

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 13, 2022

NEW ISSUE (BOOK ENTRY ONLY)  
NOT BANK-QUALIFIED

INVESTMENT RATING REQUESTED  
S&P GLOBAL RATINGS

*In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") under existing law interest on the Notes is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "LEGAL MATTERS - Tax Exemption" herein for a more detailed discussion of some of the federal income tax consequences of owning the Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes. The Notes are not "Qualified Tax-Exempt Obligations" for purposes of Section 265(b)(3) of the Code.*

**CITY OF KAUKAUNA  
OUTAGAMIE AND CALUMET COUNTIES, WISCONSIN  
\$6,000,000 General Obligation Promissory Notes, Series 2022A**

Dated: May 3, 2022

Due: March 1, As Shown Below

The General Obligation Promissory Notes, Series 2022A (the "Notes") are being issued pursuant to Section 67.12(12) of the Wisconsin Statutes. The Notes will be general obligations of the City of Kaukauna, Outagamie and Calumet Counties, Wisconsin (the "City") for which its full faith, credit and resources are pledged. The Notes will be issued for public purposes, including paying the cost of park and pool improvements, improvements to City buildings, grounds and facilities, street, bridge, and sidewalk construction and improvements, and the acquisition of vehicles and equipment.

The Notes will mature on March 1, as follows:

Year	Amount	Rate	Yield	CUSIP No. 486260 <sup>(1)</sup>	Year	Amount	Rate	Yield	CUSIP No. 486260 <sup>(1)</sup>
2023	\$100,000				2028	\$ 500,000			
2024	200,000				2029	600,000			
2025	200,000				2030	700,000			
2026	225,000				2031	1,000,000			
2027	500,000				2032	1,975,000			

Principal of the Notes, payable commencing March 1, 2023 through 2032, and interest, payable each March 1 and September 1, commencing March 1, 2023, will be paid to DTC (defined below), which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Notes as described herein.

The Notes maturing on March 1, 2030 and thereafter shall be subject to redemption prior to maturity, at the option of the City, on March 1, 2029 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the City and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

The Notes will be issued as fully registered obligations without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Notes. Individual purchases may be made in book entry form only, as set forth in "BOOK-ENTRY-ONLY SYSTEM" herein, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes purchased. Associated Trust Company, National Association, Green Bay, Wisconsin will act as registrar and fiscal agent for the Notes.

*The Notes are offered when, as and if issued, subject to the receipt of the approving opinion of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. Quarles & Brady LLP will also serve as Disclosure Counsel to the City for the Notes. The Notes will be available for delivery on or about May 3, 2022, through the facilities of DTC in New York, New York.*

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS **NOT** A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

**Huntington Capital Markets**

<sup>1</sup> See "CUSIP INFORMATION" herein.

Unless otherwise indicated, information contained in this Official Statement is based upon material provided by the City and available at the date of publication of the Official Statement. Certain information contained herein has been obtained from sources other than records of the City, and is believed to be reliable, but is not guaranteed as to accuracy or completeness.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the offering of the Notes and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the operations of the City since the date of this Official Statement.

The Notes have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

This Official Statement is in a form deemed final by the City for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)).

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**CITY OF KAUKAUNA  
OUTAGAMIE AND CALUMET COUNTIES, WISCONSIN**

Anthony J. Penterman, Mayor  
(Term Expires April 2024)

**COMMON COUNCIL**

<u>Name</u>	<u>District</u>	<u>Term Expires</u>
Marty DeCoster	First	April, 2023
Jennie Eggleston	First	April, 2024
John Moore (President)	Second	April, 2024
Kelli Antoine	Second	April, 2023
Brian Schell	Third	April, 2023
Mary Jo Kilgas	Third	April, 2024
Pennie Thiele	Fourth	April, 2023
Michael Coenen	Fourth	April, 2024

**CITY ADMINISTRATION**

William J. Van Rossum..... Finance Director/Treasurer  
Sally A. Kenney ..... Clerk  
Kevin Davidson..... City Attorney

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**BOND AND DISCLOSURE COUNSEL**

Quarles & Brady LLP  
Milwaukee, Wisconsin

**UNDERWRITER**

Huntington Capital Markets  
Waukesha, Wisconsin

**REGISTRAR AND FISCAL AGENT**

Associated Trust Company, National Association  
Green Bay, Wisconsin

## SUMMARY

*This is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Notes to potential investors is made only by means of the entire Official Statement and all such documents.*

Issuer	City of Kaukauna, Outagamie and Calumet Counties, Wisconsin		
Issue	\$6,000,000 General Obligation Promissory Notes, Series 2022A ("Notes")		
Dated Date	May 3, 2022.		
Principal Due	March 1, 2023 through 2032.		
Interest Payment Dates	Commencing March 1, 2023 and on each September 1 and March 1 thereafter.		
Redemption Provision	The Notes maturing on March 1, 2030 and thereafter shall be subject to redemption prior to maturity, at the option of the City, on March 1, 2029 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the City and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption. See "THE NOTES – Redemption Provisions" herein.		
Purpose	The Notes will be issued for public purposes, including paying the cost of park and pool improvements, improvements to City buildings, grounds and facilities, street, bridge, and sidewalk construction and improvements, and the acquisition of vehicles and equipment.		
Security	The City pledges its full faith, credit and resources and there will be levied on all the taxable property in the City a direct, annual, irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Notes.		
Authority	The Notes are being issued pursuant to Section 67.12(12) of the Wisconsin Statutes, and a resolution authorizing the issuance and sale of the Notes to be adopted by the Common Council on April 19, 2022.		
Tax Exemption	Interest on the Notes is excludable from gross income for federal income tax purposes. (See "LEGAL MATTERS - Tax Exemption" herein.)		
No Bank Qualification	The Notes are not "qualified tax-exempt obligations".		
Rating	A rating on the Notes has been requested from S&P Global Ratings, a division of S&P Global.		
Underwriter	Huntington Securities, Inc. dba Huntington Capital Markets.		
Registrar and Fiscal Agent	Associated Trust Company, National Association, Green Bay, Wisconsin.		
Record Date	The 15 <sup>th</sup> day of the calendar month next preceding each interest payment date.		
Delivery Date and Place	On or about May 3, 2022 through the facilities of DTC in New York, New York.		
Denominations	The Notes will be issued in denominations of \$5,000 each and integral multiples thereof.		
Bond Years	45,016.67	Average Life:	7.503 years.
Continuing Disclosure	The Official Statement will be available from the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access ("EMMA") System. The City will covenant to provide annual reports, as required, and timely notice of certain events as set forth in the Continuing Disclosure Certificate for the Notes. See Appendix C herein.		

**OFFICIAL STATEMENT**  
**CITY OF KAUKAUNA**  
**OUTAGAMIE AND CALUMET COUNTIES, WISCONSIN**  
**\$6,000,000 General Obligation Promissory Notes, Series 2022A**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information in connection with the issuance of \$6,000,000 General Obligation Promissory Notes, Series 2022A (the "Notes"), dated May 3, 2022 of the City of Kaukauna, Wisconsin (the "City").

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The information contained in this Official Statement is based upon material provided by the City or obtained from other sources and is believed to be reliable, but is not guaranteed as to accuracy or completeness.

All references to material included in this Official Statement not purporting to be quoted in full are only summaries of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is made to such instruments, documents and other materials for the complete provisions thereof, copies of which will be furnished upon request.

Information, including the City's prior years' financial statements, is available upon request and upon payment to the City of a charge for any copying, mailing and handling if required, from Mr. William Van Rossum, Finance Director/Treasurer, City of Kaukauna, 144 W. Second Street, Kaukauna, Wisconsin, 54130; telephone (920) 766-6312; wvanrossum@kaukauna-wi.org; or from Huntington Securities, Inc. dba Huntington Capital Markets at (414) 298-9898.

**THE NOTES**

**Purpose**

The Notes will be issued for public purposes, including paying the cost of park and pool improvements, improvements to City buildings, grounds and facilities, street, bridge, and sidewalk construction and improvements, and the acquisition of vehicles and equipment.

**Authority for Issuance**

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, and a Resolution Authorizing the Issuance and Sale of \$6,000,000 General Obligation Promissory Notes, Series 2022A to be adopted by the Common Council on April 19, 2022 (the "Resolution").

**Description**

The Notes will be dated May 3, 2022 and will bear interest from their dated date to their respective maturities. Principal of the Notes will be payable annually on each March 1, commencing March 1, 2023 through 2032. Interest will be payable each March 1 and September 1, commencing March 1, 2023.

**Sources and Applications of Funds**

Sources of Funds

Par Amount of Notes	\$
Reoffering Premium	
Total	\$

Applications of Funds

Capital Improvement Projects	\$
Costs of Issuance (including Underwriter's Discount)	
Total	\$

## **Sources of Payment for the Notes**

The City is authorized and required by law to levy on all property taxable by the City such *ad valorem* taxes, without limitation as to rate or amount, as may be necessary to pay the Notes and the interest thereon.

## **Security for the Notes**

As security for the Notes, the City pledges its full faith, credit and resources and there will be levied on all of the taxable property in the City a direct, annual irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Notes. The tax will be levied under the Resolution for collection in each of the years 2023 through 2032 or monies to pay debt service will otherwise be appropriated.

The Resolution provides that the tax will be, from year to year, carried onto the tax rolls of the City and collected as other taxes are collected and that the City shall not repeal such levy or obstruct the collection of the tax. Provision is made for reducing the amount of tax carried onto the tax rolls by the amount of any surplus money in the Debt Service Account for the Notes.

## **Redemption Provisions**

At the option of the City, the Notes maturing on March 1, 2030 and thereafter shall be subject to redemption prior to maturity on March 1, 2029 or on any date thereafter. Said Notes shall be redeemable as a whole or in part, and if in part, from maturities selected by the City and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Notes of a maturity are to be redeemed, selection of the Notes to be so redeemed shall be by lot conducted by DTC in accordance with its rules and practices. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

## **Notice of Redemption**

Notice of redemption shall be given by facsimile transmission, certified or registered mail, overnight express delivery, electronic transmission, or in any other manner required by DTC to DTC, or its nominee, as the registered owner of the Notes. Such notice shall be sent not less than 30 days nor more than 60 days prior to the date fixed for redemption. Except as set forth in any undertaking by the City to provide continuing disclosure, the City will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee.

## **THE RESOLUTION**

The Resolution will be adopted by the Common Council pursuant to the procedures prescribed by State Statutes. Reference is made to the Resolution for a complete recital of its terms.

The Resolution authorizes the issuance of the Notes and the sale of the Notes to the Underwriter. The Resolution establishes the form and terms of the Notes, including the dating, maturity schedule, interest payment dates and redemption provisions, as shown in this Official Statement, and approves the interest rates to be borne by the Notes. Pursuant to the Resolution, the City pledges its full faith, credit and resources and there will be levied on all of the taxable property in the City a direct, annual irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Notes. The Resolution establishes, separate and distinct from all other funds of the City, a debt service fund with respect to payment of principal and interest on the Notes.

## **BOOK-ENTRY-ONLY SYSTEM**

*The following information has been furnished by The Depository Trust Company for use in this Official Statement. Neither the City nor the Underwriter takes any responsibility for the accuracy or completeness of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's

participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to Agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City or Registrar. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but City takes no responsibility for the accuracy thereof.

## **Registrar and Fiscal Agent**

Associated Trust Company, National Association, Green Bay, Wisconsin will act as Registrar and Fiscal Agent for the Notes.

## **CUSIP INFORMATION**

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## **THE CITY**

### **Introduction**

The City, incorporated in 1885, is located in east central Wisconsin on the Fox River, approximately 25 miles southwest of Green Bay and 105 miles north of Milwaukee. The City encompasses an area of 5,045 acres in Outagamie County and 8.609 acres in Calumet County, which the City annexed in 2012.

The City's offices are located at 144 W. Second Street, Kaukauna, Wisconsin 54130, telephone (920) 766-6300. The City's estimated 2021 population is 16,634. The City has 109.5 full and part-time employees.

### **Transportation**

The City is located on US Highway 41 which runs east-west through the City and State Highway 55 which runs north-south through the City. The City is also served by the Wisconsin Central Railroad. Commercial air service is available at the Appleton International Airport located in the City of Appleton approximately ten miles south of the City.

### **Common Council**

The legislative body of the City is the Common Council consisting of eight alderpersons elected for overlapping two-year terms. There are two alderpersons per district. The Council President is elected by the Council members. The Mayor is elected separately for a two-year term, which expires in even-numbered years, and is responsible for conducting the proceedings of the Common Council at its meeting.

### **Administrative Organization**

The policies of the City are set by the eight-member Common Council. The Mayor only votes in the case of a tie. The Mayor also has veto power over the actions of the Common Council.

The Mayor has the responsibility of administering the day-to-day operations of the City and executing the policy decisions of the Common Council.

The Finance Director is responsible for the financial and operational posture of the City and has responsibility for the formulation and enforcement of the budget for all departments.



## Services

The City provides the full range of municipal services, including police and fire protection, health and human services, parks, public works operations, water and electric utilities, community development and general administrative services.

### Public Safety

The City has a 30-member police department, including 24 sworn officers, and a 20-member fire department plus 12 additional paid-on-call volunteers.

## Employee Relations and Collective Bargaining

The following two bargaining units represent the respective number of City employees:

<u>Union/Association</u>	<u>Contract Term</u>	<u>Number of Members</u>
Local 1594, International Association of Fire Fighters AFL-CIO.	01/01/19 – 12/31/21 <sup>(1)</sup>	15
Wisconsin Professional Police Association Police Department Workers	01/01/20 – 12/31/22	23

<sup>(1)</sup> A new contract is currently in negotiations.

The City characterizes relations between the City and the bargaining units as good.

All eligible City personnel are covered by the Municipal Employment Relations Act (MERA) of the Wisconsin Statutes. Pursuant to that law, employees have limited rights to organize and collectively bargain with the municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety or transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

## Demographic Information

### Population

The Wisconsin Department of Administration, Demographics Service Center has estimated the population trends for the City, Outagamie County and State as shown below.

	<u>Estimated</u> <u>2021</u>	<u>Census</u> <u>2020</u>	<u>Estimated</u> <u>2019</u>	<u>Estimated</u> <u>2018</u>	<u>Estimated</u> <u>2017</u>
City of Kaukauna	16,634	17,089	16,278	16,049	15,926
Outagamie County	189,938	190,705	187,092	184,541	182,921
State of Wisconsin	5,901,473	5,893,718	5,843,443	5,816,231	5,783,278

Source: Wisconsin Department of Administration, Demographic Services Center and U.S. Census Bureau

### Median Age

The median ages for the City, Outagamie County and the State as of the 2010 U.S. Census are as follows:

	<u>Median Age</u>
City of Kaukauna	34.6 years
Outagamie County	37.1
State of Wisconsin	38.5

Source: U.S. Census Bureau, 2010 Census

### Income

Adjusted Gross Income per tax return income data for the City, Outagamie County and the State are presented in the following table:

<u>Year</u>	<u>City of Kaukauna</u>	<u>Outagamie County</u>	<u>State of Wisconsin</u>
2020	\$ 60,111	\$ 65,696	\$ 61,518
2019	58,560	65,444	61,003
2018	57,708	63,894	59,423
2017	57,809	62,398	56,698
2016	55,162	60,762	55,267

Source: Wisconsin Department of Revenue, Division of Research & Policy

## **Economic Information**

### Building Permit Activity

Building activity in the City of Kaukauna is indicated by the number of building permits issued, as set forth in the following table:

<u>Year</u>	<u>Residential Permits</u>		<u>Total Permits</u>	
	<u>Number of Permits</u>	<u>Valuation</u>	<u>Number of Permits</u>	<u>Valuation</u>
2022 <sup>(1)</sup>	5	\$ 1,160,000	79	\$ 1,950,000
2021	86	22,000,000	983	42,000,000
2020	98	21,206,000	984	39,449,647
2019	53	11,388,055	752	28,600,431
2018	63	15,731,000	867	43,754,006
2017	83	12,823,570	1,006	26,519,377

<sup>(1)</sup> As of February 25, 2022.

Source: City

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### Average Annual Employment

The table below presents average annual employment by selected categories within Outagamie County for the last five available years.

	<u>2021*</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>TOTAL</b>	<b>105,265</b>	<b>103,122</b>	<b>108,922</b>	<b>108,251</b>	<b>107,844</b>
Construction	8,784	8,010	8,330	8,248	7,815
Education & Health Services	19,711	19,956	20,329	20,200	20,040
Financial Activities	6,398	6,472	6,438	6,476	6,438
Information	857	920	1,008	1,177	1,714
Leisure & Hospitality	9,654	8,307	10,546	10,499	10,492
Manufacturing	19,484	19,531	20,215	19,436	19,070
Natural Resources & Mining	824	810	837	804	635
Other Services	3,476	3,236	4,072	4,010	4,088
Professional & Business Services	12,440	12,612	12,606	12,650	13,470
Public Administration	3,333	3,232	3,274	3,340	3,217
Trade, Transportation, Utilities	20,304	20,036	21,267	21,411	20,865
Unclassified	0	0	0	0	0

\*Through September 30.

Source: Wisconsin Department of Workforce Development

### Employment

The Wisconsin Department of Workforce Development has estimated the percentage of unemployment to be as follows:

	February <u>2022</u> <sup>(1)</sup>	2021 <u>Average</u> <sup>(1)(2)</sup>	2020 <u>Average</u> <sup>(2)</sup>	2019 <u>Average</u>	2018 <u>Average</u>	2017 <u>Average</u>
Outagamie County	2.7%	<sup>(3)</sup>	5.5%	2.9%	2.8%	3.0%
State of Wisconsin	3.4	3.8	6.3	3.2	3.0	3.3

<sup>(1)</sup> Preliminary.

<sup>(2)</sup> Figures reflect employment impact as a result of COVID-19 (see "MISCELLANEOUS - Impact of the Spread of COVID-19" herein).

<sup>(3)</sup> Not yet available.

Source: Wisconsin Department of Workforce Development

### Major Employers

The following table lists the larger employers in the City by the number of employees:

<u>Employer</u>	<u>Product/Business</u>	<u>Approximate Employment</u>
Ahlstrom Munksjo (formerly, Expera)	Paper products	1,800
Kaukauna Area School District	Education	450
Team Industries, Inc.	Pipe fabrication	310
St. Paul Elder Care Services, Inc.	Elderly health care facility	299
Bassett, Inc.	HVAC contractor	284
Arla Food Production LLC	Dairy products	200
Fox Valley Tool & Die, Inc.	Precision machining	185
Bernatellos Foods, Inc.	Frozen specialty foods	150
Larry's Piggly Wiggly	Retail grocer	150
Kobussen Buses Ltd.	Transportation	130

Source: IndustrySelect by MNI, Inc., D&B Credit, Kaukauna Area School District website and Fox Cities Chamber of Commerce, February 2022. Numbers may not reflect any impact from COVID-19. See "MISCELLANEOUS - Impact of the Spread of COVID-19." herein.

## Tax Levies and Collections

Wisconsin cities, villages and towns are charged with the responsibility of assessing taxable property and collecting taxes, and making distribution to counties, school districts and other public bodies. Property of manufacturing establishments and utilities is assessed by the State Department of Revenue. All assessments are made as of January 1.

Real estate and personal property taxes are levied in December by the Common Council in conjunction with the adoption of the annual budget for the ensuing fiscal year beginning January 1. Levies are based on assessed property values certified on January 1 of the prior year and become a lien on the property at the beginning of the fiscal year. Real estate taxes are payable in full by January 31, or in two equal installments on or before January 31 and July 31. Personal property taxes must be paid in full by January 31. The City Treasurer is responsible for collection of taxes for all taxing purposes on properties within the City through January. In February, all uncollected items on the current tax roll, except delinquent personal property taxes, are turned over to the Outagamie County Treasurer. In February and August, settlements are made with all taxing entities. In August, Outagamie County pays the City in full for all outstanding real estate taxes due, and assumes responsibility for remaining balances. The City retains responsibility for collection of personal property taxes.

City tax levies (in Outagamie County) for the past five calendar years were as follows:

<u>Year of Levy/Collection</u>	<u>City Tax Levies</u>	<u>Annual City Levy Rate per \$1,000 of Assessed Valuation</u>
2021/2022	\$10,336,165	\$8.21
2020/2021	9,626,857	9.88
2019/2020	9,277,707	9.68
2018/2019	8,984,959	9.47
2017/2018	8,823,244	9.36

The City experiences no real estate tax delinquencies since Outagamie and Calumet Counties are required by State Statute to settle in full with underlying taxing districts no later than August 20 of each year. The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "MISCELLANEOUS - Impact of the Spread of COVID-19" herein. On April 15, 2020, Governor Tony Evers signed into law 2019 Wisconsin Act 185, which provided that for property taxes payable in 2020, a taxation district could, after making a general or case-by-case finding of hardship, choose to waive interest or penalties on property tax installment payments paid after April 1, 2020 but on or before October 1, 2020. In order to take such action, the county board of supervisors was required to first adopt a resolution authorizing such waiver and determining criteria for determining hardship and then the taxation district was required to subsequently adopt a similar resolution. In the case of a county adopting such a resolution, the county proportionally settled with the taxation districts any taxes, interest and penalties collected on or before July 31, 2020 on August 20, 2020, and settled the remaining unpaid taxes, interest, and penalties on September 20, 2020. Outagamie County and the City have adopted such resolutions, but Outagamie County settled in full by August 20, 2021 as normal. COVID-19 may reduce the payment of property taxes in the current year or future years, although the City cannot predict how much payment of property taxes will be impacted by COVID-19 this year or in future years. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, such as the Notes.

Source: City

### Mill Rates

The following are the mill rates per \$1,000 of assessed value for the City (in Outagamie County) for the last five collection years.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City	\$ 8.21	\$ 9.88	\$ 9.68	\$ 9.47	\$ 9.36
School District	6.83	9.84	10.02	9.49	9.57
Technical College District	0.88	1.15	1.17	1.15	1.13
Outagamie County	3.37	4.20	5.10	5.10	4.91
State Forestry <sup>(1)</sup>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
School Tax Credit	(1.25)	(1.64)	(1.66)	(1.64)	(1.62)
Net Tax Rate	\$18.03	\$23.42	\$23.56	\$23.58	\$23.35
Ratio of Assessed to Equalized Value	103.11%	86.25%	87.32%	91.66%	96.13%

<sup>(1)</sup> State property taxes were eliminated in the State's 2017-19 budget act.

Source: City

## Equalized Valuation

The economic impact of COVID-19 may reduce equalized valuations of property in the State, including in the City. The City cannot predict the extent of such reductions, but a material decrease in the equalized valuations of property in the City may materially adversely affect the financial condition of the City (see "MISCELLANEOUS - Impact of the Spread of COVID-19.") herein.

The City has experienced a 27.86% change in equalized value (TID In) over the past five years. This trend is outlined in the table below.

	Equalized Value TID In	% Change	Equalized Value TID Out	% Change
2021	\$ 1,314,411,300	8.78%	\$ 1,221,182,000	8.04%
2020	1,208,319,100	4.73	1,130,278,300	3.02
2019	1,153,793,700	6.01	1,097,194,600	6.04
2018	1,088,410,700	5.88	1,034,673,600	5.50
2017	1,027,973,700	4.12	980,771,700	4.07

Source: State of Wisconsin, Department of Revenue

The equalized value by class of property for 2021 (TID In) is as follows:

Real Estate	
Residential	\$ 981,784,100
Commercial	206,624,200
Manufacturing	89,898,000
Agricultural	38,100
Undeveloped	2,000
Other	46,000
Total Real Estate	1,278,392,400
Total Personal Property	36,018,900
Total	<u>\$ 1,314,411,300</u>

Source: State of Wisconsin, Department of Revenue

The percentage mix of equalized value (TID In) by class of property for the City in Outagamie and Calumet Counties for the past five years was as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Real Estate					
Residential	74.695%	73.843%	75.063	73.635	72.450%
Commercial	15.720	16.165	15.183	16.022	16.272
Manufacturing	6.839	7.129	7.047	7.266	7.297
Agriculture	0.003	0.003	0.003	0.003	0.003
Undeveloped	-	-	-	-	-
Other	0.003	0.004	0.004	0.004	0.004
Personal Property	<u>2.740</u>	<u>2.857</u>	<u>2.699</u>	<u>3.070</u>	<u>3.974</u>
	100.000%	100.000%	100.000%	100.000%	100.000%
Total Equalized Value (millions)	\$1,314	\$1,208	\$1,154	\$1,088	\$1,028

Source: State of Wisconsin, Department of Revenue

The City has Tax Incremental Districts ("TIDs") created under Wisconsin Statutes Section 66.1105. TID valuations totaling \$93,229,300 have been excluded from the City's tax base for 2021.

TID #	TID Creation Date	Base Value	2021 Current Value	Increment
001E	2005	\$ 32,800	\$ 4,595,000	\$ 4,562,200
004	2000	16,049,300	22,326,400	6,277,100
005	2003	1,077,900	24,121,400	23,043,500
006	2006	3,151,700	50,134,400	46,982,700
008	2013	2,571,200	8,454,300	5,883,100
009	2016	1,306,600	2,810,700	1,504,100
010	2019	6,852,800	11,829,400	4,976,600
			Total	<u>\$93,229,300</u>

Source: State of Wisconsin, Department of Revenue

#### Largest Taxpayers

The table below shows the City's larger taxpayers for levy/collection year 2021/2022.

<u>Name</u>	<u>Product/Business</u>	<u>2021 Equalized Valuation</u>	<u>Net Taxes to be Paid in 2022</u>	<u>Percent of City's 2021 Total Equalized Value</u>
Albany International	Manufacturing facility	\$ 24,155,700	\$ 435,397	1.84%
Ahlstrom Munsjo (Formerly Expera Specialty Solutions)	Paper mill	22,162,900	399,478	1.69
Lamplighter	Multifamily housing	16,749,500	301,903	1.27
Team Industries	Manufacturing facility	15,724,900	283,435	1.20
BayCare Aurora	Medical facility	15,712,000	283,203	1.20
WDJ LLC - Bernatello's Pizza	Manufacturing facility	7,864,800	141,760	0.60
Liebovich Steel	Manufacturing facility	7,481,500	134,851	0.57
Bassett Mechanical	Manufacturing facility	6,985,500	125,911	0.53
Tarragon Park Apartments	Multifamily housing	5,558,000	100,181	0.42
Individual (Trailer Park)	Multifamily housing	<u>5,444,000</u>	<u>98,126</u>	<u>0.41</u>
TOTAL		\$127,838,800	\$2,304,245	9.73%

Source: City.

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## CITY DEBT STRUCTURE

### Total Outstanding General Obligation Debt Summary (As of May 3, 2022)

Type of Obligation	Date of Issue	Original Amount Issued	Final Maturity Dates	Current Amount Outstanding
G.O. Promissory Notes, Series 2013	9/04/13	\$ 1,125,000	9/01/23	\$ 425,000
G.O. Promissory Notes, Series 2014A	5/20/14	875,000	5/01/24	100,000
Taxable G.O. Promissory Notes, Series 2014B	5/20/14	1,000,000	5/01/24	300,000
G.O. Promissory Notes, Series 2014C	9/02/14	1,300,000	9/01/24	850,000
G.O. Refunding Bonds, Series 2015A	3/17/15	2,435,000	3/01/25	635,000
G.O. Promissory Notes, Series 2015B	9/01/15	3,550,000	6/01/25	2,095,000
G.O. Refunding Bonds, Series 2015D	9/01/15	1,650,000	6/01/27	1,275,000
G.O. Promissory Notes, Series 2016A	11/01/16	1,525,000	11/01/24	625,000
G.O. Promissory Notes, Series 2017A	8/15/17	8,450,000	6/01/27	7,000,000
G.O. Refunding Bonds, Series 2017B	8/15/17	1,565,000	6/01/30	1,135,000
G.O. Promissory Notes, Series 2018A	9/05/18	5,200,000	6/01/28	4,865,000
G.O. Promissory Notes, Series 2019A	10/30/19	5,025,000	9/01/29	4,700,000
Taxable G.O. Refunding Bonds, Series 2019B	10/30/19	6,305,000	6/01/28	5,780,000
G.O. Promissory Notes, Series 2020A	9/03/20	9,800,000	9/01/30	9,300,000
G.O. Promissory Notes, Series 2021A	9/01/21	5,200,000	9/01/31	5,200,000
Taxable G.O. Promissory Notes, Series 2021B	9/01/21	3,680,000	9/01/31	3,680,000
G.O. Promissory Notes, Series 2022A	5/03/22	6,000,000	3/01/32	6,000,000 <sup>(1)</sup>
Outstanding General Obligation Debt				\$53,965,000
Less: Remaining 2022 Principal Payments				( 3,590,000)
Net Outstanding General Obligation Debt				\$50,375,000

<sup>1</sup> New Issue. Preliminary, subject to change.

### General Obligation Debt Service Schedules

\$1,125,000 G. O. Prom. Notes, Series 2013 - 9/04/13			\$875,000 G. O. Prom. Notes, Series 2014A - 5/20/14 <sup>(1)</sup>			\$1,000,000 Taxable G.O. Prom. Notes, Series 2014B - 5/20/14 <sup>(1)</sup>		
	Principal 09/01	Interest		Principal 05/01	Interest		Principal 05/01	Interest
2022	\$ 200,000	\$ 8,500			\$ 1,500			\$ 6,000
2023	225,000	9,000		\$ 50,000 <sup>(2)</sup>	2,250		\$ 150,000	9,000
2024				50,000 <sup>(2)</sup>	750		150,000	3,000
	<u>\$ 425,000</u>	<u>\$ 17,500</u>		<u>\$ 100,000</u>	<u>\$ 4,500</u>		<u>\$ 300,000</u>	<u>\$ 18,000</u>
Less Remaining 2022 Payments	<u>200,000</u>	<u>8,500</u>		<u>0</u>	<u>1,500</u>		<u>0</u>	<u>6,000</u>
	<u>\$ 225,000</u>	<u>\$ 9,000</u>		<u>\$ 100,000</u>	<u>\$ 3,000</u>		<u>\$ 300,000</u>	<u>\$ 12,000</u>

  

\$1,300,000 G. O. Prom. Notes, Series 2014C - 9/2/14			\$2,435,000 G. O. Ref Bonds, Series 2015A - 3/17/15 <sup>(1)</sup>			\$3,550,000 G. O. Prom. Notes, Series 2015B - 9/01/15 <sup>(1)</sup>		
	Principal 09/01	Interest		Principal 03/01	Interest		Principal 06/01	Interest
2022	\$ 200,000	\$ 11,250			\$ 9,525		\$ 445,000	\$ 56,175
2023	300,000	18,000		\$ 175,000	16,425		450,000	42,750
2024	350,000	10,500		200,000	10,800		560,000	27,600
2025				260,000	3,900		640,000	9,600
	<u>\$ 850,000</u>	<u>\$ 39,750</u>		<u>\$ 635,000</u>	<u>\$ 40,650</u>		<u>\$ 2,095,000</u>	<u>\$ 136,125</u>
Less Remaining 2022 Payments	<u>200,000</u>	<u>11,250</u>		<u>0</u>	<u>9,525</u>		<u>445,000</u>	<u>56,175</u>
	<u>\$ 650,000</u>	<u>\$ 28,500</u>		<u>\$ 635,000</u>	<u>\$ 31,125</u>		<u>\$ 1,650,000</u>	<u>\$ 79,950</u>

<sup>1</sup> Self-supporting.

<sup>2</sup> Mandatory redemption amounts.

General Obligation Debt Service Schedules continued

	\$1,650,000 G. O. Ref		\$1,525,000 G.O. Prom.		\$8,450,000 G.O. Prom.	
	Bonds, Series 2015D - 9/01/15 <sup>(1)</sup>		Notes, Series 2016A - 11/01/16		Notes, Series 2017A - 8/15/17	
	Principal 06/01	Interest	Principal 11/01	Interest	Principal 06/01	Interest
2022	\$ 100,000	\$ 39,250	\$ 200,000	\$ 7,250	\$ 900,000	\$ 192,000
2023	200,000	33,250	225,000	10,500	1,300,000	163,500
2024	200,000	26,250	200,000	6,000	1,025,000	128,625
2025	200,000	20,250			800,000	101,250
2026	250,000 <sup>(2)</sup>	13,500			900,000	75,750
2027	325,000 <sup>(2)</sup>	4,875			2,075,000	31,125
	<u>\$ 1,275,000</u>	<u>\$ 137,375</u>	<u>\$ 625,000</u>	<u>\$ 23,750</u>	<u>\$7,000,000</u>	<u>\$ 692,250</u>
Less Remaining						
2022 Payments	<u>100,000</u>	<u>39,250</u>	<u>200,000</u>	<u>7,250</u>	<u>900,000</u>	<u>192,000</u>
	<u>\$ 1,175,000</u>	<u>\$ 98,125</u>	<u>\$ 425,000</u>	<u>\$ 16,500</u>	<u>\$6,100,000</u>	<u>\$ 500,250</u>

  

	\$1,565,000 G.O. Ref		\$5,200,000 G.O. Prom.		\$5,025,000 G.O. Prom.	
	Bonds, Series 2017B - 8/15/17 <sup>(1)</sup>		Notes, Series 2018A - 9/05/18		Notes, Series 2019A - 10/30/19	
	Principal 06/01	Interest	Principal 06/01	Interest	Principal 09/01	Interest
2022	\$ 115,000	\$ 30,600	\$ 150,000	\$147,275	\$ 200,000	\$ 59,000
2023	115,000	28,300	250,000	142,275	300,000	114,000
2024	120,000	25,350	675,000	129,025	300,000	108,000
2025	125,000	21,675	725,000	108,025	500,000	102,000
2026	125,000	17,925	985,000	82,375	500,000	92,000
2027	130,000	14,100	855,000	53,706	500,000	82,000
2028	130,000	10,200	1,225,000	19,906	1,200,000	72,000
2029	125,000	6,375			1,200,000	36,000
2030	150,000	2,250				
	<u>\$1,135,000</u>	<u>\$156,775</u>	<u>\$4,865,000</u>	<u>\$682,587</u>	<u>\$4,700,000</u>	<u>\$665,000</u>
Less: Remaining						
2022 Payments	<u>115,000</u>	<u>30,600</u>	<u>150,000</u>	<u>147,275</u>	<u>200,000</u>	<u>59,000</u>
	<u>\$1,020,000</u>	<u>\$126,175</u>	<u>\$4,715,000</u>	<u>\$535,312</u>	<u>\$4,500,000</u>	<u>\$606,000</u>

  

	\$6,305,000 Taxable G.O. Ref		\$9,800,000 G.O. Prom.		\$5,200,000 G.O. Prom.	
	Bonds, Series 2019B - 10/30/19 <sup>(1)</sup>		Notes, Series 2020A - 9/03/20		Notes, Series 2021A - 9/01/21	
	Principal 06/01	Interest	Principal 09/01	Interest	Principal 09/01	Interest
2022	\$ 275,000	\$134,714	\$ 525,000	\$ 81,500	\$ 100,000	\$ 58,000
2023	300,000	128,745	625,000	157,750	100,000	113,000
2024	280,000	122,585	650,000	151,500	100,000	110,000
2025	300,000	116,200	1,000,000	145,000	300,000	107,000
2026	350,000	108,800	1,000,000	130,000	300,000	98,000
2027	2,100,000	79,575	300,000	110,000	300,000	89,000
2028	2,175,000	27,188	1,000,000	104,000	300,000	80,000
2029			1,500,000	84,000	500,000	74,000
2030			2,700,000	54,000	1,000,000	64,000
2031					2,200,000	44,000
	<u>\$5,780,000</u>	<u>\$717,807</u>	<u>\$9,300,000</u>	<u>\$1,017,750</u>	<u>\$5,200,000</u>	<u>\$837,000</u>
Less: Remaining						
2022 Payments	<u>275,000</u>	<u>134,714</u>	<u>525,000</u>	<u>81,500</u>	<u>100,000</u>	<u>58,000</u>
	<u>\$5,505,000</u>	<u>\$583,093</u>	<u>\$8,775,000</u>	<u>\$ 936,250</u>	<u>\$5,100,000</u>	<u>\$779,000</u>

<sup>1</sup> Self-supporting.

<sup>2</sup> Mandatory redemption amounts.



General Obligation Debt Service Schedules continued

	\$3,680,000 Taxable G.O. Prom. Notes, Series 2021B - 9/01/21		\$6,000,000 G.O. Prom. Notes, Series 2022A - 5/03/22 <sup>(1)</sup>	
	Principal	Interest	Principal	<i>Estimated</i> Interest
	09/01		03/01	
2022	\$ 180,000	\$ 20,902		
2023	180,000	41,175	\$ 100,000	\$ 215,096
2024	275,000	40,365	200,000	158,750
2025	275,000	38,578	200,000	154,750
2026	1,650,000	36,103	225,000	150,500
2027	200,000	17,952	500,000	143,250
2028	220,000	15,353	500,000	133,250
2029	225,000	12,162	600,000	119,250
2030	225,000	8,562	700,000	99,750
2031	250,000	4,625	1,000,000	74,250
2032			1,975,000	29,625
	<u>\$3,680,000</u>	<u>\$235,777</u>	<u>\$6,000,000</u>	<u>\$1,278,471</u>
Less: Remaining				
2022 Payments	<u>180,000</u>	<u>20,902</u>	<u>0</u>	<u>0</u>
	<u>\$3,500,000</u>	<u>\$214,875</u>	<u>\$6,000,000</u>	<u>\$1,278,471</u>

<sup>1</sup> New issue. Preliminary, subject to change.

	Total General Obligation Debt				
	Total Principal <sup>(1)</sup>	Total Interest <sup>(1)</sup>	Total Debt Service <sup>(1)</sup>	Less Transfers From Other Funds <sup>(2)</sup>	Net Debt Service Required From Tax Levy
2022	\$ 3,590,000	\$ 863,441	\$ 4,453,441	\$ 1,367,314	\$ 3,086,127
2023	5,045,000	1,245,016	6,290,016	2,004,945	4,285,071
2024	5,335,000	1,059,100	6,394,100	1,906,385	4,487,715
2025	5,325,000	928,228	6,253,228	1,909,200	4,344,028
2026	6,285,000	804,953	7,089,953	3,205,249	3,884,704
2027	7,285,000	625,583	7,910,583	2,622,701	5,287,882
2028	6,750,000	461,897	7,211,897	2,637,100	4,574,797
2029	4,150,000	331,787	4,481,787	131,375	4,350,412
2030	4,775,000	228,562	5,003,562	152,250	4,851,312
2031	3,450,000	122,875	3,572,875		3,572,875
2032	1,975,000	29,625	2,004,625		2,004,625
	<u>\$53,965,000</u>	<u>\$6,701,067</u>	<u>\$60,666,067</u>	<u>\$15,936,519</u>	<u>\$44,729,548</u>
Less: 2022					
Payments	<u>3,590,000</u>	<u>863,441</u>	<u>4,453,441</u>	<u>1,367,314</u>	<u>3,086,127</u>
	<u>\$50,375,000</u>	<u>\$5,837,626</u>	<u>\$56,212,626</u>	<u>\$14,569,205</u>	<u>\$41,643,421</u>

<sup>1</sup> Includes the Notes. Preliminary, subject to change.

<sup>2</sup> Offsetting revenues include Tax Increment District, Sanitary Sewer and Storm Water System revenues. The actual amount of these offsetting revenues is not guaranteed. Under State law, the City is required to levy an amount sufficient to meet the debt service on its outstanding general obligation debt, but such levy may be abated by the use of such offsetting revenues, if and to the extent available.

## Total Outstanding Revenue Debt Summary (As of May 3, 2022)

### Sanitary Sewer System Revenue Debt by Issue

Type of Obligation	Date of Issue	Original Amount Issued	Final Maturity Dates	Current Amount Outstanding
Revenue Bonds, Series 2013	9/04/13	\$ 1,950,000	9/01/28	\$ 1,025,000
Revenue Bonds, Series 2015	9/01/15	1,225,000	9/01/30	800,000
Revenue Bonds, Series 2016B	11/01/16	1,225,000	9/01/31	925,000
Revenue Bonds, Series 2018B	9/05/18	1,190,000	9/01/33	1,075,000
Total Outstanding Sanitary Sewer System Debt				\$ 3,825,000

### Sanitary Sewer System Revenue Debt Service Schedules

\$1,950,000 Sanitary Sewer System Revenue Bonds, Series 2013 – 9/04/13			\$1,225,000 Sanitary Sewer System Revenue Bonds, Series 2015 – 9/01/15			\$1,225,000 Sanitary Sewer System Revenue Bonds, Series 2016B - 11/01/16		
Principal			Principal			Principal		
	9/01	Interest		9/01	Interest		9/01	Interest
2022	\$ 125,000	\$ 21,766	\$ 75,000	\$ 13,688		\$ 100,000 <sup>(1)</sup>	\$ 13,125	
2023	125,000	38,531	75,000	24,375		100,000 <sup>(1)</sup>	24,250	
2024	150,000	33,531	75,000	21,375		75,000 <sup>(1)</sup>	22,250	
2025	150,000	26,032	75,000 <sup>(1)</sup>	18,375		100,000 <sup>(1)</sup>	20,000	
2026	150,000	20,031	100,000 <sup>(1)</sup>	16,125		75,000 <sup>(1)</sup>	17,000	
2027	150,000	14,031	100,000 <sup>(1)</sup>	13,125		100,000 <sup>(1)</sup>	14,750	
2028	175,000	7,656	100,000 <sup>(1)</sup>	10,125		75,000 <sup>(1)</sup>	11,750	
2029			100,000 <sup>(1)</sup>	6,750		100,000 <sup>(1)</sup>	9,500	
2030			100,000 <sup>(1)</sup>	3,375		100,000 <sup>(1)</sup>	6,500	
2031						100,000 <sup>(1)</sup>	3,250	
	\$ 1,025,000	\$ 161,578	\$ 800,000	\$ 127,313		\$ 925,000	\$ 142,375	

<sup>1</sup>Mandatory redemption amounts.

\$1,190,000 Sanitary Sewer System Revenue Bonds, Series 2018B - 9/05/18		
Principal		
	9/01	Interest
2022	\$ 50,000	\$ 19,688
2023	50,000	37,875
2024	50,000	36,375
2025	50,000	34,875
2026	50,000	33,375
2027	50,000 <sup>(1)</sup>	31,875
2028	50,000 <sup>(1)</sup>	30,125
2029	125,000 <sup>(1)</sup>	28,375
2030	125,000 <sup>(1)</sup>	24,000
2031	150,000 <sup>(1)</sup>	19,000
2032	150,000 <sup>(1)</sup>	13,000
2033	175,000 <sup>(1)</sup>	7,000
	\$1,075,000	\$315,563

<sup>1</sup> Mandatory redemption amounts.

Sanitary Sewer System Revenue Debt Service Schedules continued

Sanitary Sewer System Revenue Debt and Coverage Ratio

	Total Principal	Total Interest	Total Debt Service	Coverage Ratio
2022	\$ 350,000	\$ 68,267	\$ 418,267	2.75
2023	350,000	125,031	475,031	2.42
2024	350,000	113,531	463,531	2.48
2025	375,000	99,282	474,282	2.42
2026	375,000	86,531	461,531	2.49
2027	400,000	73,781	473,781	2.43
2028	400,000	59,656	459,656	2.50
2029	325,000	44,625	369,625	3.11
2030	325,000	33,875	358,875	3.20
2031	250,000	22,250	272,250	4.22
2032	150,000	13,000	163,000	7.06
2033	175,000	7,000	182,000	6.32
	<u>\$3,825,000</u>	<u>\$746,829</u>	<u>\$4,571,829</u>	

<sup>1</sup> Coverage based on audited 2020 net revenues of \$1,150,103. The coverage shown for 2022 reflects a total debt service amount of \$486,531, before deduction of any 2022 Payments. The City expects to issue additional bonds payable from revenues of the Sanitary Sewer System in the near future (see "Future Financings" herein).

Sanitary Sewer System Revenue Bond Anticipation Note Debt

Type of Obligation	Date of Issue	Original Amount Issued	Maturity Date	Current Amount Outstanding
Sanitary Sewer System Revenue Bond Anticipation Notes, Series 2019C <sup>(1)</sup>	10/30/19	\$ 2,550,000	9/01/24	<u>\$ 2,550,000</u>

<sup>(1)</sup> See "Future Financings" herein.

Sanitary Sewer System Revenue Bond Anticipation Note Debt Service Schedule

\$2,550,000			
Sanitary Sewer System Revenue Bond			
Anticipation Notes, Series 2019C - 10/30/19			
	Principal		
	<u>09/01</u>	<u>Interest</u>	<u>Total</u>
2022		\$ 33,469	\$ 33,469
2023		66,938	66,938
2024	<u>\$2,550,000</u>	<u>66,937</u>	<u>2,616,937</u>
	<u>\$2,550,000</u>	<u>\$167,344</u>	<u>\$2,717,344</u>

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### Storm Water System Revenue Debt

<u>Type of Obligation</u>	<u>Date of Issue</u>	<u>Original Amount Issued</u>	<u>Maturity Dates</u>	<u>Current Amount Outstanding</u>
Revenue Bonds, Series 2016C	11/01/16	\$ 1,350,000	9/01/31	<u>\$ 975,000</u>

### Storm Water System Revenue Debt Service Schedule

<u>\$1,350,000 Storm Water System Revenue Bonds, Series 2016C - 11/1/16</u>			<u>Total Storm Water System Revenue Debt and Coverage</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>	<u>Coverage Ratio <sup>(1)</sup></u>
	<u>9/01</u>					
2022	\$ 75,000 <sup>(2)</sup>	\$ 13,750	\$ 75,000	\$ 13,750	\$ 88,750	10.08
2023	100,000 <sup>(2)</sup>	26,000	100,000	26,000	126,000	7.10
2024	100,000 <sup>(2)</sup>	24,000	100,000	24,000	124,000	7.21
2025	100,000 <sup>(2)</sup>	21,750	100,000	21,750	121,750	7.35
2026	100,000 <sup>(2)</sup>	19,500	100,000	19,500	119,500	7.48
2027	100,000 <sup>(2)</sup>	16,250	100,000	16,250	116,250	7.69
2028	100,000 <sup>(2)</sup>	13,000	100,000	13,000	113,000	7.92
2029	100,000 <sup>(2)</sup>	9,750	100,000	9,750	109,750	8.15
2030	100,000 <sup>(2)</sup>	6,500	100,000	6,500	106,500	8.40
2031	100,000 <sup>(2)</sup>	3,250	100,000	3,250	103,250	8.66
	<u>\$ 975,000</u>	<u>\$ 153,750</u>	<u>\$ 975,000</u>	<u>\$ 153,750</u>	<u>\$ 1,128,750</u>	

<sup>1</sup> Based on audited 2020 net revenues of \$894,441. The coverage shown for 2022 reflects a total debt service amount of \$102,500, before deduction of any 2022 Payments. The City expects to issue additional bonds payable from revenues of the Storm Water System in the near future (see "Future Financings" herein).

<sup>2</sup> Mandatory redemption amounts.

### Storm Water System Revenue Bond Anticipation Note Debt

<u>Type of Obligation</u>	<u>Date of Issue</u>	<u>Original Amount Issued</u>	<u>Final Maturity Date</u>	<u>Current Amount Outstanding</u>
Storm Water System Revenue Bond Anticipation Notes, Series 2019D <sup>(1)</sup>	10/30/19	\$ 3,800,000	9/01/24	<u>\$ 3,800,000</u>

<sup>(1)</sup> See "Future Financings" herein.

### Storm Water System Revenue Bond Anticipation Note Debt Service Schedule

<u>\$3,800,000 Storm Water System Revenue Bond Anticipation Notes, Series 2019D - 10/30/19</u>		
	<u>Principal</u>	<u>Interest</u>
	<u>09/01</u>	
2022		\$ 49,875
2023		99,750
2024	<u>\$3,800,000</u>	<u>99,750</u>
	<u>\$3,800,000</u>	<u>\$249,375</u>
		<u>\$ 4,049,375</u>

# Electric System Revenue Debt by Issue

<u>Type of Obligation</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Current Amount Outstanding</u>
Taxable Revenue Bonds, Series 2012B	2/01/12	\$ 1,300,000	12/15/22	\$ 150,000
Refunding Revenue Bonds, Series 2015	6/02/15	9,415,000	12/15/30	4,900,000
Refunding Revenue Bonds, Series 2015B	12/15/15	3,365,000	12/15/25	1,865,000
Revenue Bonds, Series 2017A	3/08/17	11,150,000	12/15/37	9,750,000
Refunding Revenue Bonds, Series 2018	10/09/18	10,130,000	12/15/28	7,255,000
Taxable Refunding Revenue Bonds, Series 2019	9/10/19	20,275,000	12/15/35	19,985,000
Refunding Revenue Bonds, Series 2020	12/30/20	16,320,000	12/15/30	15,645,000
Total Electric System Revenue Debt				\$ 59,550,000

## Electric System Revenue Debt Service Schedules

\$1,300,000 Taxable Electric System Revenue Bonds, Series 2012B - 02/01/12			\$9,415,000 Electric System Refunding Revenue Bonds, Series 2015 - 6/02/15			\$3,365,000 Electric System Refunding Revenue Bonds, Series 2015B - 12/15/15		
Principal	Interest		Principal	Interest		Principal	Interest	
12/15			12/15			12/15		
2022	\$150,000	\$5,438	\$ 525,000	\$176,500	\$ 425,000	\$ 50,388		
2023			500,000	155,500	475,000	40,825		
2024			525,000	135,500	475,000	28,950		
2025			550,000	114,500	490,000	14,700		
2026			550,000	92,500				
2027			550,000	76,000				
2028			575,000	58,812				
2029			550,000	39,406				
2030			575,000	20,844				
	<u>\$150,000</u>	<u>\$5,438</u>	<u>\$4,900,000</u>	<u>\$869,562</u>	<u>\$1,865,000</u>	<u>\$134,863</u>		
\$11,150,000 Electric System Revenue Bonds, Series 2017A - 3/08/17			\$10,130,000 Electric System Refunding Revenue Bonds, Series 2018 - 10/09/18			\$20,275,000 Taxable Electric System Refunding Revenue Bonds, Series 2019 - 9/10/19		
Principal	Interest		Principal	Interest		Principal	Interest	
12/15			12/15			12/15		
2022	\$ 350,000	\$ 376,438	\$1,065,000	\$ 336,100	\$ 150,000	\$ 561,103		
2023	375,000	362,437	1,110,000	282,850	155,000	556,603		
2024	375,000	347,438	1,185,000	227,350	160,000	551,953		
2025	400,000	332,437	1,230,000	168,100	165,000	547,153		
2026	400,000	316,438	1,275,000	106,600	170,000	542,203		
2027	400,000	300,437	675,000	55,600	175,000	537,103		
2028	400,000	284,438	715,000	28,600	180,000	531,853		
2029	450,000	268,437			185,000	527,173		
2030	425,000	250,438			190,000	522,363		
2031	800,000 <sup>(1)</sup>	233,437			3,495,000	517,233		
2032	825,000 <sup>(1)</sup>	201,438			3,600,000	422,868		
2033	875,000 <sup>(1)</sup>	168,437			3,675,000	323,868		
2034	875,000 <sup>(1)</sup>	136,719			3,795,000	220,968		
2035	925,000 <sup>(1)</sup>	105,000			3,890,000	112,810		
2036	900,000 <sup>(1)</sup>	70,312						
2037	975,000 <sup>(1)</sup>	36,562						
	<u>\$9,750,000</u>	<u>\$ 3,790,843</u>	<u>\$7,255,000</u>	<u>\$1,205,200</u>	<u>\$19,985,000</u>	<u>\$6,475,254</u>		

<sup>1</sup> Mandatory redemption amounts.

Electric System Revenue Debt Service Schedules continued

	\$16,320,000	
	Electric System Refunding	
	Revenue Bonds, Series 2020 - 12/30/20	
	<u>Principal</u>	
	<u>12/15</u>	<u>Interest</u>
2022	\$ 700,000	\$ 576,400
2023	880,000	555,400
2024	905,000	529,000
2025	935,000	501,850
2026	1,520,000	473,800
2027	2,250,000	428,200
2028	2,335,000	338,200
2029	3,180,000	244,800
2030	<u>2,940,000</u>	<u>117,600</u>
	\$15,645,000	\$3,765,250

Total Electric System Revenue Debt and Coverage Ratio

	<u>Total</u>	<u>Total</u>	<u>Total Debt</u>	<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Service</u>	<u>Ratio<sup>(1)</sup></u>
2022	\$ 3,365,000	\$ 2,082,367	\$ 5,447,367	2.08
2023	3,495,000	1,953,615	5,448,615	2.07
2024	3,625,000	1,820,191	5,445,191	2.08
2025	3,770,000	1,678,740	5,448,740	2.07
2026	3,915,000	1,531,541	5,446,541	2.08
2027	4,050,000	1,397,340	5,447,340	2.08
2028	4,205,000	1,241,903	5,446,903	2.08
2029	4,365,000	1,079,816	5,444,816	2.08
2030	4,130,000	911,245	5,041,245	2.24
2031	4,295,000	750,670	5,045,670	2.24
2032	4,425,000	624,306	5,049,306	2.24
2033	4,550,000	492,305	5,042,305	2.24
2034	4,670,000	357,687	5,027,687	2.25
2035	4,815,000	217,810	5,032,810	2.25
2036	900,000	70,312	970,312	11.65
2037	<u>975,000</u>	<u>36,562</u>	<u>1,011,562</u>	11.17
	\$59,550,000	\$16,246,410	\$75,796,410	

<sup>1</sup> Coverage based on audited 2020 net revenues of \$11,303,330. The coverage shown for 2022 reflects a total debt service amount of \$5,447,367, before deduction of any 2022 Payments.

Waterworks System Revenue Debt by Issue

<u>Type of Obligation</u>	<u>Date of</u>	<u>Original</u>	<u>Maturity</u>	<u>Current</u>
	<u>Issue</u>	<u>Amount</u>	<u>Date</u>	<u>Amount Outstanding</u>
Revenue Bonds	08/29/14	\$ 2,500,000	12/01/23	\$ 850,000
Revenue Bonds, Series 2017A	10/03/17	3,950,000	12/01/37	3,800,000
Revenue Bonds, Series 2020	12/30/20	3,085,000	12/01/40	<u>2,965,000</u>
Total Outstanding Waterworks System Debt				\$ 7,615,000

Waterworks System Revenue Debt Service Schedules

	\$2,500,000 Waterworks System Revenue Bonds - 8/29/14		\$3,950,000 Waterworks System Revenue Bonds, Series 2017A 10/03/17		\$3,085,000 Waterworks System Revenue Bonds, Series 2020 12/30/20	
	Principal 12/01	Interest	Principal 12/01	Interest	Principal 12/01	Interest
2022	\$425,000	\$21,781	\$ 50,000	\$ 123,875	\$ 120,000	\$ 77,900
2023	425,000	11,157	50,000	122,875	125,000	74,300
2024			225,000	121,875	125,000	70,550
2025			225,000	116,250	130,000	66,800
2026			225,000	110,625	135,000	62,900
2027			225,000	105,000	140,000	58,850
2028			250,000	98,250	140,000 <sup>(1)</sup>	54,650
2029			250,000	90,750	145,000 <sup>(1)</sup>	50,450
2030			250,000	80,750	150,000 <sup>(1)</sup>	46,100
2031			275,000 <sup>(1)</sup>	70,750	155,000 <sup>(1)</sup>	41,600
2032			275,000 <sup>(1)</sup>	59,750	160,000 <sup>(1)</sup>	36,950
2033			275,000 <sup>(1)</sup>	48,750	165,000 <sup>(1)</sup>	32,150
2034			300,000 <sup>(1)</sup>	39,812	170,000 <sup>(1)</sup>	27,200
2035			300,000 <sup>(1)</sup>	30,062	175,000 <sup>(1)</sup>	22,100
2036			325,000 <sup>(1)</sup>	20,313	180,000 <sup>(1)</sup>	18,600
2037			300,000 <sup>(1)</sup>	9,750	180,000 <sup>(1)</sup>	15,000
2038					185,000 <sup>(1)</sup>	11,400
2039					190,000 <sup>(1)</sup>	7,700
2040					195,000 <sup>(1)</sup>	3,900
	<u>\$850,000</u>	<u>\$32,938</u>	<u>\$3,800,000</u>	<u>\$1,249,437</u>	<u>\$2,965,000</u>	<u>\$779,100</u>

Total Waterworks System Revenue Debt and Coverage Ratio

	Total Principal	Total Interest	Total Debt Service	Coverage Ratio <sup>(2)</sup>
2022	\$ 595,000	\$ 223,556	\$ 818,556	2.51
2023	600,000	208,332	808,332	2.54
2024	350,000	192,425	542,425	3.79
2025	355,000	183,050	538,050	3.82
2026	360,000	173,525	533,525	3.85
2027	365,000	163,850	528,850	3.88
2028	390,000	152,900	542,900	3.78
2029	395,000	141,200	536,200	3.83
2030	400,000	126,850	526,850	3.90
2031	430,000	112,350	542,350	3.79
2032	435,000	96,700	531,700	3.86
2033	440,000	80,900	520,900	3.94
2034	470,000	67,012	537,012	3.83
2035	475,000	52,162	527,162	3.90
2036	505,000	38,913	543,913	3.78
2037	480,000	24,750	504,750	4.07
2038	185,000	11,400	196,400	10.46
2039	190,000	7,700	197,700	10.39
2040	195,000	3,900	198,900	10.33
	<u>\$7,615,000</u>	<u>\$2,061,475</u>	<u>\$9,676,475</u>	

<sup>1</sup> Mandatory redemption amounts.

<sup>2</sup> Based on audited 2020 net revenues of \$2,054,153.

## Additional Obligations of the City

### Redevelopment Authority of the City of Kaukauna

The Redevelopment Authority of the City of Kaukauna (the "Authority") has issued Redevelopment Lease Revenue Bonds, Series 2015, dated July 1, 2015 (the "RDA Bonds").

The RDA Bonds do **not** constitute a general obligation of the Authority or the City or an indebtedness of the Authority or City within the meaning of any State constitutional provision or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Authority or the City or a charge against their general credit or the City's taxing powers, except to the extent that the RDA Bonds are secured by the Lease Agreement between the City and the Authority dated July 1, 2015 (the "Lease") and the Contribution and Cooperation Agreement between the City and the Authority dated July 1, 2015 (the "Contribution and Cooperation Agreement").

The RDA Bonds are limited obligations of the Authority payable by it solely from the revenues derived by the Authority pursuant to the terms of the Lease and the Contribution and Cooperation Agreement.

Following are the principal and interest requirements payable on the RDA Bonds:

<u>\$10,500,000 Redevelopment Lease Revenue Bonds, Series 2015 – 7/01/15</u>			
	<u>Principal 6/01</u>	<u>Interest</u>	<u>Total Debt Service</u>
2022	\$ 425,000	\$ 311,844	\$ 736,844
2023	425,000	294,844	719,844
2024	425,000	277,844	702,844
2025	425,000	260,844	685,844
2026	425,000	243,844	668,844
2027	425,000	226,844	651,844
2028	425,000	209,844	634,844
2029	425,000	193,906	618,906
2030	425,000 <sup>(1)</sup>	178,500	603,500
2031	425,000 <sup>(1)</sup>	162,562	587,562
2032	425,000 <sup>(1)</sup>	146,625	571,625
2033	425,000 <sup>(1)</sup>	130,156	555,156
2034	425,000 <sup>(1)</sup>	113,156	538,156
2035	425,000 <sup>(1)</sup>	96,156	521,156
2036	425,000 <sup>(1)</sup>	78,890	503,890
2037	425,000 <sup>(1)</sup>	61,359	486,359
2038	425,000 <sup>(1)</sup>	43,828	468,828
2039	425,000 <sup>(1)</sup>	26,297	451,297
2040	425,000 <sup>(1)</sup>	8,766	433,766
	<u>\$ 8,075,000</u>	<u>\$ 3,066,109</u>	<u>\$ 11,141,109</u>

<sup>1</sup> Mandatory redemption amounts.

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## Debt Ratios

Outstanding general obligation direct debt as a percentage of equalized value and on a per capita basis as May 3, 2022 and as of December 31 for the past five years is as follows:

### Ratios of General Obligation Debt to Equalized Valuation and Population

<u>Year</u>	<u>Outstanding General Obligation Debt</u>	<u>Equalized Valuation</u>	<u>Percent of Equalized Value</u>	<u>Population <sup>(1)</sup></u>	<u>Per Capita</u>
2022	\$50,375,000 <sup>(2)</sup>	\$1,314,411,300	3.83%	16,634	\$3,028.44
2021	49,115,000 <sup>(3)</sup>	1,314,411,300	3.74	16,634	2,952.69
2020	44,715,000	1,208,319,100	3.70	17,089	2,616.60
2019	42,315,000	1,153,793,700	3.67	16,278	2,599.52
2018	42,115,000	1,088,410,700	3.87	16,049	2,624.15
2017	40,500,000	1,027,973,700	3.94	15,926	2,543.01

<sup>1</sup> Estimated by the Wisconsin Department of Administration; 2020 U.S. Census.

<sup>2</sup> Unaudited. Includes the Notes, less 2022 Payments.

<sup>3</sup> Unaudited.

## Indirect Debt

The indirect general obligation debt of the City as of March 1, 2022 is listed below.

<u>Governmental Unit</u>	<u>Outstanding Debt as of March 1, 2022 (Less: 2022 Payments)</u>	<u>Percent of Debt Within City</u>	<u>Amount of Debt Within City</u>
Kaukauna Area School District	\$ 27,920,000	44.513%	\$ 12,428,030
Outagamie County	57,300,000	6.903	3,955,419
Calumet County	41,415,000	0.001	415
Fox Valley Technical College District <sup>(2)</sup>	57,095,000	2.798	1,597,518
Heart of the Valley Metro Sewerage District	8,074,189	26.913	2,173,006
			<u>\$ 20,154,388</u>

<sup>(1)</sup> For fiscal year 2021-2022, the district expects to borrow approximately \$6,495,000 and such amount is not included herein.

Source: Information obtained from publicly available documents on EMMA (defined herein).

Total Indirect GO Debt	\$ 20,154,388
Indirect GO Debt Per Capita	\$ 1,211.64
Indirect Debt as a % of Equalized Value	1.53%

Total Direct GO Debt	\$ 50,375,000 <sup>(1)</sup>
Total Direct GO Debt Per Capita	\$ 3,028.44
Total Direct GO Debt as a % of Equalized Value	3.83%

Total Direct and Indirect GO Debt	\$ 70,529,387
Total Direct and Indirect GO Debt Per Capita	\$ 4,240.07
Total Direct and Indirect GO Debt as a % of Equalized Value	5.37%

<sup>(1)</sup> Includes the Notes; less remaining 2022 payments to be made.

## Short-Term Debt

The City has no outstanding short-term debt.

## Legal Debt Limit

The City has the power to incur indebtedness for City purposes specified by statute (Article 11 Section 3 of the Wisconsin Constitution and Chapter 67, Wisconsin Statutes) in an aggregate amount, not exceeding five percent of the equalized value of taxable property in the City, as last determined by the State of Wisconsin Department of Revenue. In general, such indebtedness may be in the form of bonds and promissory notes for various public purposes.

The City's unused borrowing capacity is as follows:

Equalized Value of Taxable Property in the City for 2021	\$ 1,314,411,300
Outstanding General Obligation Debt as of May 3, 2022	\$ 53,965,000
Legal Debt Capacity (5% of Equalized Value)	\$ 65,720,565
Unused Margin of Indebtedness	\$ 11,755,565
Unused Legal Debt Capacity	17.89%

## No Default on City Indebtedness

The City has no record of default on any of its prior or outstanding indebtedness.

## Future Financings

The City expects to issue \$8,025,000 Sanitary Sewer System Revenue Bonds, Series 2022B (the "2022B Bonds") and \$9,680,000 Storm Water System Revenue Bonds, Series 2022C (the "2022C Bonds") on June 3, 2022. The 2022B Bonds will be used to finance the cost of additions, improvements and extensions to the City's sanitary sewer system and to refund the Sanitary Sewer System Revenue Bond Anticipation Notes, Series 2019C, dated October 30, 2019, on September 1, 2022. The 2022C Bonds will be used to finance the cost of additions, improvements and extensions to the City's storm water system and to refund the Storm Water System Revenue Bond Anticipation Notes, Series 2019D, dated October 30, 2019, on September 1, 2022. The City also expects to borrow for 2023 capital projects, but the amount and timing is not yet known. Other than the preceding, the City does not anticipate issuing additional general obligation debt or revenue obligations in the next 12 months.

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## FINANCIAL INFORMATION

### Annual Budgets

Preparation of the budget begins in mid-July when the six-month actual results are prepared and distributed to the department heads along with budgetary request forms for the ensuing year. Budget requests are returned to the Finance Department in mid-September. The Finance Department then calculates all related benefits and returns a completed copy of department budget requests to the department heads by late September. Budget conferences follow.

In November of each year, City management submits to the Common 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 Common Council action.

Summaries of the 2021 and 2022 adopted general fund budgets follow:

	2021 Adopted <u>Budget</u>	2022 Adopted <u>Budget</u>	Percent to <u>2022 Total</u>
REVENUES			
Taxes			
Property Taxes	\$5,687,322	\$6,387,472	40.55%
Other	2,710,591	2,647,173	16.81
Intergovernmental Revenues	4,065,175	4,226,712	26.83
Regulation and Compliance	451,400	526,400	3.34
Charges for Services	951,500	947,700	6.02
Use of Money and Property	56,000	53,500	0.34
Operating Transfers In	692,538	552,724	3.51
Application of Fund Balance	<u>410,000</u>	<u>410,000</u>	<u>2.60</u>
TOTAL	<u>\$15,024,526</u>	<u>\$15,751,681</u>	<u>100.00%</u>
EXPENDITURES			
General Government	\$2,234,418	\$2,475,919	15.72%
Public Safety	6,351,828	6,703,818	42.56
Health and Social Services	2,500	2,500	0.02
Transportation	3,328,164	3,382,288	21.47
Sanitation	240,300	230,800	1.47
Leisure	1,948,242	1,992,347	12.65
Conservation & Development (Parks)	115,800	115,800	0.74
Emergency Government	0	0	0.00
Other	384,729	438,208	2.78
Contingent Expenditures	<u>420,000</u>	<u>410,000</u>	<u>2.60</u>
TOTAL	<u>\$15,025,981</u>	<u>\$15,751,680</u>	<u>100.00%</u>

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Source: City

## Summary of Operations

### Revenues, Expenditures and Changes in Fund Balances General Fund For the Years Ended December 31

	2021 <u>Unaudited</u>	2020	2019	2018
REVENUES:				
Taxes	\$ 6,011,838	\$ 5,638,878	\$ 5,404,909	\$ 6,442,471
Intergovernmental	4,087,987	4,453,438	3,899,989	3,693,937
Licenses and permits	482,873	376,939	341,135	400,895
Fines and forfeitures	123,969	114,696	113,660	120,405
Charges for services	653,873	682,693	1,083,803	959,111
Miscellaneous	1656	211,370	245,189	88,830
Total Revenues	<u>\$ 31,883</u>	<u>\$ 11,478,014</u>	<u>\$ 11,088,685</u>	<u>\$ 11,705,649</u>
EXPENDITURES:				
General Government	\$ 2,161,856	\$ 2,063,873	2,087,772	\$ 2,014,929
Public Safety	6,506,498	6,390,876	5,751,900	5,517,609
Public Works	3,459,226	3,632,502	3,718,531	3,318,622
Health and welfare	7,751	4,475	10,417	8,499
Culture and recreation	1,917,947	1,784,159	1,865,684	2,099,229
Conversation and development	0	0	0	0
Non-departmental	453,383	424,196	425,843	1,103,610
Total Expenditures	<u>\$ 14,506,661</u>	<u>\$ 14,300,081</u>	<u>\$ 13,860,147</u>	<u>\$ 14,062,498</u>
Excess of Revenues Over (Under) Expenditures	\$ (3,112,582)	\$ (2,822,462)	\$ (2,771,462)	\$ (2,356,849)
Net Other Financing Sources (Uses)				
	2,830,846	3,025,122	3,001,471	2,947,257
	0	(43,470)	(35,025)	(260,000)
\$	<u>2,830,846</u>	<u>2,981,652</u>	<u>\$ 2,966,446</u>	<u>\$ 2,687,257</u>
Net Change in Fund Balances	\$ (281,736)	\$ 159,585	\$ 194,984	\$ 330,408
Fund Balances - January 1	\$ 5,217,964	\$ 5,058,379	\$ 4,863,395	\$ 4,532,987
Fund Balances – December 31	\$ 4,936,228	\$ 5,217,964	\$ 5,058,379	\$ 4,863,395
<u>Fund Balance</u>				
Nonspendable	\$ 89,755	\$ 48,378	\$ 46,764	\$ 37,344
Assigned	\$ 410,000	\$ 410,000	\$ 400,000	\$ 400,000
Unassigned	\$ 4,436,474	\$ 4,759,586	\$ 4,611,615	\$ 4,426,051

Source: The City's audited financial statements; 2021 figures are preliminary unaudited amounts.

Revenues, Expenditures and Changes in Fund Balances  
All Governmental Fund Types  
For the Years Ended December 31

	2021 <u>Unaudited</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES:</b>				
Taxes	\$ 11,893,136	\$ 11,064,510	\$ 10,784,687	\$ 10,520,900
Special assessments	1,247,267	1,774,786	1,191,065	1,202,934
Intergovernmental	4,802,236	6,309,954	3,962,307	3,743,646
Licenses and permits	482,872	376,939	341,135	400,895
Fines and forfeitures	133,492	125,070	113,660	125,925
Charges for services	1,137,709	1,143,233	1,551,838	1,437,046
Other	134,122	2,809,748	1,639,419	1,791,212
Total Revenues	\$ 1,769,785	\$ 23,604,240	\$ 19,584,111	\$ 19,222,558
<b>EXPENDITURES:</b>				
Current				
General Government	\$ 2,161,856	\$ 2,079,653	\$ 2,090,561	\$ 2,014,929
Public Safety	6,523,150	6,403,971	5,755,400	5,518,828
Public Works	3,658,995	3,673,415	3,731,892	3,323,024
Health and welfare	7,751	4,475	10,417	8,499
Culture and recreation	2,274,338	2,032,942	2,290,974	2,438,663
Conversation and development	200,594	163,366	694,950	139,335
Non-departmental	453,383	424,196	425,843	1,103,610
Capital outlay	8,093,581	12,336,080	6,298,157	5,689,807
Debt Service				
Principal retirement	4,483,130	4,223,120	10,307,837	3,658,008
Interest and fiscal charges	1,595,396	1,633,481	1,937,700	1,283,793
Total Expenditures	\$ 29,452,174	\$ 32,974,699	\$ 33,543,731	\$ 25,178,496
Excess of Revenues Over (Under) Expenditures	\$ (7,851,555)	\$ (9,370,459)	\$ (13,959,620)	\$ (5,955,938)
Other financing sources (uses)				
General obligation debt issued	\$ 8,880,000	\$ 9,800,000	\$ 11,330,000	\$ 5,500,000
Premium on debt issued	347,893	526,982	224,531	152,002
Payment to current bondholder		(3,050,000)	0	0
Operating transfers in	7,881,483	6,520,348	6,831,095	7,566,853
Operating transfers out	(5,329,637)	(3,854,226)	(4,198,182)	(4,973,636)
Total Other Financings Sources (Uses)	\$ 11,779,739	\$ 9,943,104	\$ 14,187,444	\$ 8,245,219
Net Change in Fund Balances	\$ 3,928,184	\$ 572,645	\$ 227,824	\$ 2,289,281
Fund Balances - January 1	\$ 12,989,149	\$ 12,227,834	\$ 12,000,010	\$ 8,879,636
Prior Period Adjustment	0	188,670	0	0
Fund Balances - As Restated	12,989,149	12,416,504	12,000,010	8,879,636
Fund Balances - December 31	\$ 16,917,331	\$ 12,989,149	\$ 12,227,834	\$ 11,168,917
<u>Fund Balances</u>				
Nonspendable	\$ 89,755	\$ 48,378	\$ 46,764	\$ 37,344
Restricted	\$ 6,854,938	\$ 7,003,288	\$ 6,817,105	\$ 5,624,542
Committed	\$ 2,629,873	\$ 1,116,116	\$ 2,039,400	\$ 1,375,729
Assigned	\$ 7,552,192	\$ 6,428,007	\$ 4,116,400	\$ 4,830,800
Unassigned	\$ (209,427)	\$ (1,606,640)	\$ (791,835)	\$ (699,498)

Source: The City's audited financial statements; 2021 figures are preliminary unaudited amounts.

## Financial Information

A copy of the City's audited financial statements for the fiscal year ended December 31, 2020 including the accompanying independent auditor's report, is included as Appendix A to this Official Statement. Potential purchasers should read such financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by CliftonLarsonAllen LLP, Green Bay, Wisconsin (the "Auditor"), to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessment, procedures or evaluation with respect to such financial statements since the date thereof or relating to this Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Notes, the City represents that there has been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

## Pension Plan

All eligible employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes. 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 ("Chapter 40"). The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. During the fiscal years ended December 31, 2018 ("Fiscal Year 2018"), December 31, 2019 ("Fiscal Year 2019"), and December 31, 2020 ("Fiscal Year 2020") the City's portion of the contributions to WRS (not including any employee contributions) totaled \$980,740, \$991,980 and \$1,081,683, respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for the fiscal year ended December 31, 2015.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2019, the total pension liability of the WRS was calculated as \$108.87 billion and the fiduciary net position of the WRS was calculated as \$112.09 billion, resulting in a net pension asset of \$3.22 billion. The spread of COVID-19 has previously impacted investment markets, and may do so again in the future, which may impact the funded status of the WRS and future contribution requirements as a result (see "GLOBAL HEALTH EMERGENCY RISK" herein).

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2020, the City reported an asset of \$3,043,457 for its proportionate share of the net pension asset of the WRS. The net pension asset was measured as of December 31, 2019 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.09438667% of the aggregate WRS net pension asset as of December 31, 2019.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of the net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note 3.F. of the City's Financial Statements included as Appendix A to this Official Statement.

The City also contributes to the Service Award Program, a defined contribution plan, for its volunteer firefighters. For Fiscal Year 2020, the City contributed \$3,145 to the plan. For more information, see Note 3.F. of the City's Financial Statements included as Appendix A to this Official Statement.

## **Other Post-Employment Benefits**

The City provides "other post-employment benefits" ("OPEB") (i.e., post-employment benefits, other than pension benefits, owed to its employees and former employees) to employees who have terminated their employment with the City and have satisfied specified eligibility standards through two single-employer defined benefit plans. As of December 31, 2020, membership of the plan consisted of 145 active eligible plan members and 18 retirees.

OPEB calculations are required to be updated every two years and prepared in accordance with Statements No. 74 and No. 75 of the Governmental Accounting Standards Board ("GASB 74/75"). An actuarial study for the plan prepared in accordance with GASB 74/75 was most recently completed by Lauterbach & Amen, LLP in March 2021 with an actuarial valuation date of January 1, 2021 (the "Actuarial Study").

For Fiscal Year 2020, benefit payments for the plan totaled in aggregate \$304,140. The City's current funding practice is to fully fund the yearly benefits on a "pay-as-you-go" basis with no invested plan assets accumulated for payment of future benefits.

Under GASB 75, a net OPEB liability (or asset) is calculated as the difference between the plan's total OPEB liability and the plan's fiduciary net position, which terms have similar meanings as under GASB 68 for pension plans.

As of December 31, 2020, the total OPEB liability was \$7,924,737 and the plan fiduciary net position was \$0, resulting in a net OPEB liability of \$7,924,737.

The calculation of the total OPEB liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. For more detailed information regarding such actuarial assumptions, see Note 3.G.1. of the City's Financial Statements included as Appendix A to this Official Statement. The OPEB Actuarial Study is available upon request from the City.

The City also participates in the Local Retiree Life Insurance Fund ("LRLIF"), which is a cost-sharing multiple-employer defined benefit plan established by Chapter 40. The ETF and the Group Insurance Board have statutory authority for program administration and oversight, including establishing contribution requirements for employers.

For Fiscal Year 2020, the City's portion of contributions to the LRLIF totaled \$4,382. For Fiscal Year 2020, the City reported a liability of \$898,349 for its proportionate share of the net OPEB liability of the LRLIF. The net OPEB liability was measured as of December 31, 2019 based on the City's share of contributions to the LRLIF relative to the contributions of all participating employers. The City's proportion was 0.21097000% of the aggregate LRLIF net OPEB liability as of December 31, 2019.

The calculation of the total OPEB liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of the net OPEB liability of the LRLIF, which may also cause ETF to change the contribution requirements for employers and employees. For more detailed information regarding the LRLIF and such actuarial assumptions, see Note 3.G.2. of the City's Financial Statements included as Appendix A to this Official Statement.

## **LEGAL MATTERS**

### **Pending Litigation**

The City certifies that there is no pending litigation or threatened litigation, which would restrain or enjoin the issuance, sale, execution or delivery of the Notes or in any way contest or affect the validity of the Notes or of any proceedings of the City taken with respect to the issuance and sale of the Notes.

### **Levy Limits**

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5% or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other adjustments to and exclusions from the tax levy limit. Among the exclusions, Section 66.0602(3)(e)5. of the Wisconsin Statutes provides that the levy limit does not apply to "the amount that a political subdivision levies in that year to make up any revenue shortfall for the debt service on a revenue bond issued under Section 66.0621 by that political subdivision." Recent positions taken by Wisconsin Department of Revenue ("DOR") staff call into question the availability of this exception, including by limiting its availability depending on the circumstances surrounding the pertinent revenue shortfall. To date, such DOR positions have not been expressed formally in a declaratory ruling under Section 227.41(5)(a) of the Wisconsin Statutes, nor have they been the subject of any court challenge or resulting court ruling.

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Notes will be authorized after July 1, 2005 and therefore the levy limits do not apply to taxes levied to pay debt service on the Notes.

## **Legal Matters**

Certain legal matters incident to the authorization and issuance of the Notes are subject to the approval of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Notes. The proposed form of such opinion is attached hereto as Appendix B "Proposed Form of Legal Opinion."

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Notes. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Notes and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes for any investor.



## **Tax Exemption**

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Notes under existing law substantially in the following form:

"The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes."

The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Notes may be enacted. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

See Appendix B "Proposed Form of Legal Opinion".

## **Not Qualified Tax-Exempt Obligations**

The Notes are not designated as "qualified tax-exempt obligations" for purposes of Section 265 of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **Original Issue Discount**

To the extent that the initial public offering price of certain of the Notes is less than the principal amount payable at maturity, such Notes ("Discounted Notes") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Note over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Notes were sold (issue price). With respect to a taxpayer who purchases a Discounted Note in the initial public offering at the issue price and who holds such Discounted Note to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Note for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Note upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Note, on days that are determined by reference to the maturity date of such Discounted Note. The amount treated as original issue discount on a Discounted Note for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Note (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Note at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Note during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Note the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Note is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Note is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Note (including its sale, exchange,

redemption, or payment at maturity). Amounts received upon disposition of a Discounted Note that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Notes may result in certain collateral federal income tax consequences for the owners of such Discounted Notes. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Notes at a price other than the issue price or who purchase such Discounted Notes in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Notes. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Notes should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Notes.

## **Bond Premium**

To the extent that the initial offering price of certain of the Notes is more than the principal amount payable at maturity, such Notes ("Premium Notes") will be considered to have bond premium.

Any Premium Note purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Note is calculated on a daily basis from the issue date of such Premium Note until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Note that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Notes. During each taxable year, such an owner must reduce his or her tax basis in such Premium Note by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Note. The adjusted tax basis in a Premium Note will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Note.

Owners of Premium Notes who did not purchase such Premium Notes in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Notes. Owners of Premium Notes should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Notes.

## **MUNICIPAL BANKRUPTCY**

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Notes are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated or otherwise substantially altered on appeal, then the rights of holders of the Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Notes.

Moreover, if the City were determined not to be a “municipality” for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Notes would not occur.

## MISCELLANEOUS

### Rating

A rating on the Notes has been requested from S&P Global Ratings, a division of S&P Global (“S&P”).

Currently, S&P maintains its “AA-” rating and stable outlook on the City’s previously issued long-term general obligation debt.

The rating, when issued, reflects only the view of S&P, and an explanation of the significance of such rating may be obtained therefrom. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either upward or downward, or withdrawn entirely, by S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Undertakings described under the heading “Continuing Disclosure” neither the City nor the Underwriter undertake responsibility to bring to the attention of the owners of the Notes any proposed change in or withdrawal of such rating or to oppose any such revision or withdrawal.

### Continuing Disclosure

***Undertaking to Provide Continuing Disclosure.*** In order to assist the Underwriter, which will reoffer the Notes, in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the “Rule”), the City shall covenant pursuant to the Resolution adopted by the Common Council to enter into an undertaking (the “Undertaking”) for the benefit of holders including beneficial holders of the Notes to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the “MSRB”), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Notes are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. A failure by the City to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

In the previous five years the City has not failed to comply in all material respects with any previous Undertaking under the Rule.

The City will file its continuing disclosure information using the Electronic Municipal Market Access (“EMMA”) system. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### Impact of the Spread of COVID-19

In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and former President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. On March 25, 2020, Wisconsin’s “safer-at-home” order (the “Order”) went into effect, which orders the closure of all non-essential business and operations until April 24, 2020 and was subsequently extended until May 26, 2020 (with certain exceptions as provided in the Order). In addition, the deadline for payment of State income taxes was extended to match the federal deadline of July 15, 2020.

On April 21, 2020, Republican legislators in the State filed a lawsuit challenging the legality of the Order. On May 13, 2020, the Wisconsin Supreme Court ruled that the Order is unlawful, invalid and unenforceable because the emergency rulemaking procedures under Section 227.24 of the Wisconsin Statutes and procedures established by the Wisconsin Legislature for rulemaking if criminal penalties were to

follow were not followed in connection with the Order. The Supreme Court's decision does not invalidate any local health officials' orders or prevent future local health officials' orders related to the COVID-19 pandemic.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On May 27, 2020, Governor Tony Evers announced a program titled, "Routes to Recovery: Local Government Aid Grants," which will distribute \$190 million of the State's Coronavirus Relief Fund monies to all counties, cities, villages and towns across Wisconsin for unbudgeted eligible expenditures incurred due to COVID-19 between March 1 and October 31, 2020. The State allocated funds based on population with a guaranteed minimum allocation of \$5,000. The City's allocation was \$264,640. These funds were disbursed up to the amount of the allocation after eligible expenditures were reported through the State's cost tracker application. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion, including \$45.6 billion for cities, through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue, and economic hardship related to the COVID-19 pandemic, with half received in 2021 and half to be received in 2022. The City's allocation is \$1,702,957.

The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus continues to impact the City and its financial condition will depend on future developments, which are uncertain and cannot be predicted by the City, including the duration of the outbreak and future measures taken to address the outbreak.

**Underwriting**

Pursuant to a note purchase agreement with the City, Huntington Securities, Inc. dba Huntington Capital Markets (the "Underwriter") has agreed to purchase all of the Notes, if any of the Notes are purchased, upon the satisfaction of certain conditions set forth in the note purchase agreement. The Underwriter has agreed to purchase the Notes from the City at a price of \$\_\_\_\_\_. The Underwriter intends to reoffer the Notes to the public at the initial public offering prices or yields as shown on the inside cover of this Official Statement to produce a reoffering price of \$\_\_\_\_\_. The Underwriter's compensation for this issue is the difference between the purchase price and the reoffering price, less all expenses. The Notes may be offered to certain dealers at prices lower than such public offering price or yield and such public offering price or yield may be changed from time to time by the Underwriter. The Underwriter reserves the right to join with dealers and other underwriters in offering the Notes to the public.

**CERTIFICATE CONCERNING OFFICIAL STATEMENT**

Concurrently with the delivery of the Notes, the Mayor and the City Clerk will deliver to the purchaser of the Notes, a certificate stating that, to the best of their knowledge, this Official Statement did not as of its date and as of the sale date and does not, as of the date of delivery of the Notes, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made not misleading.

**CITY OF KAUKAUNA**

By \_\_\_\_\_  
City Clerk

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS  
OF THE  
CITY OF KAUKAUNA  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**CITY OF KAUKAUNA, WISCONSIN**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaukauna, Wisconsin (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kaukauna Utilities Fund, which is both a major fund and 82%, 79%, and 91% of the assets, net position, and revenues respectively, of the City of Kaukauna's business-type activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kaukauna Utilities Fund of the City of Kaukauna, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards are applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

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

### ***Correction of Error***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 15 and the schedules relating to pensions and other postemployment benefits on pages 79 to 82 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
July 14, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

The management of the City of Kaukauna offers all readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the fiscal year ended December 31, 2020. You are encouraged to read this narrative in conjunction with the City's financial statements.

**FINANCIAL HIGHLIGHTS**

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

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

**Government-Wide Financial Statements** - Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business. The government-wide statements are made up of the statement of net position and the statement of activities.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This means, some revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 17 to 18 of this report.

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

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

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

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

The City maintained 34 individual governmental type funds during 2020. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance sheet for the general fund and debt service fund, which are considered major funds. Data from the remaining 29 governmental type funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found later in this report.

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

The basic governmental fund financial statements can be found on pages 19 to 23 of this report.

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

The basic proprietary fund financial statements can be found on pages 24 to 28 of this report.

**Notes To The Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 to 77 of this report.

**Supplementary Information** - The combining statements referring to non-major governmental funds is presented immediately following the required supplementary information. Required supplementary information and supplementary combining and individual fund statements and schedules can be found on pages 79 to 94 of this report.

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As discussed earlier, net position over time, serve as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceed liabilities and deferred inflows of resources for total net position of \$135,996,585 at yearend December 31, 2020.

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

**Management's Analysis**

By far the largest portion of the City's total net position, \$92,122,066 or 67.74%, is its investment in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure), less any related outstanding indebtedness used to acquire those assets. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position, \$17,131,441 or 12.60% represents resources that are subject to restrictions regarding their use. The remaining balance of unrestricted net position, \$26,743,078 or 19.66% may be used to meet the government's ongoing obligations to creditors and provide services to its citizens.

Business-type activities total net position increased by \$4,276,042 to \$103,206,837 in 2020, an increase of 4.32%. The increase in net position is primarily due to investment in Electric Utility and Sanitary Sewer utility capital assets.



**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

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

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

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

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

Business-type activities revenue increased \$869,303 or 1.57% during 2020 primarily due to increased customer demand in the business-type activities. Also decreasing are the expenses that are needed to provide the service which is again the result of the increase net position of the business type activities.

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

**Debt and Debt Management**

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

**Management's Analysis**

Overall, long-term obligations increased from \$141,411,113 in 2019 to \$142,516,833 in 2020. Governmental activities outstanding debt increased \$2,290,069 or 5.75%. Whereas the business-type activities outstanding debt decreased \$1,814,349 or 2.03%. All general obligation notes and bonds are scheduled to be paid off within ten (10) years and all the revenue bonds are scheduled to be paid off within twenty-five (25) years.

The City has maintained its current Standard & Poor's general obligation bond rating of AA- for the past several years. The current outstanding general obligation bonds and notes of \$44,715,000 is 74.1% of the statutory limit for cities in the State of Wisconsin.

The City's five-year capital improvement plan anticipates general obligation borrowing of approximately \$4,500,000 per year for the next five (5) years.

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE GOVERNMENTS' FUNDS**

As indicated earlier, the City uses fund accounting to ensure and demonstrate compliance with budgetary finance-related legal requirements.

**General Fund Budgetary Analysis**

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

**Management's Analysis**

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

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

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

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

**General Fund Budgetary Analysis**

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

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

**Debt Service Fund Budgetary Analysis**

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

**Management's Analysis**

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

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

**GOVERNMENTAL FUNDS**

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

As of December 31, 2020, the City's governmental funds reported combined year ending fund balance of \$12,989,149, an increase of \$761,315 for the calendar year 2020. Of the total fund balance, the unassigned fund balance is a negative \$1,606,640, which is ordinarily available for spending at the City's discretion. The remainder of fund balance is not available because it is designated as follows:

- Nonspendable, \$48,378
- Restricted for debt service and donations, \$7,003,288
- Committed, \$1,116,116
- Assigned, \$6,428,007

**Fund Balance Analysis – General Fund**

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

**Fund Balance Analysis – Debt Service Fund**

The debt service fund balance has a balance of \$5,831,181 at year-end 2020, which primarily represents amounts due from other funds. Going forward, the debt service fund is expected to have no balance at yearend except for an amount equal to due from other funds.

**Fund Balance Analysis – Special Revenue Funds**

The combined non-major special revenue funds have a calendar yearend 2020 fund balance of \$2,215,525. The combined fund balance for special revenue funds decreased \$220,382 for calendar year ended.

**Fund Balance Analysis – Capital Project Funds**

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

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

**POPRIETARY FUNDS**

**Net Position Analysis – Stormwater Utility**

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

**Net Position Analysis – Sanitary Sewer Utility**

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

**Capital Assets and Debt Administration**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, net of accumulated depreciation is \$211,519,847 outstanding debt, debt premium and accounts payable related to the purchase of capital assets is \$140,670,305 or 60.4% of asset value net of accumulated depreciation. Governmental activities capital assets increased in 2020 by 9,316,150 from \$66,099,917 to \$75,416,067. The increase is because of the construction/remodel of the new Streets, Parks, Recreation Office building. The net increase of \$14,941,150 in business-type activities capital assets from \$142,435,164 to \$157,376,314 for the calendar year ended 2020 is result of investment in ongoing system improvements.

**ECONOMIC FACTORS**

The City of Kaukauna, Wisconsin benefits from its location in the Fox River Valley. Located south of Green Bay, the city benefits from its favorable location in the Fox River Valley. From 2009 - 2020, the City's tax base, which currently stands at \$1.20 Billion (see following schedule), averaged a 2.51% annual increase; however, the decrease over five years (2009 – 2013) averages 0.74% per year. Management believes that tax base growth, which has historically been driven by residential and commercial construction, will increase rather modestly in the near term. Over the past five years (2016 - 2020), the city saw an average increase of 5.04%. This increase gets the city to a value that eclipses the pre-2009 year where the city average 5.93% growth from 2005-2008.

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

Assessment Year	Equalized Value Including TID's	% Change	Equalized Value Excluding TID's	% Change
2020	\$ 1,208,319,100	4.72 %	\$ 1,130,278,300	3.02 %
2019	1,153,840,300	6.01	1,097,194,600	6.05
2018	1,088,457,300	5.88	1,034,627,000	5.50
2017	1,027,973,700	4.12	980,725,200	3.79
2016	987,250,900	4.48	944,893,400	4.50
2015	944,939,000	2.38	904,221,100	1.06
2014	922,944,000	3.00	894,717,600	2.39
2013	896,096,700	(0.25)	873,869,600	(0.26)
2012	898,369,100	(3.63)	876,128,200	(3.64)
2011	932,227,600	(0.34)	909,241,100	(0.56)
2010	935,396,400	1.25	914,342,300	1.66
2009	923,842,800		899,406,800	

**CITY OF KAUKAUNA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

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

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

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

#### **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**



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

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

See accompanying Notes to Basic Financial Statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General Government	\$ 2,904,070	\$ 226,163	\$ -	\$ -	\$ (2,677,907)	\$ -	\$ (2,677,907)
Public Safety	6,673,066	853,040	66,733	1,063	(5,752,230)	-	(5,752,230)
Public Works	6,084,817	494,443	1,080,599	4,747,429	237,654	-	237,654
Health and Human Services	4,475	1,975	-	-	(2,500)	-	(2,500)
Culture and Recreation	1,787,536	98,144	299,275	2,168,480	778,363	-	778,363
Conservation and Development	328,757	670	15,258	15,816	(297,013)	-	(297,013)
Interest and Fiscal Charges	1,446,537	-	-	-	(1,446,537)	-	(1,446,537)
Total Governmental Activities	19,229,258	1,674,435	1,461,865	6,932,788	(9,160,170)	-	(9,160,170)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Kaukauna Utilities	45,285,370	49,164,137	-	1,479,008	-	5,357,775	5,357,775
Storm Water Utility	1,119,981	1,247,497	-	209,031	-	336,547	336,547
Sanitary Sewer Utility	2,826,248	3,463,640	-	1,366	-	638,758	638,758
Total Business-Type Activities	49,231,599	53,875,274	-	1,689,405	-	6,333,080	6,333,080
Total Primary Government	\$ 68,460,857	\$ 55,549,709	\$ 1,461,865	\$ 8,622,193	(9,160,170)	6,333,080	(2,827,090)
<b>GENERAL REVENUES</b>							
Taxes:							
Property Taxes					10,526,039	-	10,526,039
Sales Tax					62,478	-	62,478
Other Taxes					319,036	-	319,036
Federal and State Grants and Other Contributions not Restricted to Specific Functions					3,074,832	-	3,074,832
Interest and Investment Earnings					227,748	609,084	836,832
Miscellaneous					393,273	-	393,273
Transfers					2,666,122	(2,666,122)	-
Total General Revenues and Transfers					17,269,528	(2,057,038)	15,212,490
<b>CHANGE IN NET POSITION</b>							
					8,109,358	4,276,042	12,385,400
Net Position - Beginning of Year, as Originally Reported					24,491,720	98,930,795	123,422,515
Prior Period Adjustment					188,670	-	188,670
Net Position - as Restated					24,680,390	98,930,795	123,611,185
<b>NET POSITION - END OF YEAR</b>							
					\$ 32,789,748	\$ 103,206,837	\$ 135,996,585

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

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

**RECONCILIATION TO THE STATEMENT OF NET POSITION**

Total fund balances as shown on previous page \$ 12,989,149

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 75,416,067

Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.

Loans Receivable	950,557
Special Assessments	3,611,881
Net Pension Asset	1,988,844

Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.

Deferred Outflows Related to Pensions	4,642,781
Deferred Inflows Related to Pensions	(5,964,723)
Deferred Outflows Related to Other Postemployment Benefits	1,022,689
Deferred Inflows Related to Other Postemployment Benefits	(867,430)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and Notes Payable	(51,892,650)
Premium on Debt	(1,251,064)
Compensated Absences	(601,119)
Other Postemployment Benefit	(7,100,285)
Accrued Interest on Long-Term Obligations	(154,949)

Net Position of Governmental Activities as Reported on the Statement of Net Position (See Page 17)	<u><u>\$ 32,789,748</u></u>
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**CITY OF KAUKAUNA, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**

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

See accompanying Notes to Basic Financial Statements.

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

**RECONCILIATION TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances as shown on previous page	\$ 572,645
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Assets Reported as Capital Outlay in Governmental Fund Statements	12,064,297
Depreciation Expense Reported in the Statement of Activities	(2,748,147)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	1,135,754
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Long-Term Debt Issued	(9,800,000)
Principal Repaid	7,273,120
Interest Accrued on Long-Term Debt	37,205
Premium on Debt Issued, Including Current Year Amortization	(377,243)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated Absences	(15,946)
Net Pension Liability (Asset)	4,198,431
Deferred Outflows of Resources Related to Pensions	(1,329,537)
Deferred Inflows of Resources Related to Pensions	(2,908,050)
Other Postemployment Benefits	(208,859)
Deferred Outflows of Resources Related to Other Postemployment Benefits	977,186
Deferred Inflows of Resources Related to Other Postemployment Benefits	(761,498)

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (See Page 18)	\$ <u>8,109,358</u>
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**CITY OF KAUKAUNA, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL — GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2020**

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

See accompanying Notes to Basic Financial Statements.

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

	Kaukauna Utilities	Stormwater Utility	Sanitary Sewer Utility	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 10,014,101	\$ 724,161	\$ 3,243,963	\$ 13,982,225
Receivables:				
Taxes and Special Charges	-	4,691	37,367	42,058
Accounts, Net	5,001,943	-	2,350	5,004,293
Due from Other Funds	100,453	205,958	514,137	820,548
Inventories and Prepaid Items	2,911,760	-	-	2,911,760
Total Current Assets	18,028,257	934,810	3,797,817	22,760,884
Restricted Assets:				
Cash and Investments	9,008,670	2,292,618	2,290,591	13,591,879
Other Assets:				
Investment in ATC LLC	3,722,482	-	-	3,722,482
Regulatory Asset	1,540,950	-	-	1,540,950
Nonutility Plant, Net	326,205	-	-	326,205
Net Pension Asset	1,021,814	18,768	14,031	1,054,613
Total Other Assets	6,611,451	18,768	14,031	6,644,250
Capital Assets:				
Nondepreciable	5,026,997	43,632	-	5,070,629
Depreciable, Net	125,164,459	9,108,992	18,032,234	152,305,685
Total Capital Assets	130,191,456	9,152,624	18,032,234	157,376,314
Total Assets	163,839,834	12,398,820	24,134,673	200,373,327
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Advance Refunding	1,327,272	-	-	1,327,272
Pension Related Amounts	2,376,540	45,800	32,830	2,455,170
Other Postemployment Related Amounts	293,040	2,159	1,614	296,813
Total Deferred Outflows of Resources	3,996,852	47,959	34,444	4,079,255

See accompanying Notes to Basic Financial Statements.



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

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

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

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

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

See accompanying Notes to Basic Financial Statements.

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

	<u>Tax Collection Custodial Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 7,049,502
Taxes Receivable	<u>7,763,595</u>
Total Assets	<u>14,813,097</u>
 <b>LIABILITIES</b>	
Due to Other Governments	<u>7,049,502</u>
 <b>DEFERRED INFLOW</b>	
Property Taxes Levied for Subsequent Year	<u>7,763,595</u>
 <b>NET POSITION</b>	
Restricted	<u><u>\$ -</u></u>

*See accompanying Notes to Basic Financial Statements.*

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

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

*See accompanying Notes to Basic Financial Statements.*

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Kaukauna, Wisconsin (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

**A. Reporting Entity**

The City is a municipal corporation governed by an elected eight member council. Included in the City's operations (the primary government) are the City's Electric and Water Utilities, managed by a separate commission appointed by the City Council. In accordance with GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has identified the following component unit that is required to be included in the basic financial statements as required by standards.

**Redevelopment Authority**

The Redevelopment Authority of the City of Kaukauna provides services entirely to the City of Kaukauna. Although it is legally separate from the City, the Redevelopment Authority is blended and reported as if it were part of the primary government because of the nature of its relationship with the City. The Redevelopment Authority does not issue separate financial statements.

**B. Related Organization**

The City's officials are also responsible for appointing the members of the Board of another organization, but the City's accountability for this organization does not extend beyond making the appointments. Therefore, this organization is not included in the City's reporting entity. The City Council appoints some or all of the members of the following related organization:

**Housing Authority of the City of Kaukauna**

The Housing Authority was established by the City to administer the low and moderate income housing program funded by federal grants and rental income. Although board members of the Housing Authority are appointed by the City Council, there is no financial interdependency with the City of Kaukauna nor does the City have any significant influence over Housing Authority operations. The City does not provide funding for the Housing Authority. Additionally, the City does not hold title to any of the Housing Authority assets, nor does it have any right to the Housing Authority's surpluses. The City has no legal obligation to fund Housing Authority programs should grant funding no longer be available.

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

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

**C. Government-Wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The City has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**General Fund**

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**Debt Service Fund**

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Capital Projects Streets and Sidewalks Fund**

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

The City reports the following major enterprise funds:

**Kaukauna Utilities**

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

**Stormwater Utility**

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



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

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

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

**Sanitary Sewer Utility**

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

**Custodial Funds**

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

**Tax Collection**

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

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

**1. Cash and Investments**

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

**2. Property Taxes and Special Charges Receivable**

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against City properties. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes and special charges are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

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

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

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

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

Special charges not paid by January 31 are held in trust by the County and remitted to the City, including interest, when collected by the County.

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

**3. Accounts Receivable**

Accounts receivable have been shown net of allowance for uncollectible accounts of \$397,153.

**4. Special Assessments**

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. (Installments placed on the 2020 tax roll are recognized as revenue in 2021.)

**5. Loans Receivable**

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs and has passed the funds to various businesses and individuals in the form of loans. The City records a loan receivable and expenditure when the loan has been made and the funds disbursed. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements. In the governmental funds, the City records a deferred inflow of resources for the net amount of the receivable. As the loans are repaid, revenue is recognized. Any unspent loan proceeds are presented as restricted fund balance in the fund financial statements.

**6. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental and business-type activities.

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

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

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

**7. Inventories**

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

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

**8. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

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

**9. Investment in American Transmission Company (ATC)**

The City's Electric Utility is a member of ATC. ATC was formed by approximately 25 utilities to plan, construct, maintain, monitor and own electric transmission facilities in Wisconsin. The Utility owns less than 1% of ATC.

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

**10. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

**10. Capital Assets (Continued)**

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

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

Assets	Governmental Activities	Business-Type Activities
	Years	
Buildings	20 to 40	25 to 50
Improvements Other Than Buildings	10 to 20	25 to 100
Machinery and Equipment	3 to 20	3 to 10
Infrastructure	18 to 70	70

**11. Regulatory Asset**

During 2017, a large industrial customer of the Utilities went into receivership, resulting in an uncollectible receivable of \$2,201,357. The Utilities subsequently requested the Public Service Commission of Wisconsin (PSC) to allow the Utilities to recover this cost in future years. The PSC subsequently authorized the Utilities to amortize this cost over 10 years and allowed an annual uncollectible expense of \$220,136 to be included in the Utilities revenue requirement beginning in 2018. The Utilities expects that the PSC will continue to include this amortization in its revenue requirement through 2028, and will amortize the asset in accordance with the PSC order.

**12. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

**13. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

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

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

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

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

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

**14. Long-Term Obligations**

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

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

**15. Pensions**

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

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

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

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

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

**Defined Benefit Plan**

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

**Local Retiree Life Insurance Fund**

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**17. Fund Equity**

**Governmental Fund Financial Statements**

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

- **Nonspendable Fund Balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- **Restricted Fund Balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance.** Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.

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

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

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

**17. Fund Equity (Continued)**

**Governmental Fund Financial Statements (Continued)**

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

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

**Government-Wide and Proprietary Fund Statements**

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

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

**F. Sales Tax**

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



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

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

**G. Use of Estimates**

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

**NOTE 2 STEWARDSHIP AND COMPLIANCE**

**A. Budgets and Budgetary Accounting**

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

1. During November, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, certain special revenue, debt service funds and certain capital projects funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the general fund, certain special revenue funds, debt service funds and certain capital projects funds.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.
5. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

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

**NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)**

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

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

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

**C. Deficit Fund Equity**

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

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

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

**CITY OF KAUKAUNA, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 2 STEWARDSHIP AND COMPLIANCE (CONTINUED)**

**D. Property Tax Levy Limit**

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2020 and 2021 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2020 budget was 1.45%. The actual limit for the City for the 2021 budget was 3.02%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

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

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

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

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

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

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

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

**A. Cash and Investments (Continued)**

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position	
Cash and Investments	\$ 25,824,043
Restricted Cash and Investments	21,243,690
Fiduciary Fund Statement of Net Position	
Custodial Fund	7,049,502
Total	<u>\$ 54,117,235</u>

**Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2020:

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

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

**Custodial Credit Risk**

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

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

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

**A. Cash and Investments (Continued)**

**Custodial Credit Risk (Continued)**

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2020, \$7,812,411 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

On December 31, 2020, the City held repurchase agreement investments of \$10,645,263 of which the underlying securities are, held by the investment's counterparty, not in the name of the City.

**Credit Risk**

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

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

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

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

**A. Cash and Investments (Continued)**

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. At December 31, 2020, the City had investments in one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments. The City had investments in the Federal Home Loan Mortgage Corporation, representing approximately 8% of investments.

**Interest Rate Risk**

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

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

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	\$ 1,047,396	\$ 1,047,396	\$ -	\$ -	\$ -
Mutual Funds	402,923	402,923	-	-	-
U.S. Treasuries	1,333,628	1,078,588	255,040	-	-
U.S. Agency Securities	835,479	100,903	459,016	275,560	-
WISC Investments					
LTD Series	1,187,484	1,187,484	-	-	-
Repurchase Agreements	10,645,263	10,645,263	-	-	-
Negotiable Certificates of Deposit	3,347,537	3,347,537	-	-	-
Wisconsin Local Government Investment Pool	17,401,462	17,401,462	-	-	-
Totals	<u>\$ 36,201,172</u>	<u>\$ 35,211,556</u>	<u>\$ 714,056</u>	<u>\$ 275,560</u>	<u>\$ -</u>

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

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

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

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

**A. Cash and Investments (Continued)**

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

<u>Highly Sensitive Investments</u>	<u>Fair Value at Year-End</u>
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.	\$ 835,479

**Investment in Wisconsin Local Government Investment Pool**

The City has investments in the Wisconsin Local Government Investment Pool of \$17,401,462 at year-end. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2020, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

**Investment in Wisconsin Investment Series Cooperative**

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

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

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

**B. Restricted Assets**

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

Funds	Amount	Purpose
General		
Advance Tax Collections	\$ 2,959,135	Tax collections to be distributed to appropriate taxing jurisdictions in subsequent year
HRA Account	430,683	To be used for insurance related expenditures
Total General	3,389,818	
Special Revenue		
Thousand Islands Environmental Center	517,127	To be used for future activities of the Environmental Center
Subdivision Fees	109	To be used for future expenditures relating to subdivisions
Grignon Home	9,518	To be used for future activities of the Grignon Home
Total Special Revenue	526,754	
Debt Service	1,773,682	
Capital Projects		
Special Assessments	284,245	To be used for future capital expenditures
Pools and Parks	18,327	To be used for future capital expenditures relating to space improvements
Tax Incremental District #4	38,334	To be used for future expenses relating to the tax incremental district
Tax Incremental District #5	274,622	To be used for future expenses relating to the tax incremental district
Tax Incremental District #6	470,093	To be used for future expenses relating to the tax incremental district
Tax Incremental District #8	56,747	To be used for future expenses relating to the tax incremental district
Tax Incremental District #9	12,488	To be used for future expenses relating to the tax incremental district
Tax Incremental District #9	4,056	To be used for future expenses relating to the tax incremental district
Environmental Remediation TID	43,928	To be used for future expenses relating to the tax incremental district
Redevelopment Authority	758,717	To be used for retirement of Taxable Redevelopment Lease Revenue Bonds
Total Capital Projects	1,961,557	
Total Governmental Activities	7,651,811	
Enterprise		
Electric Utility		
Debt Reserve	6,016,723	To be used for subsequent year payments and to reserve additional
Water Utility		
Debt Reserve/Special Redemption	702,963	To be used for subsequent year payments and to reserve additional funds for debt retirement
Unspent Bond Proceeds	2,288,984	To be used for future water capital projects
Total Water Utility	2,991,947	
Stormwater Utility		
Capital Improvements	2,166,554	To be used for future stormwater capital projects
Debt Reserve	126,064	To reserve additional funds for debt retirement
Total Stormwater Utility	2,292,618	
Sanitary Sewer Utility		
Capital Improvements	1,754,227	To be used for future sanitary sewer capital projects
Debt Reserve	536,364	To reserve additional funds for debt retirement
Total Sanitary Sewer Utility	2,290,591	
Total Business-Type Activities	13,591,879	
Total Restricted Assets	<u>\$ 21,243,690</u>	



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

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

**C. Capital Assets**

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

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

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

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

**C. Capital Assets (Continued)**

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

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

The Utilities holds nonutility property consisting of land and buildings and improvements totaling \$326,205, net of accumulated depreciation.

**D. Interfund Receivable, Payables, and Transfers**

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2020 are detailed below:

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

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

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

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

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

Fund	Transfer In	Transfer Out
General	\$ 3,025,122	\$ 43,470
Debt Service	1,834,829	776,436
Nonmajor Governmental	1,660,397	3,034,320
Kaukauna Utilities	-	2,425,343
Stormwater utility	-	97,440
Sanitary Sewer	-	143,339
Total	<u>\$ 6,520,348</u>	<u>\$ 6,520,348</u>

Transfers are used for the following purposes:

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

**E. Long-Term Obligations**

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

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

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

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

**E. Long-Term Obligations (Continued)**

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

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

**General Obligation Debt**

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20
General Obligation Notes	10/04/11	10/01/21	2.00 - 3.00%	\$ 2,755,000	\$ 800,000
General Obligation Notes	08/01/12	04/01/22	2.00 - 3.00%	2,800,000	1,500,000
General Obligation Notes	09/04/13	12/31/23	2.00 - 4.00%	1,125,000	600,000
General Obligation Notes	05/20/14	11/01/24	2.00 - 3.00%	875,000	200,000
General Obligation Notes	05/20/14	11/01/24	2.00 - 4.00%	1,000,000	550,000
General Obligation Notes	09/02/14	09/01/24	1.50 - 3.00%	1,300,000	950,000
General Obligation Bonds	03/17/15	09/01/25	2.00 - 3.00%	2,435,000	985,000
General Obligation Bonds	09/01/15	12/01/27	2.00 - 4.00%	1,650,000	1,375,000
General Obligation Notes	09/01/15	12/01/25	2.00 - 3.00%	3,550,000	2,440,000
General Obligation Notes	11/01/16	11/01/24	2.00 - 3.00%	1,525,000	725,000
General Obligation Bonds	08/15/17	12/01/30	2.00 - 3.00%	1,565,000	1,245,000
General Obligation Notes	08/15/17	12/01/17	2.00 - 3.00%	8,450,000	7,625,000
General Obligation Notes	09/05/18	06/01/28	2.00 - 3.25%	5,200,000	4,990,000
General Obligation Bonds	10/30/19	06/01/28	1.95 - 2.50%	6,305,000	6,030,000
General Obligation Notes	10/30/19	09/01/29	2.00 - 3.00%	5,025,000	4,900,000
General Obligation Notes	09/03/20	09/01/30	1.00 - 2.00%	9,800,000	9,800,000
Total Outstanding General Obligation Debt					<u>\$ 44,715,000</u>

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

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

**E. Long-Term Obligations (Continued)**

**General Obligation Debt (Continued)**

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

Year Ended December 31,	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 4,058,130	\$ 1,066,300	\$ 421,870	\$ 36,780	\$ 4,480,000	\$ 1,103,080
2022	4,219,520	963,375	240,480	23,407	4,460,000	986,782
2023	4,485,000	858,645	180,000	17,100	4,665,000	875,745
2024	4,536,000	738,945	224,000	11,040	4,760,000	749,985
2025	4,294,000	624,060	256,000	3,840	4,550,000	627,900
2025-2029	21,800,000	1,311,650	-	-	21,800,000	1,311,650
Total	<u>\$ 43,392,650</u>	<u>\$ 5,562,975</u>	<u>\$ 1,322,350</u>	<u>\$ 92,167</u>	<u>\$ 44,715,000</u>	<u>\$ 5,655,142</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, 2020 was \$15,703,285 as follows:

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

**Advance Refunding**

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

**Current Refunding**

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

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

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

**E. Long-Term Obligations (Continued)**

**Revenue Bonds**

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

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

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

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

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

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

**E. Long-Term Obligations (Continued)**

**Utility Revenues Pledged**

The electric, water, storm water, and sanitary sewer utility enterprise funds have pledged future electric, water, storm water, and sanitary sewer customer revenues, net of specified operating expenses, to repay the revenue bonds through 2037, 2037, 2031, and 2033, respectively. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used by the utilities. A summary of net customer revenues and remaining principal and interest due on revenue bonds follows:

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

**Taxable Redevelopment Lease Revenue Bonds**

Taxable redevelopment lease revenue bond debt service requirements are financed from operations of the Redevelopment Authority. Revenue bond debt outstanding on December 31, 2020 totaled \$8,500,000 and was composed of the following issue:

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

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

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

**E. Long-Term Obligations (Continued)**

**Taxable Redevelopment Lease Revenue Bonds (Continued)**

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

<u>Year Ended December 31,</u>	Component Unit		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 425,000	\$ 328,844	\$ 753,844
2022	425,000	311,844	736,844
2023	425,000	294,844	719,844
2024	425,000	277,844	702,844
2025	425,000	260,844	685,844
2026-2030	2,125,000	1,052,938	3,177,938
2031-2035	2,125,000	648,656	2,773,656
2036-2040	2,125,000	219,141	2,344,141
Total	<u>\$ 8,500,000</u>	<u>\$ 3,394,955</u>	<u>\$ 11,894,955</u>

**F. Pension Plan**

**Wisconsin Retirement System**

**1. Plan Description**

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

ETF issues a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.



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

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

**F. Pension Plan (Continued)**

**Wisconsin Retirement System (Continued)**

**1. Plan Description (Continued)**

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

Employees who retire at or after age 65 (54 for protective occupation employees and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016), if hired on or before December 31, 2016 are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

The WRS also provides death and disability benefits for employees.

**2. Postretirement Adjustments**

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

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

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

**F. Pension Plan (Continued)**

**Wisconsin Retirement System (Continued)**

**2. Postretirement Adjustments (Continued)**

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

**3. Contributions**

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the year ending December 31, 2020, the WRS recognized \$1,081,683 in contributions from the City.

Contribution rates for the reporting period are:

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

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

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

**F. Pension Plan (Continued)**

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

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

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

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

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

\$1,081,683 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

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

**F. Pension Plan (Continued)**

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

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

**5. Actuarial Assumptions**

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

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability:	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Postretirement Adjustments*	1.9%

\* *No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total Pension Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

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

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

**F. Pension Plan (Continued)**

**5. Actuarial Assumptions (Continued)**

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

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

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

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

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

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

**F. Pension Plan (Continued)**

**5. Actuarial Assumptions (Continued)**

**Single Discount Rate.** A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members.

**Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

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

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

**6. Payables to the Pension Plan**

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

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

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

**F. Pension Plan (Continued)**

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

**Defined Contribution Pension Plan**

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

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

For the year ended December 31, 2020, the City contributed \$3,145 to the plan, and the City recognized pension expense of \$3,145.

**G. Other Postemployment Benefits**

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

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

**1. Single-Employer Defined Postemployment Benefit Plan**

**Plan Description**

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

**Benefits Provided**

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

**CITY OF KAUKAUNA, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Other Postemployment Benefits (Continued)**

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

**Employees Covered by Benefit Terms**

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

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	18
Active Employees	<u>145</u>
Total	<u><u>163</u></u>

**Contributions**

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of insurance premiums based on the employee group and their retirement date. The retired employee contributes a percentage of the premium based on the number of years they retire after eligibility for Wisconsin Retirement (currently age 55).

**Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2020.

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

Inflation:	2.25%
Salary Increases:	2%
Inflation	3.00%
Seniority/Merit	0.1%-5.6%
Investment Rate of Return:	2.12%
Healthcare Cost Trend Rates:	4.10% for 2020 increasing to 5.0%

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

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

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



**CITY OF KAUKAUNA, WISCONSIN  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Other Postemployment Benefits (Continued)**

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

**Total OPEB Liability (Continued)**

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

**Changes in the Total OPEB Liability**

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

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

	1% Decrease to Discount Rate (1.12%)	Current Discount Rate (2.12%)	1% Increase to Discount Rate (3.12%)
Total OPEB Liability	\$ 8,595,147	\$ 7,924,737	\$ 7,305,702

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

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

**G. Other Postemployment Benefits (Continued)**

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

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

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

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

**OPEB Expense**

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

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

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

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

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

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

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

**G. Other Postemployment Benefits (Continued)**

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

**Payable to the OPEB Plan.**

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

**2. Local Retiree Life Insurance Fund**

**Plan Description**

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

**OPEB Plan Fiduciary Net Position**

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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

**Benefits Provided**

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

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

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

**G. Other Postemployment Benefits (Continued)**

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

**Contributions**

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

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

Contribution rates as of December 31, 2020 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Postretirement Coverage	40% of Employee Contribution
25% Postretirement Coverage	20% of Employee Contribution

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

Life Insurance Member Contribution Rates* For the Year Ended December 31, 2019		
<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

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

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

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

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

**G. Other Postemployment Benefits (Continued)**

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

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

At December 31, 2020, the City reported a liability of \$898,349 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The Utilities' proportion of the net OPEB liability (asset) was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the City's proportion was 0.21097000%, which was a decrease of .00608100% from its proportion measured as of December 31, 2018.

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

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

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

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

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

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

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

**G. Other Postemployment Benefits (Continued)**

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

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

**Actuarial assumptions.** The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability (Asset):	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.74%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.87%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total OPEB liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

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

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

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

**G. Other Postemployment Benefits (Continued)**

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

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

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

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

**Single discount rate.** A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The significant change was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

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

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

**G. Other Postemployment Benefits (Continued)**

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

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

**Sensitivity of the City's proportionate share of net OPEB liability (asset) to changes in the discount rate.** The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.87%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87%) or 1-percentage-point higher (3.87%) than the current rate:

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

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

**Payable to the OPEB Plan**

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

**H. Fund Equity**

**Nonspendable Fund Balance**

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2020, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Inventories and Prepaid Items	\$ 44,918
Delinquent Taxes	3,460
Total Nonspendable Fund Balance	<u>\$ 48,378</u>



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

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

**H. Fund Equity (Continued)**

**Restricted Fund Balance**

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2020, restricted fund balance was as follows:

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

**Committed Fund Balance**

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

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

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

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

**H. Fund Equity (Continued)**

**Assigned Fund Balance**

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

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

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

**NOTE 4 OTHER INFORMATION**

**A. WIPPI Energy Contract (WPPI)**

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

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

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

The Long-term Contract may be terminated by either party upon five years prior written notice effective at the end of the initial 35-year term, or at any other time thereafter, provided that no WPPI bonds are outstanding at the time of the proposed termination and certain other contract provisions are met.

Electric power purchases by the Kaukauna Electric Utility from the WPPI for distribution to its customers under the above arrangement amounted to approximately \$305 million in 2020.

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

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Tax Incremental Financing Districts**

The City has established separate capital projects funds for six Tax Incremental Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was “frozen” and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. Except for certain exceptions under Section 66.1105(6)(am)(2), the Statutes allow a tax incremental district to incur project costs up to five years prior to termination of the district. The City’s TID No. 4 was created in September, 2000, TID No. 5 was created in September, 2003, the Environmental Remediation TID (ERTID) was created September 2005, TID No. 6 was created in September, 2006, TID No. 7 was created in September, 2012, TID No. 8 was created in September, 2013, TID No. 9 was created in September 2016, and TID No. 10 was created in September 2019. All TID’s are still eligible to incur project costs.

Since creation of the above Districts, the City has provided various financing sources to the TID. Detail of the amounts recoverable by the City as of December 31, 2020 from future excess tax increment revenues of the TID’s are as follows:

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

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the Districts. Unless terminated by the City prior thereto, each TID has a statutory termination year as follows:

	Termination Year
TID No. 4	2031
TID No. 5	2034
TID No. 6	2026
TID No. 8	2033
TID No. 9	2043
TID No. 10	2040

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

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City completes an annual review of its insurance coverage to ensure adequate coverage. Settled claims have not exceed coverage amounts in the past three years.

**D. Contingencies**

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

**E. Enterprise Funds – Significant Customers**

The utility has two significant customers who were responsible for 25% of operating revenues.

**F. Risks and Uncertainties**

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

**G. Prior Period Adjustment**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

<u>Plan Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (plan year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.09136299%	\$ (2,244,125)	\$ 10,905,307	20.58 %	102.74 %
12/31/15	0.09115131%	1,481,191	10,808,317	13.70 %	98.20 %
12/31/16	0.09216838%	759,688	11,279,812	6.73 %	99.12 %
12/31/17	0.09272600%	(2,753,143)	11,297,910	24.37 %	102.93 %
12/31/18	0.09416558%	3,350,116	11,511,788	29.10 %	96.45 %
12/31/19	0.09438667%	(3,043,457)	11,899,616	25.58 %	102.96 %

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

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (fiscal year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 870,444	\$ 870,444	\$ -	\$ 10,808,317	8.05 %
12/31/16	890,178	890,178	-	11,279,812	7.89 %
12/31/17	956,240	956,240	-	11,297,910	8.46 %
12/31/18	980,740	980,740	-	11,511,789	8.52 %
12/31/19	991,980	991,980	-	11,899,616	8.34 %
12/31/20	1,081,683	1,081,683	-	12,302,169	8.79 %

See Notes to Required Supplementary Information.

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

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

See Notes to Required Supplementary Information.



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

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

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

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

See Notes to Required Supplementary Information.

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

**NOTE 1 WISCONSIN RETIREMENT SYSTEM**

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

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

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

**NOTE 2 OTHER POSTEMPLOYMENT BENEFITS**

**Single-Employer Defined Postemployment Benefit Plan**

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

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

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

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

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

## **SUPPLEMENTARY INFORMATION**

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

	Special Revenue							
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants	CDBG Grant	Public Safety Grants	Library Foundation	Subdivision Fees
<b>ASSETS</b>								
Cash and Investments	\$ 41,944	\$ 815,585	\$ 3,165	\$ 28,730	\$ 111,208	\$ 138,295	\$ 31,410	\$ 146,332
Restricted Cash and investments	517,127	-	-	-	-	-	-	109
Receivables:								
Taxes and Special Charges	100,891	-	-	-	-	-	-	120
Accounts, Net	1,000	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-	1,449
Loans	-	461,265	13,960	70,700	233,116	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 660,962</u>	<u>\$ 1,276,850</u>	<u>\$ 17,125</u>	<u>\$ 99,430</u>	<u>\$ 344,324</u>	<u>\$ 138,295</u>	<u>\$ 31,410</u>	<u>\$ 148,010</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 1,598	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ -	\$ -
Accrued and Other Current Liabilities	5,981	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
Total Liabilities	<u>7,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Property Taxes Levied for Subsequent Year	192,503	-	-	-	-	-	-	230
Loans Receivable	-	461,265	13,960	70,700	233,116	-	-	-
Special Assessments	-	-	-	-	-	-	-	1,449
Total Deferred Inflows of Resources	<u>192,503</u>	<u>461,265</u>	<u>13,960</u>	<u>70,700</u>	<u>233,116</u>	<u>-</u>	<u>-</u>	<u>1,679</u>
<b>FUND BALANCES</b>								
Restricted	380,978	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	146,331
Assigned	79,902	815,585	3,165	28,730	111,208	134,295	31,410	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	<u>460,880</u>	<u>815,585</u>	<u>3,165</u>	<u>28,730</u>	<u>111,208</u>	<u>134,295</u>	<u>31,410</u>	<u>146,331</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 660,962</u>	<u>\$ 1,276,850</u>	<u>\$ 17,125</u>	<u>\$ 99,430</u>	<u>\$ 344,324</u>	<u>\$ 138,295</u>	<u>\$ 31,410</u>	<u>\$ 148,010</u>

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

	Special Revenue (Continued)					Capital Projects	
<b>ASSETS</b>	PACE Loan Fund	Grignon Home	Vehicle Registration	Solid Waste	Red Hill Landfill	Industrial Park	Special Assessments
Cash and Investments	\$ 40,975	\$ 20,868	\$ 201,958	\$ 20,638	\$ 139,783	\$ 202,655	\$ 2,775,284
Restricted Cash and investments	-	9,518	-	-	-	-	284,245
Receivables:							
Taxes and Special Charges	-	10,482	-	-	-	-	313,038
Accounts, Net	-	-	-	1,242	-	-	117
Special Assessments	-	-	-	-	-	-	3,610,432
Loans	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	60,978	-	-	-
<b>Total Assets</b>	<b>\$ 40,975</b>	<b>\$ 40,868</b>	<b>\$ 201,958</b>	<b>\$ 82,858</b>	<b>\$ 139,783</b>	<b>\$ 202,655</b>	<b>\$ 6,983,116</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ 172	\$ -	\$ -	\$ -	\$ 76	\$ -
Accrued and Other Current Liabilities	-	2,349	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	240,000	13,274
<b>Total Liabilities</b>	<b>-</b>	<b>2,521</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,076</b>	<b>13,274</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property Taxes Levied for Subsequent Year	-	20,000	-	-	-	-	597,283
Loans Receivable	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	3,610,432
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,207,716</b>
<b>FUND BALANCES</b>							
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	40,975	18,347	201,958	82,858	139,783	-	2,762,126
Unassigned	-	-	-	-	-	(37,421)	-
<b>Total Fund Balances</b>	<b>40,975</b>	<b>18,347</b>	<b>201,958</b>	<b>82,858</b>	<b>139,783</b>	<b>(37,421)</b>	<b>2,762,126</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 40,975</b>	<b>\$ 40,868</b>	<b>\$ 201,958</b>	<b>\$ 82,858</b>	<b>\$ 139,783</b>	<b>\$ 202,655</b>	<b>\$ 6,983,116</b>

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

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

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

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

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

	Special Revenue							
	1000 Islands Environmental Center	Revolving Economic Development Loans	Rental Rehabilitation Grants	Housing Development Grants	CDBG Grant	Public Safety Grants	Library Foundation	Subdivision Fees
REVENUES								
Taxes	\$ 163,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67
Special Assessments	-	-	-	-	-	-	-	14,441
Intergovernmental	25,000	-	-	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	10,374	-	-
Public Charges for Services	5,261	-	-	-	-	5,821	-	-
Miscellaneous	54,102	109,595	-	2,500	34,668	-	2,481	-
Total Revenues	247,913	109,595	-	2,500	34,668	16,195	2,481	14,508
EXPENDITURES								
Current:								
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	13,095	-	-
Public Works	-	-	-	-	-	-	-	-
Culture and Recreation	213,874	-	-	-	-	-	1,121	-
Conservation and Development	6,730	155,202	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	220,604	155,202	-	-	-	13,095	1,121	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,309	(45,607)	-	2,500	34,668	3,100	1,360	14,508
OTHER FINANCING SOURCES (USES)								
Long-Term Debt Issued	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	27,309	(45,607)	-	2,500	34,668	3,100	1,360	14,508
Fund Balance - Beginning of Year, as Originally Reported	433,571	861,192	3,165	26,230	76,540	131,195	30,050	131,823
Prior Period Adjustment	-	-	-	-	-	-	-	-
Fund Balance - End of Year, as Restated	433,571	861,192	3,165	26,230	76,540	131,195	30,050	131,823
FUND BALANCE - END OF YEAR	\$ 460,880	\$ 815,585	\$ 3,165	\$ 28,730	\$ 111,208	\$ 134,295	\$ 31,410	\$ 146,331



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

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

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

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

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

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

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

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaukauna, Wisconsin (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, dated July 14, 2021. Our report includes a reference to other auditors who audited the financial statements of Kaukauna Utilities, as described in our report on City of Kaukauna's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

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

### **Compliance and Other Matters**

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

### **City of Kaukauna's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
July 14, 2021

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

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***Section I – Internal Control Over Financial Reporting***

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<b>FINDING NO.</b>	<b>SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING</b>
<b>2020-001</b>	<b>Preparation of Annual Financial Report</b> Repeat Finding of 2019-001
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	<p>Management and the Board of the City share the ultimate responsibility for the City's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.</p> <p>The City engages CliftonLarsonAllen LLP (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the City's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the City has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the City's activities and operations.</p> <p>The City's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the City's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.</p>
Context:	While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.
Cause:	City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	The City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.



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

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

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<b>FINDING NO.</b>	<b>SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING</b>
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<b>2020-001</b>	<b>Preparation of Annual Financial Report (Continued)</b>
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Recommendation:	We recommend the City continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report.
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Management Response:	Management believes that the cost of hiring additional staff to prepare year-end adjusting and closing entries and to prepare financial reports outweigh the benefits to be received. Management will continue to review financial statements and information prior to issuance.
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**CITY OF KAUKAUNA  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2020**

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

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<b>FINDING NO.</b>	<b>SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING</b>
<b>2020-002</b>	<b>Adjustments to the City's Financial Records</b>
	Repeat Finding of 2019-002
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the City's financial statements.
Context:	While performing audit procedures, it was noted that management does not have sufficient controls in place related to year-end closing procedures.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	While City staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year-end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Effect:	Year-end financial records prepared by the City may contain material misstatements.
Recommendation:	We recommend the City continue to review the adjusting and closing entries. We are available to assist the individual in obtaining the understanding of these entries.
Management Response:	The Finance Director will continue to review adjusting and closing entries, as well as work to implement a month-end/year-end close process to minimize the amount of adjustments made to the City's Financial Records.

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***Section II – Compliance and Other Matters***

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There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2020.

## **APPENDIX B**

### **PROPOSED FORM OF LEGAL OPINION**

Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202

May 3, 2022

Re: City of Kaukauna, Wisconsin ("Issuer")  
\$6,000,000 General Obligation Promissory Notes, Series 2022A,  
dated May 3, 2022 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Notes are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on March 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2023	\$ 100,000	____%
2024	200,000	____
2025	200,000	____
2026	225,000	____
2027	500,000	____
2028	500,000	____
2029	600,000	____
2030	700,000	____
2031	1,000,000	____
2032	1,975,000	____

Interest is payable semi-annually on March 1 and September 1 of each year commencing on March 1, 2023.

The Notes maturing on March 1, 2030 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2029 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

[The Notes maturing in the years \_\_\_\_\_ are subject to mandatory redemption by lot as provided in the Notes, at the redemption price of par plus accrued interest to the date of redemption and without premium.]

We further certify that we have examined a sample of the Notes and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Notes have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Notes, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Notes.

3. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on individuals. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

The rights of the owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

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**APPENDIX C**

**PROPOSED FORM OF CONTINUING  
DISCLOSURE CERTIFICATE**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Kaukauna, Outagamie and Calumet Counties, Wisconsin (the "Issuer") in connection with the issuance of \$6,000,000 General Obligation Promissory Notes, Series 2022A, dated May 3, 2022 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on April 19, 2022 (the "Resolution") and delivered to Huntington Securities, Inc. dba Huntington Capital Markets (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Official Statement dated April 19, 2022 delivered in connection with the Securities, which is available from the MSRB.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.



"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of Kaukauna, Outagamie and Calumet Counties, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Clerk of the Issuer who can be contacted at 144 West Second Street, Kaukauna, Wisconsin 54130-0890, phone (920) 766-6300, fax (920) 766-6339.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year ended December 31, 2021, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. CITY DEBT STRUCTURE - Total Outstanding General Obligation Debt Summary
2. CITY DEBT STRUCTURE - Total Outstanding Revenue Debt Summary
3. CITY DEBT STRUCTURE - Debt Ratios (including Equalized Value)

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Securities, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 3rd day of May, 2022.

(SEAL)

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Anthony J. Penterman  
Mayor

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Sally A. Kenney  
City Clerk