Retirement System
Last 10 Fiscal Years*

	2015
Contractually required contributions	\$ 912,170
Contributions in relation to the contractually required contributions	\$ 912,170
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 10,905,307
Contributions as a percentage of covered-employee payroll	8.36%

* The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

CITY OF KAUKAUNA, WISCONSIN
Notes to Required Supplementary Information
December 31, 2015

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71

The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – *An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* for the fiscal year ended December 31, 2015. Information for prior years is not available.

NOTE B - WISCONSIN RETIREMENT SYSTEM

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

SUPPLEMENTARY INFORMATION

CITY OF KAUKAUNA, WISCONSIN
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,547,532	\$ 2,547,532	\$ 2,547,532	\$ -
Expenditures				
Debt service				
Principal	4,425,000	4,425,000	5,584,095	(1,159,095)
Interest and fiscal charges	1,251,319	1,251,319	1,042,821	208,498
Total Expenditures	<u>5,676,319</u>	<u>5,676,319</u>	<u>6,626,916</u>	<u>(950,597)</u>
Excess of Revenues Under Expenditures	<u>(3,128,787)</u>	<u>(3,128,787)</u>	<u>(4,079,384)</u>	<u>(950,597)</u>
Other Financing Sources				
Transfers in	<u>-</u>	<u>-</u>	<u>4,716,720</u>	<u>4,716,720</u>
Net Change in Fund Balance	(3,128,787)	(3,128,787)	637,336	3,766,123
Fund Balance - January 1	<u>2,693,741</u>	<u>2,693,741</u>	<u>2,693,741</u>	<u>-</u>
Fund Balance - December 31	<u>\$ (435,046)</u>	<u>\$ (435,046)</u>	<u>\$ 3,331,077</u>	<u>\$ 3,766,123</u>

CITY OF KAUKAUNA, WISCONSIN

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015

	Special Revenue Funds			
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants
ASSETS				
Cash and cash equivalents	\$ 52,320	\$ 737,801	\$ 17,126	\$ 40,739
Receivables				
Taxes	72,144	-	-	-
Special assessments	-	-	-	-
Loans	-	831,782	241,782	258,018
Due from other funds	-	-	-	-
Restricted assets				
Cash and cash equivalents	498,012	-	-	-
TOTAL ASSETS	\$ 622,476	\$ 1,569,583	\$ 258,908	\$ 298,757
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 14,371	\$ 480	\$ -	\$ -
Accrued liabilities	2,728	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	437,931	-	-	-
Total Liabilities	455,030	480	-	-
DEFERRED INFLOWS OF RESOURCES				
Property taxes	131,550	-	-	-
Special assessments	-	-	-	-
Loans	-	831,782	241,782	258,018
Total Deferred Inflows of Resources	131,550	831,782	241,782	258,018
FUND BALANCES				
Committed for park improvements	-	-	-	-
Assigned for other subsequent years expenditures	35,896	737,321	17,126	40,739
Total Fund Balances	35,896	737,321	17,126	40,739
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 622,476	\$ 1,569,583	\$ 258,908	\$ 298,757

(Continued)

Special Revenue Funds (Continued)							Total Special Revenue Funds
CDBG Grant	Public Safety Grants	Library Foundation	Subdivision Fees	PACE Loan Fund	Grignon Home	Solid Waste	
\$ 38,775	\$ 86,690	\$ 221,556	\$ 92,243	\$ 30,067	\$ 7,790	\$ -	\$ 1,325,107
-	-	-	2,495	-	-	-	74,639
-	-	-	6,850	-	-	-	6,850
267,780	-	-	-	8,408	-	-	1,607,770
-	-	-	-	-	-	57,374	57,374
-	-	-	2,055	-	-	-	500,067
<u>\$ 306,555</u>	<u>\$ 86,690</u>	<u>\$ 221,556</u>	<u>\$ 103,643</u>	<u>\$ 38,475</u>	<u>\$ 7,790</u>	<u>\$ 57,374</u>	<u>\$ 3,571,807</u>
\$ -	\$ 1,208	\$ -	\$ -	\$ -	\$ 247	\$ -	\$ 16,306
-	-	-	-	-	-	-	2,728
-	-	-	-	-	-	30,595	30,595
-	-	-	-	-	-	-	437,931
-	1,208	-	-	-	247	30,595	487,560
-	-	-	4,550	-	-	-	136,100
-	-	-	12,583	-	-	-	12,583
267,780	-	-	-	8,408	-	-	1,607,770
<u>267,780</u>	<u>-</u>	<u>-</u>	<u>17,133</u>	<u>8,408</u>	<u>-</u>	<u>-</u>	<u>1,756,453</u>
-	-	-	86,510	-	-	-	86,510
38,775	85,482	221,556	-	30,067	7,543	26,779	1,241,284
<u>38,775</u>	<u>85,482</u>	<u>221,556</u>	<u>86,510</u>	<u>30,067</u>	<u>7,543</u>	<u>26,779</u>	<u>1,327,794</u>
<u>\$ 306,555</u>	<u>\$ 86,690</u>	<u>\$ 221,556</u>	<u>\$ 103,643</u>	<u>\$ 38,475</u>	<u>\$ 7,790</u>	<u>\$ 57,374</u>	<u>\$ 3,571,807</u>

CITY OF KAUKAUNA, WISCONSIN
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2015

	Capital Project Funds					
	Industrial Park	Park Development	Special Assessments	Space Needs	Tax Incremental District #4	Tax Incremental District #5
ASSETS						
Cash and cash equivalents	\$ 413	\$ 52,277	\$ 2,376,165	\$ 3,233,296	\$ 11,420	\$ 54,858
Receivables						
Taxes	-	8,226	289,563	105,190	7,212	-
Special assessments	-	-	1,632,184	-	-	-
Due from developers	1,650,000	-	-	-	-	-
Loans	95,733	-	-	-	-	-
Due from other funds	240,000	-	-	-	-	-
Restricted assets						
Cash and cash equivalents	-	6,774	238,437	86,617	5,939	-
TOTAL ASSETS	\$ 1,986,146	\$ 67,277	\$ 4,536,349	\$ 3,425,103	\$ 24,571	\$ 54,858
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 330	\$ -	\$ 314	\$ 104,442	\$ -	\$ 79
Accrued liabilities	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Due to other funds	1,931,830	-	2,374	-	162,691	2,558,175
Unearned revenue	-	-	9,282	-	-	-
Total Liabilities	1,932,160	-	11,970	104,442	162,691	2,558,254
DEFERRED INFLOWS OF RESOURCES						
Property taxes	-	15,000	528,000	191,807	13,151	-
Special assessments	-	-	1,632,184	-	-	-
Loans	1,745,733	-	-	-	-	-
Total Deferred Inflows of Resources	1,745,733	15,000	2,160,184	191,807	13,151	-
FUND BALANCES						
Committed for park improvements	-	-	-	-	-	-
Assigned for other subsequent years expenditures	-	52,277	2,364,195	3,128,854	-	-
Unassigned	(1,691,747)	-	-	-	(151,271)	(2,503,396)
Total Fund Balances (Deficit)	(1,691,747)	52,277	2,364,195	3,128,854	(151,271)	(2,503,396)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,986,146	\$ 67,277	\$ 4,536,349	\$ 3,425,103	\$ 24,571	\$ 54,858

Capital Project Funds (Continued)								Total Capital Projects	Total Nonmajor Funds
Tax Incremental District #6	Tax Incremental District #7	Tax Incremental District #8	Environmental Remediation TID	2012 Projects	2013 Projects	2014 Projects	2015 Projects		
\$ 90,659	\$ 10,329	\$ 307,689	\$ -	\$ 212,069	\$ -	\$ 282,469	\$ 456,574	\$ 7,088,218	\$ 8,413,325
490,758	5,707	18,778	19,160	-	-	-	-	944,594	1,019,233
-	-	-	-	-	-	-	-	1,632,184	1,639,034
-	-	-	-	-	-	-	-	1,650,000	1,650,000
304,033	-	-	-	-	-	-	-	399,766	2,007,536
-	-	-	-	-	-	-	-	240,000	297,374
404,110	4,700	78,062	15,777	-	-	-	-	840,416	1,340,483
<u>\$ 1,289,560</u>	<u>\$ 20,736</u>	<u>\$ 404,529</u>	<u>\$ 34,937</u>	<u>\$ 212,069</u>	<u>\$ -</u>	<u>\$ 282,469</u>	<u>\$ 456,574</u>	<u>\$ 12,795,178</u>	<u>\$ 16,366,985</u>
\$ -	\$ -	\$ 1,438	\$ 11,906	\$ -	\$ -	\$ -	\$ 3,750	\$ 122,259	\$ 138,565
-	-	-	-	-	-	-	-	-	2,728
-	-	-	-	3,087	6,151	-	276,303	285,541	285,541
249,314	-	167,315	930,719	-	58,537	-	-	6,060,955	6,091,550
-	-	-	-	-	-	-	-	9,282	447,213
249,314	-	168,753	942,625	3,087	64,688	-	280,053	6,478,037	6,965,597
894,868	10,407	34,240	34,937	-	-	-	-	1,722,410	1,858,510
-	-	-	-	-	-	-	-	1,632,184	1,644,767
304,033	-	-	-	-	-	-	-	2,049,766	3,657,536
1,198,901	10,407	34,240	34,937	-	-	-	-	5,404,360	7,160,813
-	-	-	-	-	-	-	-	-	86,510
-	10,329	201,536	-	208,982	-	282,469	176,521	6,425,163	7,666,447
(158,655)	-	-	(942,625)	-	(64,688)	-	-	(5,512,382)	(5,512,382)
(158,655)	10,329	201,536	(942,625)	208,982	(64,688)	282,469	176,521	912,781	2,240,575
<u>\$ 1,289,560</u>	<u>\$ 20,736</u>	<u>\$ 404,529</u>	<u>\$ 34,937</u>	<u>\$ 212,069</u>	<u>\$ -</u>	<u>\$ 282,469</u>	<u>\$ 456,574</u>	<u>\$ 12,795,178</u>	<u>\$ 16,366,985</u>

CITY OF KAUKAUNA, WISCONSIN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2015

	Special Revenue Funds			
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants
Revenues				
Taxes	\$ 110,438	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	25,000	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	16,876	-	-	-
Interest	15,000	783	-	-
Other	32,938	360,733	-	4,854
Total Revenues	200,252	361,516	-	4,854
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	193,467	-	-	-
Conservation and development	1,314	17,393	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
Debt service				
Bond issuance costs	-	-	-	-
Total Expenditures	194,781	17,393	-	-
Excess of Revenues Over (Under) Expenditures	5,471	344,123	-	4,854
Other Financing Sources (Uses)				
General obligation notes issued	-	-	-	-
Premium on debt issued	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	5,471	344,123	-	4,854
Fund Balances (Deficits) - January 1	30,425	393,198	17,126	35,885
Fund Balances (Deficits) - December 31	\$ 35,896	\$ 737,321	\$ 17,126	\$ 40,739

(Continued)

Special Revenue Funds (Continued)							Total Special Revenue Funds
CDBG Grant	Public Safety Grants	Library Foundation	Subdivision Fees	PACE Loan Fund	Grignon Home	Solid Waste	
\$ -	\$ -	\$ -	\$ 6,800	\$ -	\$ -	\$ -	\$ 117,238
-	-	-	609	-	-	-	609
-	-	-	-	-	-	-	25,000
-	323	-	-	-	-	-	323
-	10,354	-	-	-	-	338,659	365,889
5	-	716	-	-	-	-	16,504
33,806	-	84,592	-	7,639	13,842	-	538,404
33,811	10,677	85,308	7,409	7,639	13,842	338,659	1,063,967
-	21,507	-	-	-	-	-	21,507
-	-	274,912	-	-	15,841	-	484,220
-	-	-	-	-	-	-	18,707
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	21,507	274,912	-	-	15,841	-	524,434
33,811	(10,830)	(189,604)	7,409	7,639	(1,999)	338,659	539,533
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(342,856)	(342,856)
-	-	-	-	-	-	(342,856)	(342,856)
33,811	(10,830)	(189,604)	7,409	7,639	(1,999)	(4,197)	196,677
4,964	96,312	411,160	79,101	22,428	9,542	30,976	1,131,117
\$ 38,775	\$ 85,482	\$ 221,556	\$ 86,510	\$ 30,067	\$ 7,543	\$ 26,779	\$ 1,327,794

CITY OF KAUKAUNA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended December 31, 2015

	Capital Project Funds					
	Industrial Park	Park Development	Special Assessments	Space Needs	Tax Incremental District #4	Tax Incremental District #5
Revenues						
Taxes	\$ -	\$ 15,000	\$ -	\$ 1,035,000	\$ 6,488	\$ -
Special assessments	-	-	894,934	-	-	-
Intergovernmental	-	-	-	-	5,988	56
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	-	-	-	4,395	-
Interest	-	-	-	-	-	-
Other	36,103	-	46,792	-	-	-
Total Revenues	36,103	15,000	941,726	1,035,000	16,871	56
Expenditures						
Current						
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	1,500
Capital outlay						
General government	-	-	320,618	104,442	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	3,000
Culture and recreation	-	6,686	-	-	-	-
Conservation and development	1,656,581	-	-	-	10,308	-
Debt service						
Bond issuance costs	-	-	-	-	-	-
Total Expenditures	1,656,581	6,686	320,618	104,442	10,308	4,500
Excess of Revenues Over (Under) Expenditures	(1,620,478)	8,314	621,108	930,558	6,563	(4,444)
Other Financing Sources (Uses)						
General obligation notes issued	1,650,000	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	1,000,000	-	-
Transfers out	(474,244)	-	(550,514)	-	(36,858)	(524,250)
Total Other Financing Sources (Uses)	1,175,756	-	(550,514)	1,000,000	(36,858)	(524,250)
Net Change in Fund Balances	(444,722)	8,314	70,594	1,930,558	(30,295)	(528,694)
Fund Balances (Deficits) - January 1	(1,247,025)	43,963	2,293,601	1,198,296	(120,976)	(1,974,702)
Fund Balances (Deficits) - December 31	\$ (1,691,747)	\$ 52,277	\$ 2,364,195	\$ 3,128,854	\$ (151,271)	\$ (2,503,396)

Capital Project Funds (Continued)								Total Capital Projects	Total Nonmajor Funds
Tax Incremental District #6	Tax Incremental District #7	Tax Incremental District #8	Environmental Remediation TID	2012 Projects	2013 Projects	2014 Projects	2015 Projects		
\$ 654,132	\$ 2,041	\$ -	\$ 22,236	\$ -	\$ -	\$ -	\$ -	\$ 1,734,897	\$ 1,852,135
-	-	-	-	-	-	-	-	894,934	895,543
3,300	3,492	201	-	-	-	-	-	13,037	38,037
-	-	-	-	-	-	-	-	-	323
-	-	-	-	-	-	1,376	-	5,771	371,660
170	-	939	-	312	464	-	-	1,885	18,389
26,726	-	-	-	-	-	853	1,403	111,877	650,281
684,328	5,533	1,140	22,236	312	464	2,229	1,403	2,762,401	3,826,368
-	-	-	-	-	-	-	-	-	21,507
-	-	-	-	-	-	-	-	-	484,220
-	-	-	-	-	-	-	-	1,500	20,207
-	-	-	-	-	11,556	-	-	436,616	436,616
-	-	-	-	6,714	584	522,322	15,217	544,837	544,837
-	-	356,687	14,006	24,367	114,518	162,532	1,882,882	2,557,992	2,557,992
-	-	5,941	-	-	-	34,209	79,000	125,836	125,836
16,150	150	700,747	-	-	-	-	-	2,383,936	2,383,936
44,599	-	-	-	-	-	-	4,274	48,873	48,873
60,749	150	1,063,375	14,006	31,081	126,658	719,063	1,981,373	6,099,590	6,624,024
623,579	5,383	(1,062,235)	8,230	(30,769)	(126,194)	(716,834)	(1,979,970)	(3,337,189)	(2,797,656)
2,435,000	-	1,565,000	-	-	-	-	2,130,000	7,780,000	7,780,000
64,266	-	-	-	-	-	-	26,490	90,756	90,756
-	-	-	-	-	-	-	-	1,000,000	1,000,000
(3,034,863)	-	-	(95,992)	-	-	-	-	(4,716,721)	(5,059,577)
(535,597)	-	1,565,000	(95,992)	-	-	-	2,156,490	4,154,035	3,811,179
87,982	5,383	502,765	(87,762)	(30,769)	(126,194)	(716,834)	176,520	816,846	1,013,523
(246,637)	4,946	(301,229)	(854,863)	239,751	61,506	999,304	-	95,935	1,227,052
\$ (158,655)	\$ 10,329	\$ 201,536	\$ (942,625)	\$ 208,982	\$ (64,688)	\$ 282,470	\$ 176,520	\$ 912,781	\$ 2,240,575

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaukauna, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Kaukauna's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated July 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kaukauna, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kaukauna, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kaukauna, Wisconsin's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kaukauna, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City of Kaukauna, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kaukauna, Wisconsin's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
July 8, 2016