

City of Fond du Lac, WI
First on the Lake



Comprehensive Annual Financial Report with Single Audit

Year ended December 31, 2018

Comprehensive Annual Financial Report

**City of Fond du Lac, Wisconsin
Year Ended December 31, 2018**

Prepared by:

City of Fond du Lac Comptroller Division

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City of Fond du Lac Printing Division

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INTRODUCTORY SECTION

City of Fond du Lac, Wisconsin

DECEMBER 31, 2018

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July 31, 2019

City Council and Citizens of Fond du Lac
City of Fond du Lac
Fond du Lac, WI

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Fond du Lac for the year ended December 31, 2018. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the CAFR is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

Wisconsin State Statutes require an annual audit of the financial transactions and accounts of the City by an independent public accountant selected by the City Council. This requirement has been met with the inclusion of the auditor's opinion in this report.

CliftonLarsonAllen LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Fond du Lac's financial statements for the year ended December 31, 2018 which means that in the opinion of our independent auditor, the financial statements are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is located at the front of the financial section of this report.

The City is required to undergo an annual single audit to conform with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Wisconsin State Single Audit Guidelines. Information related to this single audit, including the schedule of expenditures of federal and state awards, schedule of findings and questioned costs, and reports of the independent certified public accountants on the internal control structure and compliance with applicable laws and regulations, is included in the Single Audit Section of this report.

This letter of transmittal complements the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City of Fond du Lac's MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements.

Government Profile

The City of Fond du Lac was incorporated in 1852 and is located in Fond du Lac County at the southern shore of Lake Winnebago, the largest inland lake in Wisconsin at 220 square miles. Five major highways lead into the City, which is approximately one hour from each of the largest cities in the State; Milwaukee, Madison and Green Bay. The City encompasses just over 20 square miles and serves a population of 42,951.

Governance is provided by a Council-Manager form of government with seven council members comprising the governing body. The council members are elected at large on an alternating basis for a term of two years, not to exceed three consecutive terms. The City of Fond du Lac provides a full range of municipal services, including police and fire protection, ambulance, parks, public works operations, parking and transit services, water and sewer utilities, community development, and general administrative services.

Financial Information

Reporting Entity

The City uses the criteria set forth by the Governmental Accounting Standards Board Statement No. 61 to determine the scope of the City's reporting entity. The financial reporting entity includes all the funds of the primary government.

Accounting System and Internal Controls

The accounts of governmental entities such as the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives and are used to aid management in demonstrating compliance with legal and contractual requirements.

Management of the City is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of the financial records for preparing financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance requires that judgments of management rely on estimates in the evaluation of such controls as to costs and benefits derived. All internal control evaluations occur within that cost to benefit framework.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary Controls

The City charter provides that the City Council shall adopt the annual budget prepared by the City's management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget resolution. The City Manager is authorized to transfer budgeted amounts between budget accounts within a department. The level of control over budget adjustments varies for legally adopted budgets as follows: General Fund at division/department level and Debt Service Fund and Special Revenue Funds at the total fund level. Expenditures may not legally exceed appropriations at the above levels unless authorized by two-thirds vote of the City Council.

Local Economy

The City of Fond du Lac unemployment rate dropped 6.7% from the previous year. The average 2018 unemployment rate was 2.8% for the City of Fond du Lac, 2.6% for Fond du Lac County and 3.0% for the State of Wisconsin.

In 2018, Fond du Lac continued to experience growth in residential, commercial and industrial development. There were 389 new housing units constructed, of which 209 units were one- and two-family and 180 were multi-family. Commercial and industrial growth continued in 2018 with \$40.5 million in construction of 23 new buildings and 159 additions and alterations.

Total equalized value (estimated fair market value) of real estate and personal property increased by 2.9% to \$2,894,535,500 in 2018 from 2017. Over the past 10 years, the City's equalized value has increased 8.2%.

Mercury Marine constructed a number of building additions at various plants, including a 14,137 square foot NVH building; a 25,153 square foot building addition to Plant 17; and a 3,000 square foot storage building.

Ellison Electric started construction on a new 17,101 square foot building on Willow Lawn Road that was annexed into the City.

McNeilus Steel constructed a 38,240 square foot building addition at their main facility on Larsen Drive.

CD Smith Construction started building their new 35,000 corporate headquarters in Ledgeview Business Park.

A new 5,906 square foot Career Construction Academy was built at the Fond du Lac High School.

The developer group that purchased Hotel Retlaw started a substantial renovation of the hotel into a 125-room independent hotel with restaurant, retail, spa, fitness and pool amenities.

A new 68 room Fairfield Inn started construction at their site off of I-41, near the newly re-branded Radisson Hotel (formerly the Holiday Inn).

Glacier Hills Credit Union constructed a new 2,300 square foot building on West Johnson Street.

The new mall owners, ATR Cornith, are working with Meijer to be part of the redevelopment of Forest Mall. Meijer received the necessary zoning approvals from the City.

Many other changes in 2018 will benefit the overall community. As a continuation of the Downtown Exploratory Committee's recommendation, the City undertook a placemaking initiative to enhance public spaces downtown. The Downtown Exploratory Committee had served in advisory capacity to the City Council to explore, study, investigate and recommend if and how downtown Fond du Lac could be better for the benefits of the City's residents, stakeholders and visitors.

Long-term financial planning

Unassigned fund balance in the general fund (20.7% of the budgeted general fund expenditures) falls within the policy guidelines (i.e. a minimum of 15% of total General Fund expenditures for working capital purposes) set by the Council for budgetary and planning purposes.

The management of the City's capital improvements program is controlled using a long-range plan adopted by the City Council. The Capital Improvements Program projects the City's capital improvement needs for a five-year period and is reviewed and updated annually. The management and accounting of this plan are controlled using capital project funds. The primary sources of financing these improvements include general obligation debt, utility revenue debt, budgeted funds and revenue from Federal and State grants.

Relevant financial policies

The City's debt policy was successful in ensuring that long-term debt was utilized appropriately and in a fiscally prudent manner by limiting long-term borrowing to capital improvements or other long-term projects which cannot and, appropriately should not, be financed from current revenues and/or funds established for equipment replacement. The City's debt policy guidelines were met by further limiting general obligation debt to 60% or less of the statutory debt limit. (Not to exceed 3% of the equalized value).

In accordance with the capital improvement plan policy, the City prepared and the City Council approved a five-year capital improvement plan which provides comprehensive planning, budget stability and analysis of the long-term capital needs of the City. The plan describes each capital project, estimates the project costs, prioritizes projects, identifies funding, considers alternatives, and estimates the impact on the annual budget.

The revenue policy ensures that one-time revenues shall not be used to fund continuous operating costs, except to manage a short-term spike in program costs, such as the phasing of a new or expanded program, making investments that have future payoffs, and to smooth out the impacts of significant state and/or federal funding reductions

Major Initiatives

The budget for 2018 included a 4.5% increase in the property tax levy and no rate increases for residential garbage pickup or water and sewer utilities. The most significant issues facing the City for 2018 and beyond relate to the continuing effects of a very restrictive state-mandated property tax levy limit and increasing debt payments.

An on-going program of reconstructing the City's sanitary sewer system in an effort to eliminate the entrance of clear water into the sanitary sewer system continues to be funded and performed on an annual basis.

In 2018, TID number 22 was amended to include two additional commercial properties adjacent to the Hotel Retlaw. The start of the renovation of the hotel spurred additional interest in investment in two vacant properties that are located across the street from the hotel. One project involves two upper level market rate residential units with first floor commercial.

TID number 23 was created to assist with a significant expansion of a local manufacturer, Mid-States Aluminum. The TID is an industrial TID and will support two phases of expansion. Phase I, currently under construction, involves a new 39,000 square foot building addition for a new multi-million dollar extrusion press line.

TID number 24 was created to assist with the construction of new 35,000 square foot corporate headquarters for CD Smith Construction in a languishing industrial park, Ledgeview Business Park. The new corporate headquarters are approximately 20% larger than their current office space and will assist with recruiting additional employees and filling approximately 75 new positions.

2011 Wisconsin Act 10 eliminated most collective bargaining rights for City employees except public safety and Transit employees and continues to affect City operations and its annual budget. As of 2016, the police local union, the police supervisory association, the Transit union as well as non-represented employees, including decertified union employees, pay 50% of general Wisconsin State Retirement System (WRS) pension costs (the employee share) contributions. The Fire/Rescue local union and supervisory association 2016-2018 contracts started a phase-in of employee share of WRS contributions in 2018. Newly hired Fire/Rescue employees are required to pay a share of their WRS costs, which is the same rate as paid by general employees upon employment. Each year this has a larger budget impact as turnover occurs.

Awards and Acknowledgement

Awards

The City of Fond du Lac will submit this Comprehensive Annual Financial Report to the Government Finance Officers Association (GFOA) for the Certificate of Achievement for Excellence in Financial Reporting.

To be awarded this honor, the financial reporting entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report satisfies both generally accepted accounting principles and applicable legal requirements.

This is the twenty-third consecutive year the City of Fond du Lac has prepared a Comprehensive Annual Financial Report. The City received the Certificate of Achievement from the GFOA for the 1995 through 2017 Comprehensive Annual Financial Reports.

Acknowledgment

The preparation of the CAFR could not have been accomplished without the professional, efficient and dedicated staff of the City of Fond du Lac Comptroller's Division. We would like to express our thanks to them and to the members of the City Council for their continued interest and support in the financial operations of the City.

Respectfully submitted,



Joseph P. Moore
City Manager



Tracy C. Salter
Director of Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fond du Lac
Wisconsin**

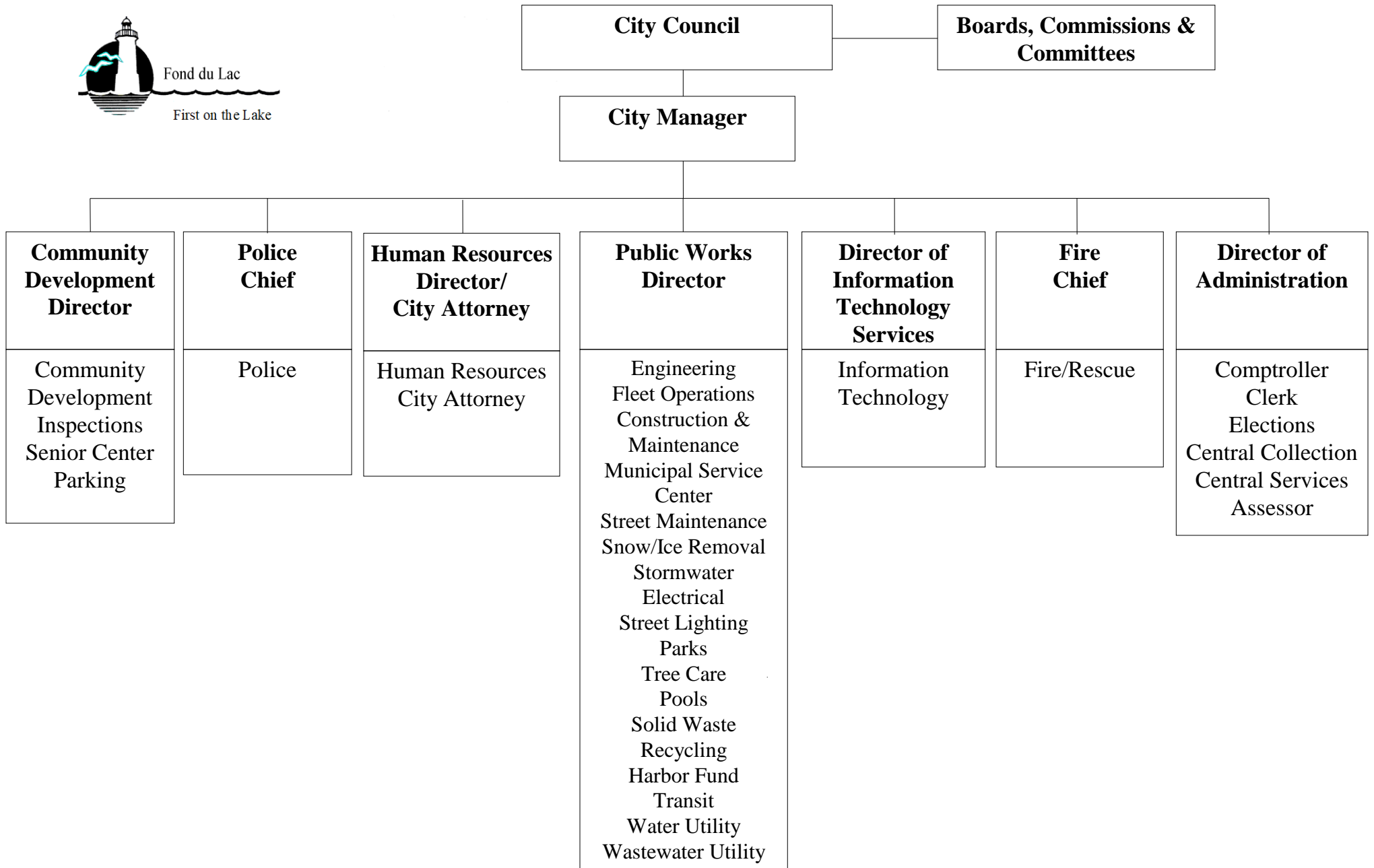
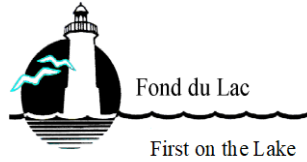
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrell

Executive Director/CEO

Table of Organization



CITY OF FOND DU LAC

List of Principal Officials

December 31, 2018

Elected Officials

		<u>Term Expires</u>
Karyn A. Merkel	City Council President	April, 2020
Catherine A. Block	City Council Vice-President	April, 2019
Gregory G. Giles	City Council Member	April, 2019
Brian T. Kolstad	City Council Member	April, 2019
Kay A. Miller	City Council Member	April, 2020
Benjamin G. Giles	City Council Member	April, 2020
Donna H. Richards	City Council Member	April, 2020

Non-Elected Officials

Joseph P. Moore	City Manager
Tracy C. Salter	Director of Administration
Deborah S.R. Hoffmann	City Attorney/Director of Human Resources
Jordan J. Skiff	Director of Public Works
Dyann L. Benson	Director of Community Development
David M. Zittlow	IT Services Manger
William B. Lamb	Chief of Police
Peter O’Leary	Fire Chief
Jon Mark Bolthouse	Public Library Director
Paul C. DeVries	City Engineer
Margaret L. Hefter	City Clerk

FINANCIAL SECTION



Independent auditors' report

To the City Council
City of Fond du Lac, 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 Fond du Lac, Wisconsin (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 3. H. to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated July 30, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

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 14 through 25 and the schedules relating to pensions and other postemployment benefits on pages 77 through 78 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 introductory section, the financial information listed in the table of contents as supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are also not a required part of the basic financial statements.

The supplementary information and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate 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, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Schenck SC previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Fond du Lac, Wisconsin's basic financial statements for the year ended December 31, 2017, which are not presented with the accompanying financial statements and expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fond du Lac, Wisconsin's basic financial statements as a whole. The 2017 actual amounts in the combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare used to prepare the 2017 basic financial statements. The report of Schenck SC stated that the information has been subjected to the auditing procedures applied in the audit of those 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 their opinion, the 2017 actual amounts in the combining nonmajor fund financial statements were fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019, 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

Sheboygan, Wisconsin
July 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

This section of the City of Fond du Lac's annual financial report presents our narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the letter of transmittal at the front of this report and the City's financial statements which follow this section.

Financial Highlights

- The City has strong general fund reserves and a moderate overall debt burden.
- A net positive budget variance for 2018 operations was experienced through both revenues and expenses.
- The assets and deferred outflows of the City exceeded the liabilities and deferred inflows of resources at December 31, 2018 by \$234.6 million. Of this amount, \$34.5 million is unrestricted net position and may be used to meet City obligations to citizens and creditors.
- City operations created a total net position increase of \$5.5 million over the January 1 net position. The business-type activities had a \$7.0 million increase while the governmental activities had a \$1.5 million decrease.
- The unrestricted net position of the governmental activities was \$10.3 million.
- The unrestricted net position of the business-type activities was \$24.2 million.
- The City's general fund balance increased by \$549,000. The fund balance was budgeted to decrease by \$1.1 million, resulting in a positive variance of \$1.6 million due to both revenues exceeding budgeted amounts and expenditures lower than budgeted spending in many areas. This positive budget variance will be helpful as the 2019 adopted budget anticipates using \$243,000 in general fund balance.
- The debt service fund balance increased \$139,000. The debt service fund was budgeted to have an increase in fund balance of \$120,000.
- During 2018, the City took several actions involving debt:
 - The City issued tax-exempt general obligation notes of \$3,800,000 to finance the Highway 45 Jurisdictional Transfer project roadway improvements. As part of returning this portion of the roadway to the jurisdiction of the City, the State will be giving funds to the City, which will then be used to make the required debt payments.
 - Tax exempt G.O. notes of \$9,025,000 were issued to fund the City's 2018 general capital improvements projects not funded by operating revenues or existing financial resources.
- The internal service fund for the self-funded City group health insurance benefits started 2018 with a net position of \$2.85 million and finished with a net position of \$2.87 million. Premium revenues decreased slightly due to fewer participants enrolled in the health plan. Expenditures, primarily medical claims, came in lower than budget and are responsible for the increase in net position for 2018.
- Other governmental funds had combined increases in fund balances of \$2.4 million. All nonmajor governmental funds had positive fund balances at December 31, 2018.
- During 2018, nonmajor capital project funds produced a net \$3.8 million increase in fund balance. Capital project funds contain large capital purchases and construction projects which are often funded for and completed in different years. The Parks Capital Projects Funds completed capital purchases and construction that were funded and started prior to 2018 which caused the net decrease in its fund balance. All other capital project funds had a net increase in fund balance due to the funding of projects that were not completed at year end.
- Nonmajor special revenue funds had an overall decrease in fund balance of \$1.5 million.
 - The Transit Fund had an increase in fund balance of \$76,000. \$23,000 was due to favorable prices on fuel, while \$59,000 was due to favorable budget variances in federal and state revenues. Unfavorable variances in wages and benefits due to staffing needs offset the fuel and revenue favorable variances.
 - The Community Development Block Grant loan repayments were less than loan project expenditures which contributed to the net decrease in fund balance of \$812,000. Larger community-based projects like the Fondy Food Pantry, transit shelter and bicycle rack placements were funded and completed in 2018, resulting in higher expenditure totals.
 - The Library Fund had a decrease in fund balance of \$21,000 due to planned maintenance projects in various expenditure accounts.
 - The Solid Waste and Recycling fund had a decrease in fund balance of \$21,000 due to expenditures for the

City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

Recycling program exceeding revenues. In the Solid Waste portion of the fund, revenues matched expenditures.

- The Residential Development Improvement Program Fund, experienced a \$34,000 decrease in fund balance due to consulting work done for a downtown placemaking study.
- The Highway 45 Transfer Fund captures State funds given to the City under a jurisdictional transfer agreement. The 2018 fund balance of \$200,000 will be used to offset debt costs of undertaking reconstruction on the transferred roads.
- The sixteen TIF Districts with activity in 2018 had a net fund balance decrease of \$641,000, but reported a \$1.4 million fund balance at the end of the year. As anticipated, the increment from TID 10 was sufficient so that borrowing was not required for the extension of street within the Fox Ridge Business Park and fund balance was used.

Overview of the Financial Statement

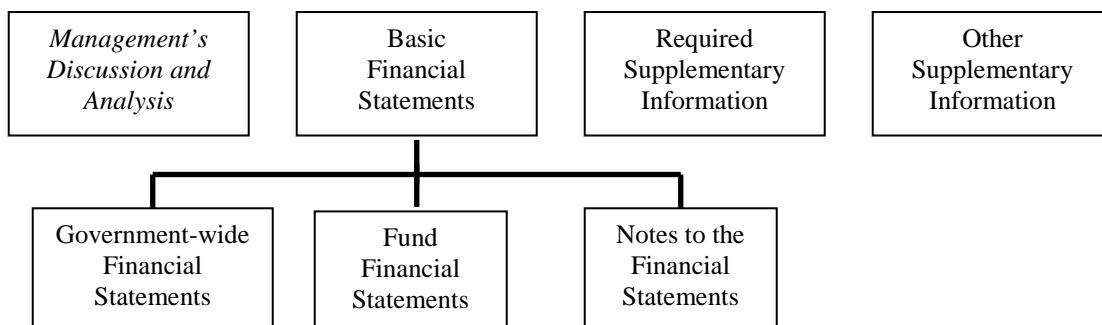
This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government and report the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements provide short and long-term financial information about the activities the government operates similar to businesses, such as the water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Components of the Financial Section



Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Fond du Lac's finances, in a manner similar to a private-sector business.

City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

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

The statement of activities presents information showing how the government'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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Fond du Lac that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fond du Lac include general government, public safety, public works, culture and recreation, community development and interest on long-term debt. The business-type activities of the City of Fond du Lac include the Water Utility and Wastewater Collection and Treatment System.

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 activities or objectives. The City of Fond du Lac, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fond du Lac can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Data from the other sixteen governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fond du Lac adopts an annual appropriated budget for its general fund, debt service fund and certain special revenue funds. Budgetary comparison statements have been provided for these budgeted funds to demonstrate compliance with this budget.

Proprietary funds. The City of Fond du Lac maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Fond du Lac uses enterprise funds to account for its Water Utility and Wastewater Utility. The City of Fond du Lac uses internal service funds to account for the transactions of the City's self-funded employee health insurance program and the information technology fund. Because these activities predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility and Wastewater Utility, both of which are considered to be major funds of the City of Fond du Lac.

City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

Government-wide Financial Analysis

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fond du Lac, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$234,594,947 at the close of 2018.

By far, the largest portion of the City of Fond du Lac's net position, 79 percent, reflects its investment in capital assets, net of depreciation, less the outstanding debt that was used to acquire those assets. The following table presents a summary of the Statements of Net Position.

Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 113,006	\$ 103,874	\$ 31,300	\$ 30,014	\$ 144,306	\$ 133,888
Capital assets	139,441	136,756	188,202	186,104	327,643	322,860
Total assets	252,447	240,630	219,502	216,118	471,949	456,748
Deferred outflows of resources						
Pension	10,632	11,674	836	1,067	11,468	12,741
Non-current liabilities	78,259	73,523	59,563	64,109	137,822	137,632
Current and other liabilities	58,591	58,439	10,622	10,237	69,213	68,676
Total liabilities	136,850	131,962	70,185	74,346	207,035	206,308
Deferred inflows of resources						
Property taxes	29,991	28,738	-	-	29,991	28,738
Pension related	10,955	4,591	841	509	11,796	5,100
Total deferred inflows	40,946	33,329	841	509	41,787	33,838
Net position:						
Net investment in						
capital assets	62,629	62,209	121,668	115,427	184,297	177,636
Restricted	12,360	2,175	3,469	2,822	15,829	4,997
Unrestricted	10,294	22,629	24,175	24,081	34,469	46,710
Total net position	\$ 85,283	\$ 87,013	\$ 149,312	\$ 142,330	\$ 234,595	\$ 229,343

City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

Statement of Activities

The following table summarizes the changes in net position for the City of Fond du Lac for the fiscal year ended December, 31 2018.

Changes in Net Position (in thousands)

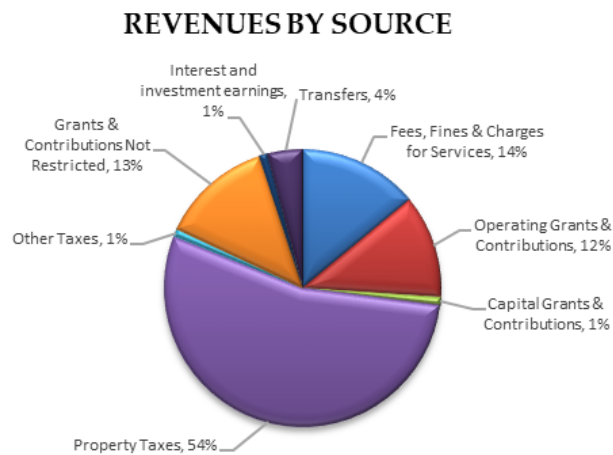
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Fees, fines and charges for services	\$ 7,582	\$ 7,388	\$ 25,148	\$ 25,088	\$ 32,730	\$ 32,476
Operating grants and contributions	6,608	6,297	-	-	6,608	6,297
Capital grants and contributions	308	469	551	-	859	469
General revenues:						
Property taxes	28,463	26,930	-	-	28,463	26,930
Other taxes	454	434	-	-	454	434
Federal and State grants and other contributions not restricted to specific functions	6,879	6,819	-	-	6,879	6,819
Interest and investment earnings	689	255	443	317	1,132	572
Miscellaneous	4	36	-	-	4	36
Gain on sale of asset	130	34	-	19	130	53
Total revenues	51,117	48,662	26,142	25,424	77,259	74,086
Expenses:						
General government	3,732	4,457	-	-	3,732	4,457
Public safety	21,646	21,296	-	-	21,646	21,296
Public works	16,315	17,516	-	-	16,315	17,516
Culture and recreation	5,725	5,829	-	-	5,725	5,829
Community and development	4,548	3,002	-	-	4,548	3,002
Interest and fiscal charges	2,619	2,793	-	-	2,619	2,793
Water	-	-	8,167	9,119	8,167	9,119
Wastewater	-	-	9,036	8,394	9,036	8,394
Total expenses	54,585	54,893	17,203	17,513	71,788	72,406
Increase (decrease) in net position before transfers	(3,468)	(6,231)	8,939	7,911	5,471	1,680
Transfers	1,945	1,922	(1,945)	(1,922)	-	-
Increase (decrease) in net position	(1,523)	(4,309)	6,994	5,989	5,471	1,680
Net position - 1/1 as originally stated	87,013	91,322	142,330	136,341	229,343	227,663
Cumulative effect of change in accounting principle	(207)	-	(12)	-	(219)	-
Net position - 12/31	\$ 85,283	\$ 87,013	\$ 149,312	\$ 142,330	\$ 234,595	\$ 229,343

City of Fond du Lac, Wisconsin

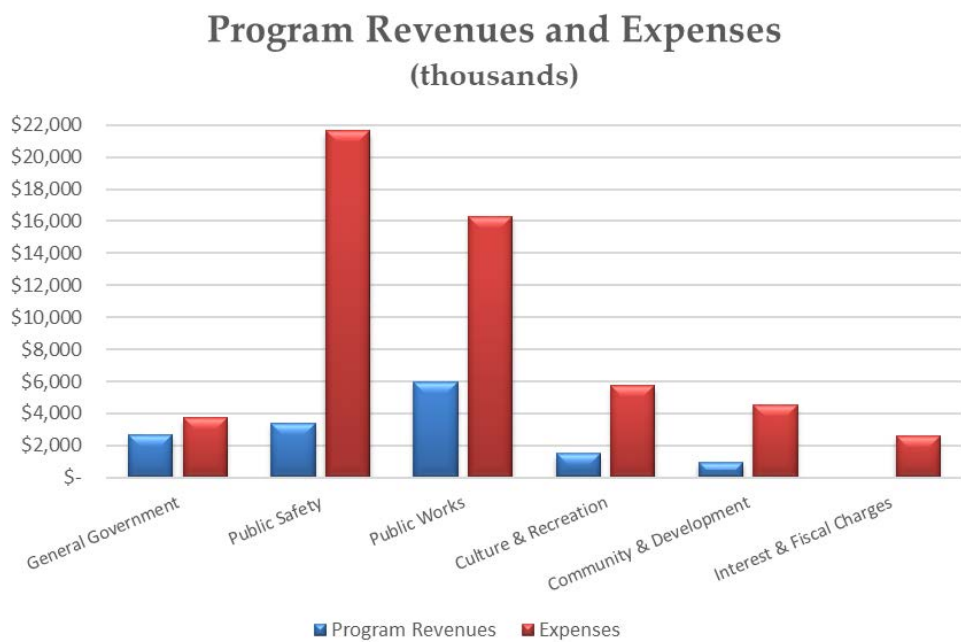
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Governmental activities.

Revenues and transfers for the City’s governmental activities were \$53.1 million. Property taxes are the largest source of governmental activity revenues at \$28 million, or 54 percent. The sources of revenues are shown in the pie graph below:



The bar graph below compares the activities and expenses by function. Public safety represents the largest expense at \$21.6 million or 40 percent. Public works is the next largest area of expense at \$16.3 million or 30 percent. The blue bars indicate the program revenues by function. The graph reflects that most of the expenses are not financed by program revenues, but rather by general property tax and other general revenues. Community Development includes the Inspections Division which collects significant revenues in the form of building permits. Public Safety includes ambulance services with fees billed to the patient. Public works program revenues includes state transportation aids for streets and highways, solid waste collection user fees, state recycling grants, and state and federal transit aids and user fees.



City of Fond du Lac, Wisconsin

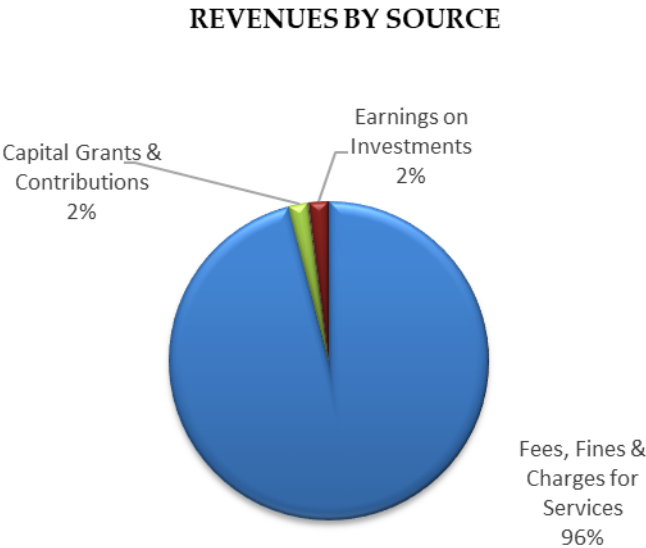
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Business-type activities.

The business-type activities of the Water and Wastewater utilities increased the City’s net position by \$7.0 million.

Water rate increases must be submitted to the Wisconsin Public Service Commission (PSCW) for approval. The last water rate increase was granted by the PSCW in 2015.

The last Wastewater Utility rate increase was implemented in 2009.



The bar graph below is typical of the activities of enterprise funds. The expenses are more than recovered by the program revenues.



City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

Financial Analysis of the Government's Funds

As noted earlier, the City of Fond du Lac uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Fond du Lac'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 of Fond du Lac's financing requirements. In particular, 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.

The general fund is the chief operating fund of the City of Fond du Lac. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The City Council has adopted a general fund working capital designation of 15 percent of the annual budgeted general fund appropriations. Unassigned general fund balance as of December 31, 2018 represents 21.3 percent of total actual 2018 general fund expenditures, while total fund balance represents 24.6 percent of that same amount. The unassigned fund balance includes the working capital goal of 15 percent of the 2019 budgeted expenditures. Total general fund balance increased by \$549,000 in 2018, significantly better than the budgeted decrease of \$1.1 million due to favorable budget variances for both revenues and expenditures.

Proprietary funds. The City of Fond du Lac's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total net position increased \$7.0 million during 2018 while the unrestricted net position decreased \$56,000 due largely to investment in capital assets from operations. Increases from large capital projects offset by annual depreciation costs has increased the net investment in capital assets \$6.2 million. Favorable experience with operating revenues has also contributed to the positive net position.

General Fund Budgetary Highlights

The total difference between the original budget and the final amended budget was a net decrease in fund balance of \$410 million. The changes between original budget and the final budget were the result of \$144,000 in fund balance assigned and \$266,000 in the roll-over of encumbrances from 2017. The fund balance assigned was done in order to purchase property for redevelopment efforts. The encumbrance items were budgeted in previous years, but the purchase orders remained outstanding at the end of the year, so the funds remained in fund balance and were re-appropriated to the 2018 budget.

General fund revenue and expenditure budget variances-explanation.

During this year, the net increase in fund balance was \$1.6 million higher than budget. The primary reasons for this are:

- Revenues produced a net \$862,000 positive budget variance.
 - Licenses and permits exceeded budget by \$297,000, due in large part to higher than anticipated building permits, plumbing permits, and plan review fees.
 - Special assessment revenues are recognized when paid. These revenues were \$292,000 lower than estimated in the budget process due to the timing of completing and billing the special assessment projects.
 - Intergovernmental revenues were \$23,000 higher than budgeted. Funding the City received from the State for various Forestry grants exceeded the original budget estimates.
 - Fines and forfeit revenues were \$117,000 higher than budgeted due to uncollectible Municipal Court fines now being processed through the State's Debt Collection system.
 - A net increase in ambulance billings accounted for \$159,000 of the \$227,000 positive budget variance in Public Charges for Services. This amount is net of the uncollectible accounts and the Medicare regulated write-offs.

City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

- Total expenditures provided for a net \$1.0 million favorable budget variance across all general fund divisions.
 - General government had an overall favorable variance of \$62,000.
 - Non-departmental insurance had an unfavorable budget variance of \$76,000 due to an increase in the estimated number of employee retirements.
 - Other savings were spread across several divisions due to efficiencies implemented and delays in filling vacancies.
 - Police saw an unfavorable budget variance of \$78,000. Wages and benefits accounted for \$217,000 of the variance, primarily in overtime costs. Favorable fuel and utility prices resulted in \$36,000 in savings when compared to budget. Savings in Information Technology services and liability insurances resulted in \$58,000 in savings. Smaller favorable variances in other operational accounts account for the difference in the final unfavorable variance.
 - Of the \$292,000 savings in the Fire and Rescue operation, \$30,000 was related to wage and benefit costs. Other outside services, liability insurances, information technology services, equipment repair and fuel favorable budget variances account for the balance.
 - The department of public works had a net \$483,000 favorable variance.
 - Engineering, the municipal service center, stormwater maintenance and trees all experienced smaller favorable budget variances of a combined \$104,000 due to spending less on various operating accounts.
 - Highway maintenance saw a \$238,000 favorable variance and street lights saw a \$138,000 favorable variance due to the delay in some construction projects. These projects were under contract at the end of 2018, and were included in the encumbrance roll-overs.
 - Culture and recreation had an \$83,000 favorable variance.
 - Parks had a favorable budget variance of \$38,000 primarily due to the inability to hire interested long-term seasonal employees.
 - The senior center had a \$29,000 positive budget variance due to some maintenance projects costing less than anticipated, and other smaller variances in other operating accounts.
 - Community and development had a \$168,000 favorable variance.
 - City inspections was under budget \$68,000. A favorable variance of \$55,000 in other outside service costs for demolition work, and smaller favorable variances in other operating accounts contributed to the overall favorable variance.
 - Community development had a favorable variance of \$38,000 due to a staffing vacancy that was filled in the latter part of 2018.
 - Parking facilities was under budget \$61,000. Conversion of parking lot lights to LED resulted in a savings of \$11,000 and anticipated maintenance project savings of \$37,000 account for the majority of the variance.

City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

Capital Asset and Debt Administration

Capital assets.

The City of Fond du Lac's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$327,643,003 (net of accumulated depreciation). This investment in capital assets includes land and construction in progress, infrastructure, buildings, improvements other than buildings, and equipment.

Capital Assets

(net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and construction in progress	\$ 10,220	\$ 7,476	\$ 5,361	\$ 3,011	\$ 15,581	\$ 10,487
Infrastructure	104,813	105,348	98,022	94,843	202,835	200,191
Buildings and improvements	11,788	10,255	60,310	62,577	72,098	72,832
Land improvements	3,282	3,295	-	-	3,282	3,295
Machinery and equipment	9,337	10,382	24,510	25,673	33,847	36,055
Total	\$ 139,440	\$ 136,756	\$ 188,203	\$ 186,104	\$ 327,643	\$ 322,860

Capital assets net of depreciation increased by \$4.8 million, or 1.5 percent. The business-type activities had a net increase of \$2.1 million, with a water decrease of \$222,000 and a wastewater increase of \$2.3 million. Governmental capital assets, net of depreciation increased by \$2.7 million due largely to 2018 capital outlay additions outpacing depreciation expense.

Major governmental capital activity included street and stormwater infrastructure of \$4.5 million. Construction in progress at the end of the year includes the Public Safety Training Center and financial software upgrades with combined costs incurred of \$3.2 million. Additions and retirements of large pieces of public works equipment and squad cars are on a normal replacement schedule with no major changes planned.

Major business-type capital asset additions in the Water Utility included \$2.8 million of utility street reconstruction and \$93,000 for equipment. Significant Wastewater projects included \$2.5 million of utility street reconstruction, \$370,000 in plant and general equipment upgrades. Depreciation expense for 2018 was \$5.9 million which included \$3 million for water and \$2.9 million for wastewater.

Additional information on the City's capital assets can be found in Note 3. C. of the Notes to Basic Financial Statements.

Long-term debt.

At the end of the current fiscal year, the City of Fond du Lac had total general obligation and revenue bond debt outstanding of \$149,204,095.

City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Outstanding Debt - General Obligation and Revenue Bonds

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 50,900	\$ 55,790	\$ -	\$ -	\$ 50,900	\$ 55,790
General obligation notes	31,880	20,475	-	-	31,880	20,475
Revenue bonds	-	-	66,424	70,542	66,424	70,542
Total	\$ 82,780	\$ 76,265	\$ 66,424	\$ 70,542	\$ 149,204	\$ 146,807

The total debt of the City of Fond du Lac increased \$2.4 million, or 1.6 percent during 2018.

- The City issued tax-exempt general obligation notes of \$9,025,000 to finance the portion of the City's 2018 general capital improvement projects not funded by operating revenues or existing financial resources.
- The City issued tax-exempt general obligation notes of \$3,800,000 to finance the Highway 45 Jurisdictional Transfer project roadway improvements. As part of returning this portion of roadway to the jurisdiction of the City, the State will be giving funds to the City. The City will then use those funds to make the required debt payments.

The City of Fond du Lac maintains an "AA-Stable" rating from Standard & Poor's for its general obligation debt. The revenue bonds of the water utility have been rated "A+/Stable" by Standard & Poor's.

State statutes limit the amount of general obligation debt a government entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City on December 31, 2018 was \$144,726,775, which was in excess of the net outstanding general obligation debt applicable to debt limitation of \$82,780,000. The available legal margin for new debt was \$61,697,848.

Additional information on the City's debt may be found in note 3. E. of the Notes to Basic Financial Statements.

Economic Factors and Next Year's budgets and Rates

- The 2018 unemployment rate for the City of Fond du Lac was 2.8 percent, which is 6.7 percent lower than a year ago. The May 2019 unemployment rate is 2.5 percent, down 3.8 percent from last May.
- Population in the City of Fond du lac increased slightly from 2017 to 2018.
- The City's total 2018 property tax levy to fund the 2019 budget is up 4.9 percent. The equalized tax rate increased 1.8 percent.

City of Fond du Lac, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

Rates for the City's business-type activities for 2019 are as follows:

- The water utility had a 6.8 percent rate increase in December, 2015. This increase will be used to pay for capital expenditures such as replacing water mains in conjunction with road rehabilitation, and replacing and upgrading water filtration plant pumps.
- The wastewater utility rates remained the same from 2009 to 2018 with no proposed increases.

These factors were considered in preparing the City of Fond du Lac's budget for 2019.

Requests for Information

This financial report is designed to provide a general overview of the City of Fond du Lac's finances and to demonstrate the City's accountability for the money it receives to our citizens, taxpayers, customers, and investors and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administration, City of Fond du Lac, 160 South Macy Street, PO Box 150, Fond du Lac, WI 54936-0150.

BASIC FINANCIAL STATEMENTS

City of Fond du Lac, Wisconsin

STATEMENT OF NET POSITION

DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS				
Cash and investments	\$ 34,037,526	\$ 10,405,721	\$ 44,443,247	\$ 36,251,101
Receivables				
Taxes and special charges	51,611,867	3,112	51,614,979	51,663,233
Delinquent taxes	823,670	-	823,670	613,659
Accounts	1,223,966	5,870,192	7,094,158	6,996,023
Special assessments	254,420	921,817	1,176,237	1,293,405
Loans	5,444,027	-	5,444,027	5,525,428
Other	-	343	343	281
Internal balances	(411,270)	411,270	-	-
Due from other governments	13,657,359	6,050,060	19,707,419	23,835,626
Inventories and prepaid items	811,490	566,634	1,378,124	1,398,853
Other noncurrent assets	-	76,138	76,138	76,138
Restricted assets				
Cash and investments	-	6,568,431	6,568,431	6,233,897
Net pension asset	5,552,498	426,184	5,978,682	-
Capital assets, nondepreciable	10,219,702	5,360,971	15,580,673	10,487,906
Capital assets, depreciable, net	129,220,932	182,841,398	312,062,330	312,372,400
Total assets	252,446,187	219,502,271	471,948,458	456,747,950
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	10,280,307	787,742	11,068,049	12,740,692
Other postemployment related amounts	351,666	47,954	399,620	-
Total deferred outflows of resources	10,631,973	835,696	11,467,669	12,740,692
LIABILITIES				
Accounts payable	2,045,227	870,716	2,915,943	2,973,366
Accrued and other current liabilities	1,293,535	1,904,393	3,197,928	3,293,515
Due to other governments	43,623,575	-	43,623,575	44,264,807
Accrued interest payable	746,275	436,264	1,182,539	1,229,515
Special deposits	626,136	1,600	627,736	488,823
Unearned revenues	1,334,954	86,518	1,421,472	1,437,984
Long-term obligations				
Due within one year	8,921,628	7,322,321	16,243,949	15,012,024
Due in more than one year	76,397,908	59,309,282	135,707,190	134,311,847
Net pension liability	-	-	-	1,616,496
Other postemployment benefits	1,860,140	253,656	2,113,796	1,680,151
Total liabilities	136,849,378	70,184,750	207,034,128	206,308,528
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	29,991,479	-	29,991,479	28,737,678
Pension related amounts	10,954,738	840,835	11,795,573	5,100,560
Total deferred inflows of resources	40,946,217	840,835	41,787,052	33,838,238
NET POSITION				
Net investment in capital assets	62,628,518	121,667,593	184,296,111	177,636,007
Restricted for debt service	-	596,212	596,212	855,724
Restricted for equipment replacement	-	2,446,587	2,446,587	1,966,553
Restricted for community development and loans	6,807,159	-	6,807,159	2,174,764
Restricted for pension assets	5,552,498	426,184	5,978,682	-
Unrestricted	10,294,390	24,175,806	34,470,196	46,708,828
Total net position	\$ 85,282,565	\$ 149,312,382	\$ 234,594,947	\$ 229,341,876

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

City of Fond du Lac, Wisconsin

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 3,732,198	\$ 2,680,806	\$ 9,831	\$ -
Public safety				
Police	11,413,736	220,665	513,897	-
Fire and rescue	10,231,849	1,957,224	687,924	-
Public works	16,314,987	1,953,057	3,710,518	308,237
Culture and recreation	5,725,394	554,945	957,313	-
Community and development	4,547,770	215,478	728,745	-
Interest and fiscal charges	2,618,981	-	-	-
Total governmental activities	54,584,915	7,582,175	6,608,228	308,237
BUSINESS-TYPE ACTIVITIES				
Water utility	8,167,128	12,882,550	-	385,543
Wastewater utility	9,034,623	12,265,217	-	165,513
Total business-type activities	17,201,751	25,147,767	-	551,056
Total	\$ 71,786,666	\$ 32,729,942	\$ 6,608,228	\$ 859,293

General revenues

Taxes

Property taxes

Other taxes

Federal and state grants and other contributions
not restricted to specific functions

Interest and investment earnings

Miscellaneous

Gain on sale of asset

Transfers

Total general revenues and transfers

Change in net position

Net position - January 1, as originally reported

Cumulative effect of change in accounting principle

Net position - January 1, as restated

Net position - December 31

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

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

Governmental Activities	Business-type Activities	Totals	
		2018	2017
\$ (1,041,561)	\$ -	\$ (1,041,561)	\$ (2,167,015)
(10,679,174)	-	(10,679,174)	(10,287,194)
(7,586,701)	-	(7,586,701)	(7,763,820)
(10,343,175)	-	(10,343,175)	(11,673,036)
(4,213,136)	-	(4,213,136)	(4,269,184)
(3,603,547)	-	(3,603,547)	(1,918,199)
(2,618,981)	-	(2,618,981)	(2,659,600)
(40,086,275)	-	(40,086,275)	(40,738,048)
-	5,100,965	5,100,965	3,571,669
-	3,396,107	3,396,107	4,002,441
-	8,497,072	8,497,072	7,574,110
(40,086,275)	8,497,072	(31,589,203)	(33,163,938)
28,462,381	-	28,462,381	26,929,681
454,154	-	454,154	433,384
6,879,397	-	6,879,397	6,818,710
688,413	443,467	1,131,880	571,454
4,036	-	4,036	35,985
129,917	-	129,917	53,019
1,945,017	(1,945,017)	-	-
38,563,315	(1,501,550)	37,061,765	34,842,233
(1,522,960)	6,995,522	5,472,562	1,678,295
87,012,564	142,329,312	229,341,876	227,663,581
(207,039)	(12,452)	(219,491)	-
86,805,525	142,316,860	229,122,385	227,663,581
<u>\$ 85,282,565</u>	<u>\$ 149,312,382</u>	<u>\$ 234,594,947</u>	<u>\$ 229,341,876</u>

City of Fond du Lac, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	General	Debt Service	Other Governmental Funds
ASSETS			
Cash and investments	\$ 18,374,537	\$ 21,073	\$ 12,055,638
Receivables			
Taxes and special charges	35,194,462	8,570,000	7,847,405
Delinquent taxes	823,670	-	-
Accounts	790,969	-	88,574
Special assessments	226,497	-	27,923
Loans	-	-	5,444,027
Due from other funds	558,798	-	-
Due from other governments	12,507,080	-	1,150,279
Inventories and prepaid items	784,385	-	11,185
Total assets	<u>\$ 69,260,398</u>	<u>\$ 8,591,073</u>	<u>\$ 26,625,031</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 584,576	\$ -	\$ 663,036
Accrued and other current liabilities	1,191,860	-	67,822
Due to other funds	-	-	558,798
Due to other governments	43,623,575	-	-
Special deposits	614,616	-	11,520
Unearned revenues	58,230	-	1,276,724
Total liabilities	<u>46,072,857</u>	<u>-</u>	<u>2,577,900</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	14,837,601	8,570,000	6,583,878
Loans receivable	-	-	5,444,027
Special assessments	529,879	-	-
Total deferred inflows of resources	<u>15,367,480</u>	<u>8,570,000</u>	<u>12,027,905</u>
Fund balances			
Nonspendable	784,385	-	11,185
Restricted	-	21,073	5,965,673
Committed	-	-	6,042,368
Assigned	243,028	-	-
Unassigned	6,792,648	-	-
Total fund balances	<u>7,820,061</u>	<u>21,073</u>	<u>12,019,226</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 69,260,398</u>	<u>\$ 8,591,073</u>	<u>\$ 26,625,031</u>

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

Totals	
2018	2017
\$ 30,451,248	\$ 23,551,375
51,611,867	51,660,121
823,670	613,659
879,543	940,590
254,420	400,950
5,444,027	5,525,428
558,798	747,199
13,657,359	16,992,792
795,570	802,342
<u>\$ 104,476,502</u>	<u>\$ 101,234,456</u>

\$ 1,247,612	\$ 1,524,407
1,259,682	1,388,230
558,798	747,199
43,623,575	44,264,807
626,136	487,093
1,334,954	1,349,419
<u>48,650,757</u>	<u>49,761,155</u>

29,991,479	28,737,678
5,444,027	5,525,427
529,879	396,690
<u>35,965,385</u>	<u>34,659,795</u>

795,570	802,342
5,986,746	2,174,764
6,042,368	7,802,933
243,028	422,359
6,792,648	5,611,108
<u>19,860,360</u>	<u>16,813,506</u>

<u>\$ 104,476,502</u>	<u>\$ 101,234,456</u>
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City of Fond du Lac, Wisconsin

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 19,860,360	\$ 16,813,506
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.	139,440,634	136,756,096
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	5,973,906	5,922,117
Net position of the internal service fund is reported in the statement of net position as governmental activities	3,089,774	3,047,402
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	10,280,307	11,674,123
Deferred inflows related to pensions	(10,954,738)	(4,591,271)
Deferred outflows related to other postemployment benefits	351,666	-
Internal service funds are used by management to charge the costs of insurance programs and information technology services to individual funds. The net expense of certain activities of internal service funds is reported with proprietary activities	(411,270)	(371,515)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(82,780,000)	(76,265,000)
Debt premium	(914,226)	(682,526)
Compensated absences	(1,599,931)	(1,575,260)
Net pension asset	5,552,498	(1,493,518)
Other postemployment benefit	(1,860,140)	(1,464,645)
Accrued interest on long-term obligations	(746,275)	(756,945)
Net position of governmental activities as reported on the statement of net position (see page 26)	<u>\$ 85,282,565</u>	<u>\$ 87,012,564</u>

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

City of Fond du Lac, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Debt Service	Other Governmental Funds
REVENUES			
Taxes	\$ 15,456,682	\$ 7,705,067	\$ 5,754,786
Special assessments	108,237	-	-
Intergovernmental	9,943,049	-	3,482,036
Licenses and permits	1,761,773	-	-
Fines and forfeits	487,268	-	-
Public charges for services	2,756,572	-	1,917,329
Intergovernmental charges for services	6,472	-	-
Miscellaneous	823,754	-	714,930
Total revenues	31,343,807	7,705,067	11,869,081
EXPENDITURES			
Current			
General government	2,859,148	-	72,044
Public safety	19,637,233	-	144,256
Public works	5,980,854	-	3,782,830
Culture and recreation	1,857,562	-	3,232,134
Community and development	1,499,548	-	1,900,461
Debt service			
Principal	-	6,310,000	-
Interest and fiscal charges	-	2,823,271	4,150
Capital outlay	-	-	13,202,924
Total expenditures	31,834,345	9,133,271	22,338,799
Deficiency of revenues under expenditures	(490,538)	(1,428,204)	(10,469,718)
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	-	12,825,000
Premium on debt issued	-	347,620	-
Payment to current noteholder	-	-	-
Proceeds from sale of capital assets	36,668	-	93,473
Transfers in	1,984,273	1,219,929	3,226,181
Transfers out	(981,524)	-	(3,316,306)
Total other financing sources (uses)	1,039,417	1,567,549	12,828,348
Net change in fund balances	548,879	139,345	2,358,630
Fund balances - January 1	7,271,182	(118,272)	9,660,596
Fund balances - December 31	<u>\$ 7,820,061</u>	<u>\$ 21,073</u>	<u>\$ 12,019,226</u>

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

Totals	
2018	2017
\$ 28,916,535	\$ 27,363,065
108,237	269,051
13,425,085	13,048,834
1,761,773	1,540,425
487,268	350,905
4,673,901	4,651,047
6,472	6,388
1,538,684	1,175,931
50,917,955	48,405,646
2,931,192	3,464,037
19,781,489	19,081,135
9,763,684	10,184,967
5,089,696	4,816,143
3,400,009	1,364,290
6,310,000	5,435,000
2,827,421	3,018,509
13,202,924	8,813,385
63,306,415	56,177,466
(12,388,460)	(7,771,820)
12,825,000	12,075,000
347,620	255,564
-	(7,050,000)
130,141	42,718
6,430,383	5,185,819
(4,297,830)	(3,094,072)
15,435,314	7,415,029
3,046,854	(356,791)
16,813,506	17,170,297
\$ 19,860,360	\$ 16,813,506

City of Fond du Lac, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ 3,046,854	\$ (356,791)
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	13,202,924	5,705,319
Items reported as capital outlay, but not capitalized	(2,698,836)	-
Depreciation expense reported in the statement of activities	(7,819,550)	(7,644,418)
Net book value of disposals	-	(8,332)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	51,789	94,527
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	(12,825,000)	(12,075,000)
Premium on debt issued	(347,620)	(255,564)
Principal repaid	6,310,000	12,485,000
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:		
Accrued interest on long-term debt	10,670	277,533
Amortization of premiums, discounts and loss on advance refunding	115,920	77,226
Compensated absences	(24,671)	69,485
Net pension asset	5,552,498	-
Net pension liability	1,493,518	1,434,781
Deferred outflows of resources related to pensions	(1,393,816)	(4,743,203)
Deferred inflows of resources related to pensions	(6,363,467)	1,571,287
Other postemployment benefits	(188,456)	132,479
Deferred outflows of resources related to other postemployment benefits	351,666	-
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	2,617	(1,073,682)
Change in net position of governmental activities as reported in the statement of activities (see pages 27 - 28)	<u>\$ (1,522,960)</u>	<u>\$ (4,309,353)</u>

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

City of Fond du Lac, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget			Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final	Actual		
REVENUES					
Taxes	\$ 15,427,678	\$ 15,427,678	\$ 15,456,682	\$ 29,004	\$ 14,699,438
Special assessments	400,000	400,000	108,237	(291,763)	269,051
Intergovernmental	9,920,138	9,920,138	9,943,049	22,911	9,733,039
Licenses and permits	1,464,660	1,464,660	1,761,773	297,113	1,540,425
Fines and forfeits	370,000	370,000	487,268	117,268	350,905
Public charges for services	2,529,627	2,529,627	2,756,572	226,945	2,725,961
Intergovernmental charges for services	20,000	20,000	6,472	(13,528)	6,388
Miscellaneous	350,070	350,070	823,754	473,684	429,853
Total revenues	30,482,173	30,482,173	31,343,807	861,634	29,755,060
EXPENDITURES					
General Government					
City council	94,429	94,429	88,861	5,568	94,052
City manager	221,109	222,200	217,021	5,179	209,410
Clerk	387,711	387,711	356,002	31,709	373,682
Elections	106,869	106,869	95,756	11,113	47,492
Board of review	2,700	2,700	1,311	1,389	1,106
Comptrollers	658,272	660,942	624,444	36,498	589,136
Central collections	89,442	89,442	86,816	2,626	99,877
Assessment	336,683	340,013	339,318	695	332,835
Attorney	277,966	280,946	269,473	11,473	242,027
Human resources	323,784	322,929	293,556	29,373	350,540
Animal control	111,283	111,283	111,283	-	110,181
Delinquent accounts	25,000	25,000	22,881	2,119	(26,600)
Non-departmental insurance	276,199	276,199	352,426	(76,227)	1,029,642
Total general government	2,911,447	2,920,663	2,859,148	61,515	3,453,380

City of Fond du Lac, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget			Variance Final Budget - Positive (Negative)	2017 Actual
	Original	Final	Actual		
Public Safety					
Police	10,827,972	10,832,740	10,911,003	(78,263)	10,494,679
Fire	9,005,170	9,018,360	8,726,230	292,130	8,471,434
Total public safety	19,833,142	19,851,100	19,637,233	213,867	18,966,113
Public Works					
Engineering	912,461	836,052	801,558	34,494	783,580
Fleet operations	555,049	609,829	609,797	32	497,428
Construction and maintenance	1,609,929	1,604,479	1,603,740	739	1,511,782
Municipal service center	453,864	390,152	375,402	14,750	375,297
Highway maintenance	684,270	759,183	520,767	238,416	779,985
Snow and ice removal	222,100	228,100	228,061	39	335,464
Stormwater maintenance	451,318	605,172	584,328	20,844	391,465
Electrical	400,891	411,296	410,387	909	352,945
Street lights	433,800	478,700	340,567	138,133	351,323
Trees	540,483	540,483	506,247	34,236	676,427
Total public works	6,264,165	6,463,446	5,980,854	482,592	6,055,696
Culture and Recreation					
Parks	1,291,073	1,291,073	1,253,529	37,544	1,295,991
Fairgrounds pool	224,239	218,339	212,543	5,796	199,188
Taylor pool	99,734	105,634	95,391	10,243	88,703
Senior center	294,945	325,288	296,099	29,189	249,078
Total culture and recreation	1,909,991	1,940,334	1,857,562	82,772	1,832,960
Community and Development					
Community development	444,580	444,580	406,220	38,360	382,134
Inspections	641,750	641,750	574,038	67,712	548,676
Parking facilities	314,980	317,330	256,726	60,604	242,925
Economic development	257,000	263,599	262,564	1,035	201,747
Total community and development	1,658,310	1,667,259	1,499,548	167,711	1,375,482
Total Expenditures	32,577,055	32,842,802	31,834,345	1,008,457	31,683,631
Deficiency of revenues over (under) expenditures	(2,094,882)	(2,360,629)	(490,538)	1,870,091	(1,928,571)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	2,500	2,500	36,668	34,168	14,227
Transfers in	1,997,458	1,997,458	1,984,273	(13,185)	1,952,399
Transfers out	(557,435)	(701,535)	(981,524)	(279,989)	(635,836)
Total other financing sources (uses)	1,442,523	1,298,423	1,039,417	(259,006)	1,330,790
Net change in fund balance	(652,359)	(1,062,206)	548,879	1,611,085	(597,781)
Fund balance - January 1	7,271,182	7,271,182	7,271,182	-	7,868,963
Fund balance - December 31	<u>\$ 6,618,823</u>	<u>\$ 6,208,976</u>	<u>\$ 7,820,061</u>	<u>\$ 1,611,085</u>	<u>\$ 7,271,182</u>

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

City of Fond du Lac, Wisconsin

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Enterprise Funds		Totals	
	Water Utility	Wastewater Utility	2018	2017
ASSETS				
Current assets				
Cash and investments	\$ 1,897,679	\$ 8,508,042	\$ 10,405,721	\$ 8,968,326
Receivables				
Taxes and special charges	3,112	-	3,112	3,112
Customer accounts	3,276,351	2,593,841	5,870,192	6,032,794
Special assessments	592,465	329,352	921,817	892,455
Other	-	343	343	281
Due from other governments	32,615	-	32,615	31,786
Inventories and prepaid items	566,634	-	566,634	595,016
Total current assets	6,368,856	11,431,578	17,800,434	16,523,770
Noncurrent assets				
Restricted assets				
Cash and investments	4,121,844	2,446,587	6,568,431	6,233,897
Due from other governments	-	6,017,445	6,017,445	6,808,548
Total noncurrent assets	4,121,844	8,464,032	12,585,876	13,042,445
Other assets				
Other assets	76,138	-	76,138	76,138
Net pension asset	183,501	242,683	426,184	-
Total other assets	259,639	242,683	502,322	76,138
Capital assets				
Nondepreciable	387,830	4,973,141	5,360,971	3,011,484
Depreciable, net	78,405,994	104,435,404	182,841,398	183,092,726
Total capital assets	78,793,824	109,408,545	188,202,369	186,104,210
Total assets	89,544,163	129,546,838	219,091,001	215,746,563
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	339,567	448,175	787,742	1,066,569
Other postemployment related amounts	23,977	23,977	47,954	-
Total deferred outflows of resources	363,544	472,152	835,696	1,066,569

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

**Governmental Activities -
Internal Service Funds**

2018	2017
\$ 3,586,279	\$ 3,731,399
-	-
344,424	22,640
-	-
-	-
-	2,500
15,920	1,495
<u>3,946,623</u>	<u>3,758,034</u>
-	-
<u>-</u>	<u>-</u>
-	-
<u>-</u>	<u>-</u>
-	-
<u>-</u>	<u>-</u>
-	-
<u>-</u>	<u>-</u>
-	-
<u>-</u>	<u>-</u>
3,946,623	3,758,034
<u>3,946,623</u>	<u>3,758,034</u>
-	-
<u>-</u>	<u>-</u>
-	-
<u>-</u>	<u>-</u>

City of Fond du Lac, Wisconsin

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Enterprise Funds	
	Water Utility	Wastewater Utility
LIABILITIES		
Current liabilities		
Accounts payable	\$ 613,592	\$ 257,124
Accrued and other current liabilities	1,851,359	53,034
Accrued interest payable	330,033	106,231
Special deposits	1,600	-
Unearned revenue	66,026	20,492
Compensated absences	41,010	55,817
Current portion of long-term debt	-	3,699,862
Payable from restricted assets		
Current portion of long-term debt	3,525,632	-
Total current liabilities	6,429,252	4,192,560
Long-term obligations, less current portion		
Revenue bonds	33,264,073	25,958,246
Debt premium	86,963	-
Net pension liability	-	-
Other postemployment benefits	126,828	126,828
Total long-term liabilities	33,477,864	26,085,074
Total liabilities	39,907,116	30,277,634
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	362,037	478,798
NET POSITION		
Net investment in capital assets	41,917,156	79,750,437
Restricted for debt service	596,212	-
Restricted for equipment replacement	-	2,446,587
Restricted for pension assets	183,501	242,683
Unrestricted	6,941,685	16,822,851
Total net position	\$ 49,638,554	\$ 99,262,558

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net position of business-type activities as reported on the Statement of Net Position (see page 26)

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

Totals		Governmental Activities - Internal Service Funds	
2018	2017	2018	2017
\$ 870,716	\$ 793,529	\$ 797,617	\$ 655,430
1,904,393	1,875,781	33,853	32,240
436,264	472,570	-	-
1,600	1,600	-	-
86,518	85,959	-	-
96,827	101,350	25,379	22,962
3,699,862	3,494,534	-	-
3,525,632	3,411,620	-	-
10,621,812	10,236,943	856,849	710,632
59,222,319	63,659,939	-	-
86,963	110,680	-	-
-	122,978	-	-
253,656	215,506	-	-
59,562,938	64,109,103	-	-
70,184,750	74,346,046	856,849	710,632
840,835	509,289	-	-
121,667,593	115,427,437	-	-
596,212	855,724	-	-
2,446,587	1,966,553	-	-
426,184	-	-	-
23,764,536	23,708,083	3,089,774	3,047,402
148,901,112	141,957,797	<u>\$ 3,089,774</u>	<u>\$ 3,047,402</u>
411,270	371,515		
<u>\$ 149,312,382</u>	<u>\$ 142,329,312</u>		

City of Fond du Lac, Wisconsin

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds	
	Water Utility	Wastewater Utility
OPERATING REVENUES		
Charges for services	\$ 12,547,638	\$ 11,694,790
Other	331,455	570,427
Total operating revenues	12,879,093	12,265,217
OPERATING EXPENSES		
Personal services	1,148,088	1,917,379
Contractual services	738,252	1,934,171
Materials and supplies	1,537,430	1,133,390
Utilities	574,562	468,982
Insurance claims and expenses	-	-
Depreciation	2,965,709	2,927,572
Taxes	-	-
Total operating expenses	6,964,041	8,381,494
Operating income (loss)	5,915,052	3,883,723
NONOPERATING REVENUES (EXPENSES)		
Interest income	99,922	343,545
Gain on disposal of capital assets	-	-
Interest and fiscal charges	(1,223,754)	(672,217)
Merchandising and jobbing	3,457	-
Total nonoperating revenues (expenses)	(1,120,375)	(328,672)
Income (loss) before contributions and transfers	4,794,677	3,555,051
Capital contributions	385,543	165,513
Transfers out	(1,945,017)	-
Change in net position	3,235,203	3,720,564
Net position - January 1, as originally reported	46,407,929	95,549,868
Cumulative effect of change in accounting principle	(4,578)	(7,874)
Net position - January 1, as restated	46,403,351	95,541,994
Net position - December 31	<u>\$ 49,638,554</u>	<u>\$ 99,262,558</u>

Change in net position, per above

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities as reported on the Statement of Activities (see pages 27 - 28)

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

Totals		Governmental Activities - Internal Service Funds	
2018	2017	2018	2017
\$ 24,242,428	\$ 24,637,216	\$ 7,128,017	\$ 6,542,641
901,882	434,037	-	-
<u>25,144,310</u>	<u>25,071,253</u>	<u>7,128,017</u>	<u>6,542,641</u>
3,065,467	3,023,227	542,826	512,357
2,672,423	2,599,351	575,354	525,364
2,670,820	2,755,922	288,151	238,761
1,043,544	1,091,977	6,569	6,359
-	-	5,485,454	6,285,003
5,893,281	5,858,063	-	-
-	7,367	-	-
<u>15,345,535</u>	<u>15,335,907</u>	<u>6,898,354</u>	<u>7,567,844</u>
<u>9,798,775</u>	<u>9,735,346</u>	<u>229,663</u>	<u>(1,025,203)</u>
443,467	317,217	-	-
-	18,634	245	334
(1,895,971)	(2,056,439)	-	-
3,457	15,824	-	-
<u>(1,449,047)</u>	<u>(1,704,764)</u>	<u>245</u>	<u>334</u>
8,349,728	8,030,582	229,908	(1,024,869)
551,056	-	-	-
(1,945,017)	(1,921,794)	(187,536)	(169,953)
<u>6,955,767</u>	<u>6,108,788</u>	<u>42,372</u>	<u>(1,194,822)</u>
141,957,797	135,849,009	3,047,402	4,242,224
(12,452)	-	-	-
<u>141,945,345</u>	<u>135,849,009</u>	<u>3,047,402</u>	<u>4,242,224</u>
<u>\$ 148,901,112</u>	<u>\$ 141,957,797</u>	<u>\$ 3,089,774</u>	<u>\$ 3,047,402</u>
\$ 6,955,767	\$ 6,108,788		
39,755	(121,140)		
<u>\$ 6,995,522</u>	<u>\$ 5,987,648</u>		

City of Fond du Lac, Wisconsin

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds	
	Water Utility	Wastewater Utility
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 12,691,062	\$ 12,504,739
Cash received from other	331,455	570,427
Cash paid for employee wages and benefits	(2,083,439)	(1,891,007)
Cash paid to suppliers	(1,536,002)	(3,625,032)
Net cash provided (used) by operating activities	9,403,076	7,559,127
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Merchandising and jobbing	3,457	-
Intergovernmental revenues	-	-
Transfer out	(1,945,017)	-
Net cash used by noncapital financing activities	(1,941,560)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(2,892,330)	(5,250,859)
Capital contributions	359,204	162,490
Sale of capital assets	-	3,588
Proceeds from issuance of long-term debt	-	2,764,157
Principal paid on long-term debt	(3,387,904)	(3,494,534)
Interest paid on long-term debt	(1,269,972)	(686,021)
Net cash provided (used) by capital and related financing activities	(7,191,002)	(6,501,179)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	99,922	343,545
Change in cash and cash equivalents	370,436	1,401,493
Cash and cash equivalents - January 1	5,649,087	9,553,136
Cash and cash equivalents - December 31	<u>\$ 6,019,523</u>	<u>\$ 10,954,629</u>

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

Totals		Governmental Activities - Internal Service Funds	
2018	2017	2018	2017
\$ 25,195,801	\$ 25,139,058	\$ 6,808,733	\$ 6,596,843
901,882	434,037	-	-
(3,974,446)	(3,651,609)	(538,796)	(510,590)
(5,161,034)	(5,397,715)	(6,227,766)	(6,953,869)
16,962,203	16,523,771	42,171	(867,616)
3,457	15,824	-	-
-	(31,611)	-	-
(1,945,017)	(1,921,794)	(187,536)	(169,953)
(1,941,560)	(1,937,581)	(187,536)	(169,953)
(8,143,189)	(7,870,669)	-	-
521,694	995	-	-
3,588	2,748,778	245	334
2,764,157	-	-	-
(6,882,438)	(6,664,689)	-	-
(1,955,993)	(2,139,107)	-	-
(13,692,181)	(13,924,692)	245	334
443,467	317,217	-	-
1,771,929	978,715	(145,120)	(1,037,235)
15,202,223	14,223,508	3,731,399	4,768,634
<u>\$ 16,974,152</u>	<u>\$ 15,202,223</u>	<u>\$ 3,586,279</u>	<u>\$ 3,731,399</u>

City of Fond du Lac, Wisconsin

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds	
	Water Utility	Wastewater Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 5,915,052	\$ 3,883,723
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	2,965,709	2,927,572
Depreciation charged to operating accounts	148,161	-
Change in asset, liability and deferred outflows and inflows of resources	239,942	322,477
Pension	(237,710)	(311,452)
Other postemployment benefits	12,849	12,849
Change in operating assets and liabilities		
Accounts receivables	143,794	18,746
Due from other governments	(829)	791,103
Inventories and prepaid items	27,249	1,133
Accounts payable	166,809	(89,622)
Accrued and other current liabilities	19,741	8,871
Unearned revenue	459	100
Compensated absences	1,850	(6,373)
Net cash provided (used) by operating activities	<u>\$ 9,403,076</u>	<u>\$ 7,559,127</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents in current assets	\$ 1,897,679	\$ 8,508,042
Cash and cash equivalents in restricted assets	<u>4,121,844</u>	<u>2,446,587</u>
Total cash and cash equivalents	<u>\$ 6,019,523</u>	<u>\$ 10,954,629</u>
Noncash capital and related financing activities		
None		

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

Totals		Governmental Activities - Internal Service Funds	
2018	2017	2018	2017
\$ 9,798,775	\$ 9,735,346	\$ 229,663	\$ (1,025,203)
5,893,281	5,858,063	-	-
148,161	348,698	-	-
562,419	303,000	-	-
(549,162)	(122,400)	-	-
25,698	-	-	-
162,540	(170,554)	(321,784)	9,630
790,274	672,396	2,500	(2,500)
28,382	15,941	(14,425)	50,802
77,187	(24,183)	142,187	97,888
28,612	(43,768)	1,613	(1,089)
559	-	-	-
(4,523)	(48,768)	2,417	2,856
<u>\$ 16,962,203</u>	<u>\$ 16,523,771</u>	<u>\$ 42,171</u>	<u>\$ (867,616)</u>
\$ 10,405,721	\$ 8,968,326	\$ 3,586,279	\$ 3,731,399
6,568,431	6,233,897	-	-
<u>\$ 16,974,152</u>	<u>\$ 15,202,223</u>	<u>\$ 3,586,279</u>	<u>\$ 3,731,399</u>

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Fond du Lac, 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 seven member 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 not identified any component units that are required to be included in the basic financial statements in accordance with standards established in GASB Statement No. 61.

B. RELATED ORGANIZATION

The City's officials are also responsible for appointing the members of the boards 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 all of the members of the following related organization:

The Housing Authority of the City of Fond du Lac (the "Authority") - The 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 Authority are appointed by the City Council, there is no financial interdependency with the City nor does the City have any significant influence over the Authority's operations. The City does not provide funding for the Authority. Additionally, the City does not hold title to any of the Authority's assets, nor does it have any right to the Authority's surpluses. The City has no legal obligation to fund the Authority's programs should grant funding no longer be available.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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 and internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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 government funds.

The City reports the following major enterprise funds:

Water Utility Fund

This fund accounts for all activities necessary to provide water services to residential, commercial, and industrial customers within the City. Fund activities include administration, billing and collection, operations, construction, maintenance, financing, and related debt service.

Wastewater Utility Fund

This fund accounts for all activities necessary to provide sewer services to residential, commercial, and industrial customers of the City and various outlying sanitary districts. Fund activities include administration, operations, construction, and maintenance of the sewerage collection and treatment system, financing, and related debt service.

Additionally, the City reports the following fund type:

- ▶ *Internal service fund* account for health self-insurance and information technology provided to other departments of the City on a cost reimbursement basis.

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 accruals 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 wastewater 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 Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

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

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

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. Cash and Investments

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

2. Property Taxes and Special Charges/Receivable

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

In addition to its levy, the City also levies and collects taxes for the Fond du Lac School District, North Fond du Lac School District, Fond du Lac County, and Moraine Park Technical College. Tax settlements with each of the taxing units occurs fifteen day after each installment due date with the final settlement with the County on August 15.

3. Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. An allowance for uncollectible accounts has been provided in the basic financial statements.

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.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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”.

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

7. Inventories

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

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

9. Capital Assets

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

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

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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	
Land improvements	15 - 20	15 - 20
Buildings	30 - 40	12 - 47
Machinery and equipment	2 - 20	5 - 45
Improvements other than buildings	-	25 - 77
Infrastructure	20 - 40	-

10. 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.

11. Deferred Outflows/Inflows of Resources

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

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

12. 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.

13. Pensions

For purposes of measuring the net pension (asset)/liability, 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 Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

14. 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.

15. Fund Equity

Governmental Fund Financial Statements

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

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

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

G. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

H. RECLASSIFICATIONS

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

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. On or about October 1, the City Manager 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 resolution.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund, debt service fund and special revenue funds, except for the Community Development Block Grant, Community Projects, Special Events, Property Insurance Deductible, Residential Development Improvement Program and Highway 45 Transfer Special Revenue 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 all funds adopting a budget.
4. The budget as enacted includes total expenditures at the organization level. An organization can be a department, division, fund, or other activity. Expenditures cannot legally exceed appropriations at this level. The governmental funds have legally adopted budgets.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2018.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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, 2018 as follows:

Funds	Excess Expenditures
General	
General government	
Non-departmental insurance	\$ 76,227
Public safety	
Police	78,263
Special revenue	
Library	
Culture and recreation	34,558
City Grants	
Public safety	12,210
Harbor & Boating Facilities	
Culture and recreation	13,943
Solid waste & recycling	
Public works	217,750
TIF Districts	
General government	45,403
Debt service	
Interest and fiscal charges	316,919

The above excess expenditure variances were funded using favorable revenue variances and available fund balance in the various fund.

C. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2018 and 2019 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 2018 budget was 1.94%. The actual limit for the City for the 2019 budget was 1.34%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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 \$51,011,678 on December 31, 2018 as summarized below:

Petty cash and cash on hand	\$ 15,261
Deposits with financial institutions	24,296,255
Investments	26,700,162
	<u>\$ 51,011,678</u>

Government-wide statement of net position	
Cash and investments	\$ 44,443,247
Restricted cash and investments	6,568,431
	<u>\$ 51,011,678</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, 2018:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
U.S. Treasury securities	\$ -	\$ 13,249,270	\$ -
Federal Farm Credit Bank	-	4,189,613	-
Fond du Lac Area Foundation	-	-	83,220
Federal Home Loan Bank	-	2,397,737	-
Freddie Mac	-	2,278,678	-
Fannie Mae	-	4,372,663	-
	<u>\$ -</u>	<u>\$ 26,487,961</u>	<u>\$ 83,220</u>

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

The valuation methods for recurring fair value measurements are as follows:

Investment Type	Valuation Method
U.S Treasury securities	Institutional bond quotes - evaluations based on various market and industry inputs
Federal Farm Credit Bank	Institutional bond quotes - evaluations based on various market and industry inputs
Fond du Lac Area Foundation	Net asset value
Federal Home Loan Bank	Mortgage backed securities pricing - evaluations based on various market and industry inputs
Freddie Mac	Mortgage backed securities pricing - evaluations based on various market and industry inputs
Fannie Mae	Mortgage backed securities pricing - evaluations based on various market and industry inputs

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

Custodial Credit Risk

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

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

As of December 31, 2018, \$25,864,303 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. \$22,438,808 was collateralized with securities held by the pledging financial institution in the City's name.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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. The City does not have an additional credit risk policy. 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
U.S. Treasury securities	\$ 13,249,270	\$ 13,249,270	\$ -	\$ -	\$ -
Federal Farm Credit Bank	4,189,613	-	4,189,613	-	-
Fond du Lac Area Foundation	83,220	-	-	-	83,220
Federal Home Loan Bank	2,397,737	-	2,397,737	-	-
Freddie Mac	2,278,678	-	2,278,678	-	-
Fannie Mae	4,372,663	-	4,372,663	-	-
Wisconsin local government investment pool	128,981	-	-	-	128,981
Totals	<u>\$26,700,162</u>	<u>\$13,249,270</u>	<u>\$13,238,691</u>	<u>\$ -</u>	<u>\$ 212,201</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Total Investments
Federal Farm Credit Bank	Bonds	\$ 4,189,613	16%
Federal Home Loan Bank	Bonds	2,397,737	9%
Freddie Mac	Bonds	2,278,678	9%
Fannie Mae	Bonds	4,372,663	16%

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. The City's investment policy follows Wisconsin Statutes, which limit investment maturities to seven years, as a means of managing its exposure to fair value losses arising from increasing interest rates.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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
U.S. Treasury securities	\$ 13,249,270	\$ 8,035,243	\$ 5,214,027	\$ -	\$ -
Federal Farm Credit Bank	4,189,613	1,986,890	2,202,723	-	-
Fond du Lac Area Foundation	83,220	83,220	-	-	-
Federal Home Loan Bank	2,397,737	-	2,397,737	-	-
Freddie Mac	2,278,678	993,260	1,285,418	-	-
Fannie Mae	4,372,663	3,384,045	988,618	-	-
Wisconsin local government investment pool	128,981	128,981	-	-	-
Totals	<u>\$ 26,700,162</u>	<u>\$ 14,611,639</u>	<u>\$ 12,088,523</u>	<u>\$ -</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):

Highly Sensitive Investments	Fair Value at Year End
Federal Farm Credit Bank	\$ 4,189,613
Federal Home Loan Bank	2,397,737
Freddie Mac	2,278,678
Fannie Mae	4,372,663

Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$128,981 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2018, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

B. RESTRICTED ASSETS

Restricted assets on December 31, 2018 totaled \$6,568,431 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Enterprise		
Water utility		
Bond redemption	<u>\$ 4,121,844</u>	To be used to meet debt service requirements
Wastewater utility		
Equipment replacement	<u>2,446,587</u>	To be used for future equipment replacement needs
Total	<u>\$ 6,568,431</u>	

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Reclassification	Decreases	Ending Balance
Governmental activities:					
Capital assets, nondepreciable:					
Land	\$ 6,662,884	\$ -	\$ -	\$ -	\$ 6,662,884
Construction in progress	813,538	3,556,818	-	813,538	3,556,818
Total capital assets, nondepreciable	<u>7,476,422</u>	<u>3,556,818</u>	<u>-</u>	<u>813,538</u>	<u>10,219,702</u>
Capital assets, depreciable:					
Land improvements	10,516,795	364,553	-	-	10,881,348
Buildings and improvements	27,320,322	796,701	-	-	28,117,023
Machinery and equipment	26,330,275	2,100,737	-	1,062,279	27,368,733
Infrastructure	205,736,858	4,498,817	-	-	210,235,675
Subtotals	<u>269,904,250</u>	<u>7,760,808</u>	<u>-</u>	<u>1,062,279</u>	<u>276,602,779</u>
Less accumulated depreciation for:					
Land improvements	7,222,313	376,852	-	-	7,599,165
Buildings and improvements	17,065,595	707,368	(1,443,729)	-	16,329,234
Machinery and equipment	15,947,996	1,702,010	1,443,729	1,062,279	18,031,456
Infrastructure	100,388,672	5,033,320	-	-	105,421,992
Subtotals	<u>140,624,576</u>	<u>7,819,550</u>	<u>-</u>	<u>1,062,279</u>	<u>147,381,847</u>
Total capital assets, depreciable, net	<u>129,279,674</u>	<u>(58,742)</u>	<u>-</u>	<u>-</u>	<u>129,220,932</u>
Governmental activities capital assets, net	<u>\$ 136,756,096</u>	<u>\$ 3,498,076</u>	<u>\$ -</u>	<u>\$ 813,538</u>	<u>139,440,634</u>
Less: Capital related debt					75,897,890
Less: Debt premium					<u>914,226</u>
Net investment in capital assets					<u>\$ 62,628,518</u>

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 387,830	\$ -	\$ -	\$ 387,830
Construction in progress	2,623,654	4,715,804	2,366,317	4,973,141
Total capital assets, nondepreciable	3,011,484	4,715,804	2,366,317	5,360,971
Capital assets, depreciable:				
Buildings and improvements	89,135,959	-	-	89,135,959
Machinery and equipment	45,153,060	624,590	108,198	45,669,452
Improvements other than buildings	124,558,093	5,169,112	252,266	129,474,939
Subtotals	258,847,112	5,793,702	360,464	264,280,350
Less accumulated depreciation for:				
Buildings and improvements	26,559,265	2,266,883	-	28,826,148
Machinery and equipment	19,480,551	1,813,881	134,567	21,159,865
Improvements other than buildings	29,714,570	2,088,360	349,991	31,452,939
Subtotals	75,754,386	6,169,124	484,558	81,438,952
Total capital assets, depreciable, net	183,092,726	(375,422)	(124,094)	182,841,398
Business-type activities capital assets, net	<u>\$ 186,104,210</u>	<u>\$ 4,340,382</u>	<u>\$ 2,242,223</u>	188,202,369
Less: Capital related debt				66,424,095
Less: Debt premium				<u>110,681</u>
Net investment in capital assets				<u>\$121,667,593</u>

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

Governmental activities	
General government	\$ 240,357
Public safety	
Police	349,154
Fire and rescue	495,530
Public works	5,952,947
Culture and recreation	660,802
Community development	120,760
Total depreciation expense - governmental activities	<u>\$ 7,819,550</u>
Business-type activities	
Water utility	\$ 2,965,709
Water utility charged to operating accounts	275,843
Wastewater utility	2,927,572
Total depreciation expense - business-type activities	<u>\$ 6,169,124</u>

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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, 2018 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Temporary cash advances to finance operating cash deficits		
Governmental funds		
General	\$ 558,798	\$ -
Nonmajor governmental funds		
Transit	-	558,798
	<u>-</u>	<u>558,798</u>
Totals	<u>\$ 558,798</u>	<u>\$ 558,798</u>

Interfund transfers for the year ended December 31, 2018 were as follows:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 1,984,273	\$ 981,524
Debt service	1,219,929	-
Nonmajor governmental funds		
Solid waste and recycling	251,090	100,000
HazMat Agreement	7,500	-
TIF Districts	37,984	1,096,649
Harbor & boating facilities	-	175,000
Highway 45 Transfer	-	200,000
General capital projects	1,268,942	823,093
Streets	238,050	307,268
Storm sewers	620,368	351,149
Parks	627,247	263,147
Harbor improvement	175,000	-
Subtotal nonmajor governmental funds	<u>3,226,181</u>	<u>3,316,306</u>
Enterprise		
Water utility	-	1,945,017
Internal service		
Information technology	-	187,536
	<u>\$ 6,430,383</u>	<u>\$ 6,430,383</u>

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Interfund transfers were made for the following purposes:

Tax equivalent payment made by water utility to general fund	\$ 1,945,017
Transfers to debt service for debt retirement	1,219,929
To move revenues from funds that are required to collect them to fund that is allowed to expend them	335,830
To reimburse capital project funds for project costs	2,929,607
	<u>\$ 6,430,383</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, 2018:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation debt					
Bonds	\$55,790,000	\$ -	\$ 4,890,000	\$50,900,000	\$ 5,170,000
Notes	20,475,000	12,825,000	1,420,000	31,880,000	2,000,000
Total general obligation debt	76,265,000	12,825,000	6,310,000	82,780,000	7,170,000
Debt premium	682,526	347,620	115,920	914,226	156,023
Compensated absences	1,598,222	1,784,365	1,757,277	1,625,310	1,595,605
Governmental activities Long-term obligations	<u>\$78,545,748</u>	<u>\$ 14,956,985</u>	<u>\$ 8,183,197</u>	<u>\$85,319,536</u>	<u>\$ 8,921,628</u>
Business-type activities:					
Revenue bonds	\$70,542,376	\$ 2,764,157	\$ 6,882,438	\$66,424,095	\$ 7,201,776
Debt premium	134,397	-	23,716	110,681	23,718
Compensated absences	101,350	96,828	101,351	96,827	96,827
Business-type activities Long-term obligations	<u>\$70,778,123</u>	<u>\$ 2,860,985</u>	<u>\$ 7,007,505</u>	<u>\$66,631,603</u>	<u>\$ 7,322,321</u>

Total interest paid during the year on long-term debt totaled \$2,570,302.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
2007 TIF #10 refunding notes	2/1/07	4/1/21	4.25%	\$ 1,730,000	\$ 455,000
2009 Capital improvement refunding bonds	7/1/09	5/1/23	5.00%	3,125,000	1,625,000
2010 Capital improvement refunding bonds	3/24/10	3/1/25	3.96%	10,665,000	8,365,000
2010 Capital improvement refunding bonds	8/25/10	4/1/21	3.05%	2,700,000	1,550,000
2011 Capital improvement refunding bonds	2/15/11	2/1/26	4.65%	5,700,000	4,000,000
2011 Capital improvement refunding bonds	2/15/11	2/1/21	3.68%	5,375,000	1,800,000
2011 Capital improvement project notes	2/15/11	2/1/21	4.14%	1,500,000	1,050,000
2012 Refunding bonds	5/23/12	9/1/32	3.72%	7,650,000	7,175,000
2012 Refunding bonds	5/23/12	9/1/27	3.40%	5,475,000	4,525,000
2012 Capital improvement project notes	9/26/12	9/1/22	2.57%	2,800,000	2,050,000
2013 Refunding bonds	2/27/13	4/1/24	2.67%	3,975,000	2,750,000
2013 Refunding bonds	2/27/13	4/1/32	3.79%	1,800,000	1,425,000
2013 Refunding bonds	2/27/13	3/1/23	2.39%	3,085,000	2,150,000
2013 Capital improvement project notes	2/27/13	4/1/22	2.43%	3,190,000	2,450,000
2014 Capital improvement project notes	2/5/14	9/2/23	2.45%	2,000,000	1,550,000
2014 Taxable bonds	7/9/14	6/1/28	4.04%	1,055,000	810,000
2014 TIF #18 taxable notes	7/9/14	6/1/24	3.75%	1,040,000	900,000
2015 Refunding bonds	3/11/15	3/1/30	2.90%	7,275,000	6,800,000
2015 Capital improvement project notes	3/11/15	3/1/25	2.53%	2,800,000	2,425,000
2016 Refunding bonds	3/9/16	3/1/28	2.74%	2,275,000	2,125,000
2016 Capital improvement project notes	3/9/16	3/1/26	2.32%	2,525,000	1,075,000
2016 TIF #10 notes	3/9/16	3/1/26	2.60%	1,300,000	2,300,000
2017 G.O. promissory notes	3/22/17	3/1/27	2.00 - 3.00%	5,025,000	4,800,000
2017 Refunding bonds	9/27/17	4/1/22	2.00%	7,050,000	5,800,000
2018 G.O. promissory notes	3/28/18	3/1/28	2.00-3.50%	9,025,000	9,025,000
2018 G.O. promissory notes	3/28/18	12/1/21	3.00%	3,800,000	3,800,000
Total outstanding general obligation debt					<u>\$ 82,780,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$82,780,000 on December 31, 2018 are detailed below:

Year Ended	Governmental Activities		
December 31,	Principal	Interest	Total
2019	\$ 7,170,000	\$ 2,757,874	\$ 9,927,874
2020	7,470,000	2,757,874	10,227,874
2021	12,040,000	2,429,893	14,469,893
2022	10,750,000	1,795,956	12,545,956
2023	7,230,000	1,486,559	8,716,559
2024 - 2028	31,770,000	3,656,134	35,426,134
2029 - 2032	6,350,000	389,969	6,739,969
	<u>\$ 82,780,000</u>	<u>\$ 15,274,259</u>	<u>\$ 98,054,259</u>

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

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2018 was \$61,967,848 as follows:

Equalized valuation of the City		\$ 2,894,535,500
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		144,726,775
Total outstanding general obligation debt applicable to debt limitation	\$ 82,780,000	
Less: Amounts available for financing general obligation debt		
Debt service fund	21,073	
Net outstanding general obligation debt applicable to debt limitation		82,758,927
Legal margin for new debt		<u>\$ 61,967,848</u>

Revenue Bonds

Revenue bonds outstanding on December 31, 2018 totaled \$66,424,095 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/18
2005 Sewerage system revenue bonds	12/14/05	5/1/25	2.37%	\$59,000,000	\$26,893,951
2008 Waterworks system revenue bonds	4/23/08	5/1/27	2.37%	21,753,247	11,535,732
2010 Waterworks system revenue bonds	3/24/10	5/1/29	2.20%	10,990,743	6,905,255
2010 Waterworks system revenue bonds	2/10/10	9/1/29	4.21%	11,650,000	9,550,000
2011 Waterworks system revenue bonds	9/14/11	9/1/29	4.03%	6,025,000	3,600,000
2013 Waterworks system revenue bonds	10/1/13	9/1/23	3.05%	4,325,000	1,600,000
2014 Waterworks system revenue bonds	7/9/14	9/1/23	4.00%	5,275,000	3,575,000
2018 Sewerage system revenue bonds	4/25/18	5/1/37	1.87%	3,131,186	2,764,157

Total outstanding revenue bonds \$66,424,095

Annual principal and interest maturities of the outstanding revenue bonds of \$66,424,095 on December 31, 2018 are detailed below:

Year Ended December 31,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 7,201,776	\$ 1,825,709	\$ 9,027,485
2020	7,403,765	1,602,947	9,006,712
2021	7,608,730	1,450,960	9,059,690
2022	7,791,740	1,239,391	9,031,131
2023	7,502,868	1,022,668	8,525,536
2024 - 2028	25,036,270	2,424,557	27,460,827
2029 - 2033	3,213,557	189,303	3,402,860
2034 - 2037	665,389	25,174	690,563
	<u>\$ 66,424,095</u>	<u>\$ 9,780,709</u>	<u>\$ 76,204,804</u>

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Utility Revenues Pledged

The City has pledged future water and wastewater customer charges for services revenues, net of specified operating expenses as identified in the debt resolutions, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the systems. The bonds are payable solely from water and wastewater customer net revenues and are payable through 2029 and 2037, respectively. The total principal and interest remaining to be paid on the water bonds is \$43,738,768. Principal and interest paid for the current year and total customer net revenues were \$4,657,876 and \$8,880,761, respectively. The total principal and interest remaining to be paid on the wastewater bonds is \$32,466,036. Principal and interest paid for the current year and total customer net revenues were \$4,173,331 and \$6,811,295, respectively.

F. CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2018, there were 11 series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable was undetermined.

G. PENSION PLAN

1. Plan Description

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

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2019) are entitled to a retirement benefit, based on a formula factor, their final average earnings, and creditable service.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Final average earnings is the average of the participant's three highest earning 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 employees 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. Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4

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, 2018, the WRS recognized \$2,236,512 in contributions from the City.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2018, the City reported an asset of \$5,978,682 for its proportionate share of the net pension liability. The net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.20136218%, which was an increase of 0.00524233% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of \$2,621,389.

At December 31, 2018, 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	\$ 7,596,063	\$ 3,553,187
Net differences between projected and actual earnings on pension plan investments	-	8,217,143
Changes in assumptions	1,181,270	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,204	25,243
Employer contributions subsequent to the measurement date	2,236,512	-
Total	<u>\$ 11,068,049</u>	<u>\$ 11,795,573</u>

\$2,236,512 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 in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31,	Expense
2019	\$ 674,868
2020	(41,975)
2021	(2,056,683)
2022	(1,554,565)
2023	14,319
Total	<u>\$ (2,964,036)</u>

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

5. Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability:	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Market Value
Long-term expected rate of return:	7.2%
Discount rate:	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Core Fund Asset Class			
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
Variable Fund Asset Class			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	100%	7.9%	5.0%

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

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 15,468,891	\$ (5,978,682)	\$ (22,279,501)

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

6. Payables to the Pension Plan

At December 31, 2018, the City reported a payable of \$307,311 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2018.

H. OTHER POSTEMPLOYMENT BENEFITS

The City has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended December 31, 2017 have not been restated.

The cumulative effect of this change was to decrease the December 31, 2017 net position by \$219,491 as follows:

Other postemployment liability		
OPEB liability balance previously reported	\$ 1,680,151	
Actuarially determined balance	<u>2,203,677</u>	
Change in other postemployment liability		\$ (523,526)
Deferred outflows of resources		
Employer contributions subsequent to the measurement date		<u>304,035</u>
		<u>\$ (219,491)</u>

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 City up to the age of 65. Eligible retired employees contribute 100% of the premium for family coverage or 100% of the premium for single coverage.

Benefits Provided

The City provides specified amounts for good attendance bonuses and not using sick leave. The credits and amounts paid vary for different classes of employees. Amounts are deposited in either the employees PEHP or a health savings account to be used towards the cost of their medical premium as noted above.

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees	<u>327</u>
	<u>345</u>

Contributions

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute 100% of the premiums for family coverage or 100% of the premium for single coverage.

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of December 31, 2017.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Actuarial Assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary increases:	3.00%
Discount rate:	3.50%
Healthcare cost trend rates:	7.50% decreasing by .50% per year down to 6.50%, then by .10% per year down to 5.0%, and level thereafter

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the "Wisconsin Retirement System 2012 - 2014 Experience Study".

Discount Rate. The discount rate used to measure the total OPEB liability was 3.5%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. The 20 year tax-exempt AA Municipal bond rate or higher was used as of the measurement date was used for all years of benefit payments to determine the discount rate.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018	\$ 2,203,677
Changes for the year:	
Service cost	139,898
Interest	74,256
Contributions - employer	-
Net investment income	-
Benefit payments	(304,035)
Net changes	(89,881)
Balance at December 31, 2018	\$ 2,113,796

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current rate:

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Total OPEB liability	\$ 2,263,393	\$ 2,113,796	\$ 1,974,770

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 4.0%) or 1-percentage-point higher (8.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB liability	\$ 1,915,286	\$ 2,113,796	\$ 2,349,522

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$214,154. At December 31, 2018, 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	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
City contributions subsequent to the measurement date	399,620	-
Total	<u>\$ 399,620</u>	<u>\$ -</u>

\$399,620 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2018, and reported in the year ended December 31, 2019.

Payable to the OPEB Plan

At December 31, 2018, the City reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2018.

I. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2018, nonspendable fund balances were as follows:

General Fund	
Nonspendable	
Inventories and prepaids	<u>\$ 784,385</u>
Special Revenue Funds	
Nonspendable	
Solid waste and recycling	
Inventories and prepaids	<u>11,185</u>
Total Nonspendable Fund Balance	<u>\$ 795,570</u>

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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, 2018, restricted fund balance was as follows:

Special Revenue Funds

Restricted for

Community development block grant	
Community development projects and loans	\$ 1,363,132

Debt Service Fund

Restricted for

Debt service	21,073
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Capital Improvements Fund

Restricted for

Capital improvement	<u>4,602,541</u>
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Total Restricted Fund Balance	<u><u>\$ 5,986,746</u></u>
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Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2018, governmental fund balance was committed as follows:

Special Revenue Funds

Committed for

Library	\$ 173,393
City grant programs	7,445
Harbor & boating facilities	290,083
Community projects	180,691
Solid waste and recycling	76,029
Transit	61,992
HazMat agreement	165,755
Fuel pump maintenance	174,337
Special events	144,347
TIF districts	1,359,222
Residential development improvement program	166,253
Highway 45 transfer	<u>200,000</u>
Total special revenue funds committed	<u><u>2,999,547</u></u>

Capital Projects Funds

Committed for

General capital projects	2,172,940
Storm sewers	570,855
Parks	93,224
Special assessments	59,180
Harbor improvements	<u>146,622</u>
Total capital improvements funds committed	<u><u>3,042,821</u></u>

Total Committed Fund Balance	<u><u>\$ 6,042,368</u></u>
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City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2018, fund balance was assigned as follows:

General Fund

Assigned for subsequent years budget	<u>\$ 243,028</u>
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Minimum General Fund Balance Policy

The City has also adopted a minimum fund balance policy of 15% of subsequent year budgeted expenditures for the general fund. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2019 General Fund Expenditures	\$ 32,770,346
Minimum Fund Balance %	(x) 15%
Minimum Fund Balance Amount	<u>\$ 4,915,552</u>

The City's unassigned general fund balance of \$6,792,648 is above the minimum fund balance amount.

Net Position

The City reports restricted net position at December 31, 2018 as follows:

Governmental activities

Restricted for	
Community development projects and loans	\$ 6,807,159
Pension assets	5,552,498
Total governmental activities restricted net position	<u>12,359,657</u>

Business-type activities

Restricted for	
Bond redemption	596,212
Equipment replacement	2,446,587
Pension assets	426,184
Total business-type activities restricted net position	<u>3,468,983</u>
Total restricted net position	<u>\$ 15,828,640</u>

NOTE 4: OTHER INFORMATION

A. TAX INCREMENTAL FINANCING DISTRICTS

The City has established separate special revenue funds for its Tax Incremental Districts (TIDs) which were 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 the Districts were "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. The Statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The City's Districts are still eligible to incur project costs.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

	Termination Year
TID No. 8	2019
TID No. 10	2027
TID No. 12	2035
TID No. 13	2030
TID No. 14	2037
TID No. 15	2038
TID No. 16	2039
TID No. 17	2032
TID No. 18	2041
TID No. 19	2042
TID No. 20	2044
TID No. 21	2044
TID No. 22	2044

B. TAX ABATEMENTS

The City has created tax incremental financing districts (the "Districts") in accordance with Wisconsin State Statute 66.1105, *Tax Increment Law*. As part of the project plan for the Districts, the City entered into agreements with developers for a creation of tax base within the Districts. The agreements require the City to make annual repayments of property taxes collected within the Districts to the developers, based upon the terms of the agreements. As tax abatements, those developer payments and the related property tax revenues are not reported as revenues or expenditures in the financial statements.

For the year ended December 31, 2018, the City abated property taxes totaling \$275,298 under this program, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

- ▶ A property tax abatement of \$39,384 to a developer for a residential apartment housing project within the District.
- ▶ A property tax abatement of \$171,472 to a developer for a residential apartment housing project within the District.
- ▶ Property tax abatements of \$64,442 to developers for residential housing projects within the Districts.

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.

The City is also exposed to various risks of loss related to medical claims. The City's risk management fund (an Internal Service Fund) is used to account for and finance its uninsured health risk of loss. Under this program, the risk management fund provides coverage for up to an annual maximum of \$175,000 for each individual's total claims with group claims limited to 125% of expected claims annually. The City purchases commercial stop loss insurance for health claims in excess of coverage provided by the fund. Settled claims have not exceeded this commercial insurance coverage since inception of the fund.

City of Fond du Lac, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

All funds of the City participate in the health program and are charged amounts needed to pay prior and current year claims and to establish a reserve for future insurance costs. On December 31, 2018, that reserve was \$2,865,495. The accounts payable of \$762,132 reported in the fund at December 31, 2018 is based on requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the funds reported liability amount for 2018 and 2017 follow:

	<u>Liability January 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Liability December 31</u>
2018	\$ 615,378	\$ 4,504,898	\$ 4,358,144	\$ 762,132
2017	522,861	5,338,678	5,246,161	615,378

All other risks, which include comprehensive general liability, automobile, worker's compensation, law enforcement, property, crime, public officials, and storage tank pollution are covered by commercial insurance. There has been no reduction in insurance coverage from coverage in the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

D. CONTINGENCIES

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. An audit under the Uniform Guidance and the *State Single Audit Guidelines* have been conducted but final acceptance is still pending. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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 and the City Attorney 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. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fond du Lac, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.19595847%	\$ (4,813,276)	\$ 20,528,426	23.45%	102.74%
12/31/15	0.19530561%	3,173,677	21,180,641	14.98%	98.20%
12/31/16	0.19611985%	1,616,496	21,155,154	7.64%	99.12%
12/31/17	0.20136218%	(5,978,682)	21,892,897	27.31%	102.93%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (fiscal year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 1,899,480	\$ 1,899,480	\$ -	\$ 21,180,641	8.97%
12/31/16	1,874,921	1,874,921	-	21,155,154	8.86%
12/31/17	2,298,229	2,298,229	-	21,892,997	10.50%
12/31/18	2,236,512	2,236,512	-	22,751,027	9.83%

See notes to required supplementary information.

City of Fond du Lac, Wisconsin

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

	2018
Total OPEB liability	
Service cost	\$ 139,898
Interest	74,256
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(304,035)
Net change in total OPEB liability	(89,881)
Total OPEB liability - beginning	2,203,677
Total OPEB liability - ending	<u>\$ 2,113,796</u>
Covered-employee payroll	\$ 21,223,899
City's total OPEB liability as a percentage of covered-employee payroll	9.96%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

City of Fond du Lac, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2018

A. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

For the year ended December 31, 2018, the City early implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for its single-employer defined benefit postemployment health plan.

Single-employer Defined Postemployment Benefit Plan

Demographic assumptions have been updated based upon the most recent WRS experience study. No assets have been accumulated in an irrevocable trust, so the Plan's discount rate applied to all periods is based on a 20-year, tax-exempt general obligation municipal bond index.

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

B. WISCONSIN RETIREMENT SYSTEM

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

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 Fond du Lac, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Special Revenue						
	Library	City Grant Programs	Community Development Block Grant	Harbor & Boating Facilities	Community Projects	Solid Waste and Recycling	Transit
ASSETS							
Cash and investments	\$ 266,633	\$ 20,688	\$ 991,447	\$ 300,303	\$ 193,727	\$ 129,548	\$ -
Receivables							
Taxes and special charges	1,896,277	-	-	-	-	1,663,527	285,120
Accounts	1,849	-	-	-	43,408	5,652	4,161
Special assessments	-	-	-	-	-	27,923	-
Loans	-	-	5,444,027	-	-	-	-
Due from other governments	-	642	397,677	-	-	-	711,137
Inventories and prepaid items	-	-	-	-	-	11,185	-
Total assets	<u>\$ 2,164,759</u>	<u>\$ 21,330</u>	<u>\$ 6,833,151</u>	<u>\$ 300,303</u>	<u>\$ 237,135</u>	<u>\$ 1,837,835</u>	<u>\$ 1,000,418</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 52,483	\$ 13,885	\$ 24,992	\$ 740	\$ 44,924	\$ 82,095	\$ 74,574
Accrued and other current liabilities	42,606	-	1,000	-	-	6,239	14,977
Due to other funds	-	-	-	-	-	-	558,798
Special deposits	-	-	-	-	11,520	-	-
Unearned revenues	-	-	-	9,480	-	1,262,287	4,957
Total liabilities	<u>95,089</u>	<u>13,885</u>	<u>25,992</u>	<u>10,220</u>	<u>56,444</u>	<u>1,350,621</u>	<u>653,306</u>
Deferred inflows of resources							
Property taxes levied for subsequent year	1,896,277	-	-	-	-	400,000	285,120
Loans receivable	-	-	5,444,027	-	-	-	-
Total deferred inflows of resources	<u>1,896,277</u>	<u>-</u>	<u>5,444,027</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>285,120</u>
Fund balances							
Nonspendable	-	-	-	-	-	11,185	-
Restricted	-	-	1,363,132	-	-	-	-
Committed	173,393	7,445	-	290,083	180,691	76,029	61,992
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>173,393</u>	<u>7,445</u>	<u>1,363,132</u>	<u>290,083</u>	<u>180,691</u>	<u>87,214</u>	<u>61,992</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,164,759</u>	<u>\$ 21,330</u>	<u>\$ 6,833,151</u>	<u>\$ 300,303</u>	<u>\$ 237,135</u>	<u>\$ 1,837,835</u>	<u>\$ 1,000,418</u>

City of Fond du Lac, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Special Revenue						
	HazMat Agreement	Fuel Pump Maintenance	Special Events	TIF Districts	Residential Development Improvement Program	Highway 45 Transfer	General Capital Projects
ASSETS							
Cash and investments	\$ 130,606	\$ 174,337	\$ 144,347	\$ 1,447,442	\$ 175,652	\$ 200,000	\$ 4,593,804
Receivables							
Taxes and special charges	-	-	-	2,557,481	-	-	545,000
Accounts	1,689	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Due from other governments	34,026	-	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 166,321</u>	<u>\$ 174,337</u>	<u>\$ 144,347</u>	<u>\$ 4,004,923</u>	<u>\$ 175,652</u>	<u>\$ 200,000</u>	<u>\$ 5,138,804</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 566	\$ -	\$ -	\$ 88,220	\$ 9,399	\$ -	\$ 114,968
Accrued and other current liabilities	-	-	-	-	-	-	3,000
Due to other funds	-	-	-	-	-	-	-
Special deposits	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-
Total liabilities	<u>566</u>	<u>-</u>	<u>-</u>	<u>88,220</u>	<u>9,399</u>	<u>-</u>	<u>117,968</u>
Deferred inflows of resources							
Property taxes levied for subsequent year	-	-	-	2,557,481	-	-	545,000
Loans receivable	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,557,481</u>	<u>-</u>	<u>-</u>	<u>545,000</u>
Fund balances							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	2,302,896
Committed	165,755	174,337	144,347	1,359,222	166,253	200,000	2,172,940
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>165,755</u>	<u>174,337</u>	<u>144,347</u>	<u>1,359,222</u>	<u>166,253</u>	<u>200,000</u>	<u>4,475,836</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 166,321</u>	<u>\$ 174,337</u>	<u>\$ 144,347</u>	<u>\$ 4,004,923</u>	<u>\$ 175,652</u>	<u>\$ 200,000</u>	<u>\$ 5,138,804</u>

City of Fond du Lac, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Capital Projects					Totals	
	Streets	Storm Sewers	Parks	Special Assessments	Harbor Improvements	2018	2017
ASSETS							
Cash and investments	\$ 2,154,371	\$ 594,449	\$ 255,077	\$ 136,585	\$ 146,622	\$ 12,055,638	\$ 9,919,945
Receivables							
Taxes and special charges	900,000	-	-	-	-	7,847,405	7,205,879
Accounts	31,815	-	-	-	-	88,574	111,029
Special assessments	-	-	-	-	-	27,923	22,224
Loans	-	-	-	-	-	5,444,027	5,525,428
Due from other governments	-	6,797	-	-	-	1,150,279	1,461,508
Inventories and prepaid items	-	-	-	-	-	11,185	10,543
Total assets	<u>\$ 3,086,186</u>	<u>\$ 601,246</u>	<u>\$ 255,077</u>	<u>\$ 136,585</u>	<u>\$ 146,622</u>	<u>\$ 26,625,031</u>	<u>\$ 24,256,556</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 123,763	\$ 30,391	\$ 2,036	\$ -	\$ -	\$ 663,036	\$ 1,129,176
Accrued and other current liabilities	-	-	-	-	-	67,822	57,280
Due to other funds	-	-	-	-	-	558,798	628,927
Special deposits	-	-	-	-	-	11,520	12,016
Unearned revenues	-	-	-	-	-	1,276,724	1,299,702
Total liabilities	<u>123,763</u>	<u>30,391</u>	<u>2,036</u>	<u>-</u>	<u>-</u>	<u>2,577,900</u>	<u>3,127,101</u>
Deferred inflows of resources							
Property taxes levied for subsequent year	900,000	-	-	-	-	6,583,878	5,943,432
Loans receivable	-	-	-	-	-	5,444,027	5,525,427
Total deferred inflows of resources	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,027,905</u>	<u>11,468,859</u>
Fund balances							
Nonspendable	-	-	-	-	-	11,185	10,543
Restricted	2,062,423	-	159,817	77,405	-	5,965,673	2,174,764
Committed	-	570,855	93,224	59,180	146,622	6,042,368	7,489,633
Unassigned	-	-	-	-	-	-	(14,344)
Total fund balances	<u>2,062,423</u>	<u>570,855</u>	<u>253,041</u>	<u>136,585</u>	<u>146,622</u>	<u>12,019,226</u>	<u>9,660,596</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,086,186</u>	<u>\$ 601,246</u>	<u>\$ 255,077</u>	<u>\$ 136,585</u>	<u>\$ 146,622</u>	<u>\$ 26,625,031</u>	<u>\$ 24,256,556</u>

City of Fond du Lac, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue							
	Library	City Grant Programs	Community Development Block Grant	Harbor & Boating Facilities	Community Projects	Solid Waste & Recycling	Transit	HazMat Agreement
REVENUES								
Taxes	\$ 1,850,027	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ 210,120	\$ -
Intergovernmental	823,766	10,803	728,745	-	28,491	156,544	1,353,600	86,711
Public charges for services	67,320	-	-	230,400	-	1,324,257	289,560	3,175
Miscellaneous	193,961	-	323,412	6,151	125,053	16,438	27,633	-
Total revenues	2,935,074	10,803	1,052,157	236,551	153,544	1,797,239	1,880,913	89,886
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	18,210	-	-	71,094	-	-	54,952
Public works	-	-	-	-	-	1,969,570	1,808,922	-
Culture and recreation	2,956,187	2,663	-	133,518	74,616	-	-	-
Conservation and development	-	-	1,863,789	-	2,925	-	-	-
Debt service								
Interest and fiscal charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	1,949	-	-	-	-
Total expenditures	2,956,187	20,873	1,863,789	135,467	148,635	1,969,570	1,808,922	54,952
Excess of revenues over (under) expenditures	(21,113)	(10,070)	(811,632)	101,084	4,909	(172,331)	71,991	34,934
OTHER FINANCING SOURCES (USES)								
Long-term debt issued	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	40	-	-	-	-	-	4,345	-
Transfers in	-	-	-	-	-	251,090	-	7,500
Transfers out	-	-	-	(175,000)	-	(100,000)	-	-
Total other financing sources (uses)	40	-	-	(175,000)	-	151,090	4,345	7,500
Net change in fund balances	(21,073)	(10,070)	(811,632)	(73,916)	4,909	(21,241)	76,336	42,434
Fund balances - January 1	194,466	17,515	2,174,764	363,999	175,782	108,455	(14,344)	123,321
Fund balances - December 31	\$ 173,393	\$ 7,445	\$ 1,363,132	\$ 290,083	\$ 180,691	\$ 87,214	\$ 61,992	\$ 165,755

City of Fond du Lac, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue					Capital Projects	
	Fuel Pump Maintenance	Special Events	TIF Districts	Property Insurance Deductible	Residential Development Improvement Program	Highway 45 Transfer	General Capital Projects
REVENUES							
Taxes	\$ -	\$ 86,651	\$ 2,297,863	\$ -	\$ -	\$ -	\$ 675,125
Intergovernmental	-	-	59,798	9,831	-	200,000	550
Public charges for services	-	-	-	-	-	-	-
Miscellaneous	22,282	-	-	-	-	-	-
Total revenues	22,282	86,651	2,357,661	9,831	-	200,000	675,675
EXPENDITURES							
Current							
General government	-	-	49,903	22,141	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	4,338	-	-	-	-	-	-
Culture and recreation	-	65,150	-	-	-	-	-
Conservation and development	-	-	-	-	33,747	-	-
Debt service							
Interest and fiscal charges	-	-	4,150	-	-	-	-
Capital outlay	-	-	1,885,733	-	-	-	5,427,066
Total expenditures	4,338	65,150	1,939,786	22,141	33,747	-	5,427,066
Excess of revenues over (under) expenditures	17,944	21,501	417,875	(12,310)	(33,747)	200,000	(4,751,391)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	-	-	-	-	6,265,217
Proceeds from sale of capital assets	-	-	-	-	-	-	89,088
Transfers in	-	-	37,984	-	-	-	1,268,942
Transfers out	-	-	(1,096,649)	-	-	(200,000)	(823,093)
Total other financing sources (uses)	-	-	(1,058,665)	-	-	(200,000)	6,800,154
Net change in fund balances	17,944	21,501	(640,790)	(12,310)	(33,747)	-	2,048,763
Fund balances - January 1	156,393	122,846	2,000,012	12,310	200,000	200,000	2,427,073
Fund balances - December 31	\$ 174,337	\$ 144,347	\$ 1,359,222	\$ -	\$ 166,253	\$ 200,000	\$ 4,475,836

City of Fond du Lac, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Capital Projects					Totals	
	Streets	Storm Sewers	Parks	Special Assessments	Harbor Improvements	2018	2017
REVENUES							
Taxes	\$ 335,000	\$ -	\$ -	\$ -	\$ -	\$ 5,754,786	\$ 5,743,817
Intergovernmental	-	23,197	-	-	-	3,482,036	3,315,795
Public charges for services	-	2,617	-	-	-	1,917,329	1,919,285
Miscellaneous	-	-	-	-	-	714,930	751,879
Total revenues	335,000	25,814	-	-	-	11,869,081	11,730,776
EXPENDITURES							
Current							
General government	-	-	-	-	-	72,044	10,657
Public safety	-	-	-	-	-	144,256	115,022
Public works	-	-	-	-	-	3,782,830	3,886,346
Culture and recreation	-	-	-	-	-	3,232,134	2,983,183
Conservation and development	-	-	-	-	-	1,900,461	231,733
Debt service							
Interest and fiscal charges	-	-	-	-	-	4,150	4,150
Capital outlay	3,717,635	1,192,253	762,315	187,595	28,378	13,202,924	8,813,385
Total expenditures	3,717,635	1,192,253	762,315	187,595	28,378	22,338,799	16,044,476
Excess of revenues over (under) expenditures	(3,382,635)	(1,166,439)	(762,315)	(187,595)	(28,378)	(10,469,718)	(4,313,700)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	5,014,783	985,000	295,000	265,000	-	12,825,000	5,025,000
Proceeds from sale of capital assets	-	-	-	-	-	93,473	28,491
Transfers in	238,050	620,368	627,247	-	175,000	3,226,181	2,107,895
Transfers out	(307,268)	(351,149)	(263,147)	-	-	(3,316,306)	(2,458,236)
Total other financing sources (uses)	4,945,565	1,254,219	659,100	265,000	175,000	12,828,348	4,703,150
Net change in fund balances	1,562,930	87,780	(103,215)	77,405	146,622	2,358,630	389,450
Fund balances - January 1	499,493	483,075	356,256	59,180	-	9,660,596	9,271,146
Fund balances - December 31	\$ 2,062,423	\$ 570,855	\$ 253,041	\$ 136,585	\$ 146,622	\$ 12,019,226	\$ 9,660,596

City of Fond du Lac, Wisconsin

LIBRARY SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,850,027	\$ 1,850,027	\$ 1,850,027	\$ -
Intergovernmental	819,874	819,874	823,766	3,892
Public charges for services	76,500	76,500	67,320	(9,180)
Miscellaneous	172,155	172,155	193,961	21,806
Total revenues	2,918,556	2,918,556	2,935,074	16,518
EXPENDITURES				
Current				
Culture and recreation	2,919,829	2,921,629	2,956,187	(34,558)
Excess of revenues under expenditures	(1,272)	(3,072)	(21,113)	(18,041)
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	40	40
Net change in fund balance	(1,272)	(3,072)	(21,073)	(18,001)
Fund balance - January 1	194,466	194,466	194,466	-
Fund balance - December 31	<u>\$ 193,194</u>	<u>\$ 191,394</u>	<u>\$ 173,393</u>	<u>\$ (18,001)</u>

City of Fond du Lac, Wisconsin

CITY GRANT PROGRAMS SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 19,000	\$ 19,000	\$ 10,803	\$ (8,197)
EXPENDITURES				
Current				
Public safety	6,000	6,000	18,210	(12,210)
Culture and recreation	10,000	10,000	2,663	7,337
Total expenditures	16,000	16,000	20,873	(4,873)
Net change in fund balance	3,000	3,000	(10,070)	(13,070)
Fund balance - January 1	17,515	17,515	17,515	-
Fund balance - December 31	<u>\$ 20,515</u>	<u>\$ 20,515</u>	<u>\$ 7,445</u>	<u>\$ (13,070)</u>

City of Fond du Lac, Wisconsin

HARBOR & BOATING FACILITIES SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fines and forfeits	\$ 40	\$ 40	\$ -	\$ (40)
Public charges for services	225,500	225,500	230,400	4,900
Miscellaneous	1,800	1,800	6,151	4,351
Total revenues	227,340	227,340	236,551	9,211
EXPENDITURES				
Current				
Culture and recreation	119,575	119,575	133,518	(13,943)
Capital outlay	10,000	10,000	1,949	8,051
Total expenditures	129,575	129,575	135,467	(5,892)
Excess of revenues over expenditures	97,765	97,765	101,084	3,319
OTHER FINANCING USES				
Transfers out	-	-	(175,000)	(175,000)
Net change in fund balance	97,765	97,765	(73,916)	(171,681)
Fund balance - January 1	363,999	363,999	363,999	-
Fund balance - December 31	<u>\$ 461,764</u>	<u>\$ 461,764</u>	<u>\$ 290,083</u>	<u>\$ (171,681)</u>

City of Fond du Lac, Wisconsin

SOLID WASTE & RECYCLING SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Intergovernmental	156,416	156,416	156,544	128
Public charges for services	1,318,741	1,318,741	1,324,257	5,516
Miscellaneous	2,000	2,000	16,438	14,438
Total revenues	1,777,157	1,777,157	1,797,239	20,082
EXPENDITURES				
Current				
Public works	1,751,820	1,751,820	1,969,570	(217,750)
Excess of revenues over (under) expenditures	25,337	25,337	(172,331)	(197,668)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	251,090	251,090
Transfers out	(150,000)	(150,000)	(100,000)	50,000
Total other financing sources (uses)	(150,000)	(150,000)	151,090	301,090
Net change in fund balance	(124,663)	(124,663)	(21,241)	103,422
Fund balance - January 1	108,455	108,455	108,455	-
Fund balance - December 31	<u>\$ (16,208)</u>	<u>\$ (16,208)</u>	<u>\$ 87,214</u>	<u>\$ 103,422</u>

City of Fond du Lac, Wisconsin

TRANSIT SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 210,120	\$ 210,120	\$ 210,120	\$ -
Intergovernmental	1,268,399	1,268,399	1,353,600	85,201
Public charges for services	283,260	283,260	289,560	6,300
Miscellaneous	31,600	31,600	27,633	(3,967)
Total revenues	1,793,379	1,793,379	1,880,913	87,534
EXPENDITURES				
Current				
Public works	1,884,834	1,884,834	1,808,922	75,912
Excess of revenues over (under) expenditures	(91,455)	(91,455)	71,991	163,446
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	4,345	4,345
Net change in fund balance	(91,455)	(91,455)	76,336	167,791
Fund balance - January 1	(14,344)	(14,344)	(14,344)	-
Fund balance - December 31	<u>\$ (105,799)</u>	<u>\$ (105,799)</u>	<u>\$ 61,992</u>	<u>\$ 167,791</u>

City of Fond du Lac, Wisconsin

HAZMAT AGREEMENT SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 31,514	\$ 31,514	\$ 86,711	\$ 55,197
Public charges for services	-	-	3,175	3,175
Total revenues	31,514	31,514	89,886	58,372
EXPENDITURES				
Current				
Public safety	48,679	56,709	54,952	1,757
Excess of revenues over (under) expenditures	(17,165)	(25,195)	34,934	60,129
OTHER FINANCING SOURCES				
Transfers in	7,500	7,500	7,500	-
Net change in fund balance	(9,665)	(17,695)	42,434	60,129
Fund balance - January 1	123,321	123,321	123,321	-
Fund balance - December 31	<u>\$ 113,656</u>	<u>\$ 105,626</u>	<u>\$ 165,755</u>	<u>\$ 60,129</u>

City of Fond du Lac, Wisconsin

FUEL PUMP MAINTENANCE SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 18,000	\$ 18,000	\$ 22,282	\$ 4,282
EXPENDITURES				
Current				
Public works	5,000	5,000	4,338	662
Net change in fund balance	13,000	13,000	17,944	4,944
Fund balance - January 1	156,393	156,393	156,393	-
Fund balance - December 31	<u>\$ 169,393</u>	<u>\$ 169,393</u>	<u>\$ 174,337</u>	<u>\$ 4,944</u>

City of Fond du Lac, Wisconsin

TIF DISTRICTS SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 2,606,126	\$ 2,606,126	\$ 2,297,863	\$ (308,263)
Intergovernmental	58,795	58,795	59,798	1,003
Total revenues	2,664,921	2,664,921	2,357,661	(307,260)
EXPENDITURES				
Current				
General government	4,500	4,500	49,903	(45,403)
Conservation and development	284,057	284,057	-	284,057
Debt service				
Interest and fiscal charges	4,150	4,150	4,150	-
Capital outlay	1,750,000	3,528,278	1,885,733	1,642,545
Total expenditures	2,042,707	3,820,985	1,939,786	1,881,199
Excess of revenues over (under) expenditures	622,214	(1,156,064)	417,875	1,573,939
OTHER FINANCING SOURCES (USES)				
Transfers in	38,785	38,785	37,984	(801)
Transfers out	(1,107,353)	(1,107,353)	(1,096,649)	10,704
Total other financing sources (uses)	(1,068,568)	(1,068,568)	(1,058,665)	9,903
Net change in fund balance	(446,354)	(2,224,632)	(640,790)	1,583,842
Fund balance - January 1	2,000,012	2,000,012	2,000,012	-
Fund balance - December 31	<u>\$ 1,553,658</u>	<u>\$ (224,620)</u>	<u>\$ 1,359,222</u>	<u>\$ 1,583,842</u>

City of Fond du Lac, Wisconsin

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 7,705,067	\$ 7,705,067	\$ 7,705,067	\$ -
EXPENDITURES				
Debt service				
Principal	6,310,000	6,310,000	6,310,000	-
Interest and fiscal charges	2,506,352	2,506,352	2,823,271	(316,919)
Total expenditures	8,816,352	8,816,352	9,133,271	(316,919)
Excess of revenues under expenditures	(1,111,285)	(1,111,285)	(1,428,204)	(316,919)
OTHER FINANCING SOURCES				
Premium on debt issued	-	-	347,620	347,620
Transfers in	1,230,961	1,230,961	1,219,929	(11,032)
Total other financing sources	1,230,961	1,230,961	1,567,549	336,588
Net change in fund balance	119,676	119,676	139,345	19,669
Fund balance - January 1	(118,272)	(118,272)	(118,272)	-
Fund balance - December 31	\$ 1,404	\$ 1,404	\$ 21,073	\$ 19,669

City of Fond du Lac, Wisconsin

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS DECEMBER 31, 2018

	Health Insurance	Information Technology	Total
ASSETS			
Current assets			
Cash and investments	\$ 3,306,031	\$ 280,248	\$ 3,586,279
Receivables			
Accounts	344,424	-	344,424
Inventories and prepaid items	-	15,920	15,920
	<u>3,650,455</u>	<u>296,168</u>	<u>3,946,623</u>
Total assets			
	<u>3,650,455</u>	<u>296,168</u>	<u>3,946,623</u>
LIABILITIES			
Current liabilities			
Accounts payable	762,132	35,485	797,617
Accrued and other current liabilities	22,828	11,025	33,853
Compensated absences	-	25,379	25,379
	<u>784,960</u>	<u>71,889</u>	<u>856,849</u>
Total current liabilities			
	<u>784,960</u>	<u>71,889</u>	<u>856,849</u>
NET POSITION			
Unrestricted	<u>\$ 2,865,495</u>	<u>\$ 224,279</u>	<u>\$ 3,089,774</u>

City of Fond du Lac, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	Health Insurance	Information Technology	Total
OPERATING REVENUES			
Charges for services	\$ 5,505,118	\$ 1,622,899	\$ 7,128,017
OPERATING EXPENSES			
Personal services	-	542,826	542,826
Contractual services	-	575,354	575,354
Materials and supplies	-	288,151	288,151
Utilities	-	6,569	6,569
Insurance claims and expenses	5,485,454	-	5,485,454
Total operating expenses	5,485,454	1,412,900	6,898,354
Operating income	19,664	209,999	229,663
NONOPERATING REVENUES			
Gain on disposal of capital assets	-	245	245
Income before transfers	19,664	210,244	229,908
Transfers out	-	(187,536)	(187,536)
Change in net position	19,664	22,708	42,372
Net position - January 1	2,845,831	201,571	3,047,402
Net position - December 31	\$ 2,865,495	\$ 224,279	\$ 3,089,774

City of Fond du Lac, Wisconsin

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	Health Insurance	Information Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 5,180,364	\$ 1,628,369	\$ 6,808,733
Cash paid for employee wages and benefits	-	(538,796)	(538,796)
Cash paid to suppliers	(5,338,700)	(889,066)	(6,227,766)
Net cash provided (used) by operating activities	(158,336)	200,507	42,171
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer out	-	(187,536)	(187,536)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Sale of capital assets	-	245	245
Change in cash and cash equivalents	(158,336)	13,216	(145,120)
Cash and cash equivalents - January 1	3,464,367	267,032	3,731,399
Cash and cash equivalents - December 31	<u>\$ 3,306,031</u>	<u>\$ 280,248</u>	<u>\$ 3,586,279</u>

City of Fond du Lac, Wisconsin

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	Health Insurance	Information Technology	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ 19,664	\$ 209,999	\$ 229,663
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Change in operating assets and liabilities			
Accounts receivables	(324,754)	2,970	(321,784)
Due from other governments	-	2,500	2,500
Inventories and prepaid items	-	(14,425)	(14,425)
Accounts payable	146,754	(4,567)	142,187
Accrued and other current liabilities	-	1,613	1,613
Compensated absences	-	2,417	2,417
Net cash provided (used) by operating activities	<u>\$ (158,336)</u>	<u>\$ 200,507</u>	<u>\$ 42,171</u>
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents in current assets	<u>\$ 3,306,031</u>	<u>\$ 280,248</u>	<u>\$ 3,586,279</u>
Noncash capital and related financing activities			
None			

City of Fond du Lac, Wisconsin

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS - BY SOURCE DECEMBER 31, 2018

	<u>2018</u>
Governmental capital assets:	
Land	\$ 6,662,884
Buildings and improvements	28,117,023
Land improvements	10,881,348
Machinery and equipment	27,368,733
Infrastructure	210,235,675
Construction in progress	<u>3,556,818</u>
 Total governmental capital assets	 <u><u>\$ 286,822,481</u></u>
 Investments in governmental capital assets by source:	
Capital projects funds - General obligation bonds/notes	\$ 246,446,537
General fund revenues	20,802,311
Gifts	605,091
Private development	3,458,365
City owned	67,750
Non-cash transactions	86,922
Special revenue funds	9,116,790
Federal grants	5,531,178
State grants	<u>707,537</u>
 Total governmental funds capital assets	 <u><u>\$ 286,822,481</u></u>

City of Fond du Lac, Wisconsin

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY DECEMBER 31, 2018

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Land Improvements</u>	<u>Machinery and Equipment</u>
General government	\$ 1,761,262	\$ 3,210,881	\$ 511,684	\$ 2,755,321
Public safety				
Police protection	377,000	2,918,943	-	2,638,037
Fire protection	712,056	3,162,445	23,541	4,867,400
Ambulance	-	-	-	1,638,288
Public works	223,605	5,631,725	147,586	10,563,352
Culture and Recreation	1,576,750	2,375,637	9,153,683	1,523,368
Library	19,200	5,516,439	-	325,017
Transit	-	485,272	127,484	2,977,467
Parking	1,993,011	4,815,681	917,370	80,483
Total governmental capital assets	<u>\$ 6,662,884</u>	<u>\$ 28,117,023</u>	<u>\$ 10,881,348</u>	<u>\$ 27,368,733</u>

<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ -	\$ 807,968	\$ 9,047,116
-	-	5,933,980
-	2,410,487	11,175,929
-	-	1,638,288
210,235,675	29,324	226,831,267
-	309,039	14,938,477
-	-	5,860,656
-	-	3,590,223
-	-	7,806,545
<u>\$ 210,235,675</u>	<u>\$ 3,556,818</u>	<u>\$ 286,822,481</u>

City of Fond du Lac, Wisconsin

SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance December 31, 2017	2018 Additions and Transfers	2018 Deductions and Transfers	Balance December 31, 2018
General government	\$ 8,927,713	\$ 869,443	\$ 750,042	\$ 9,047,114
Public safety				
Police protection	5,742,755	324,730	133,504	5,933,981
Fire protection	8,553,334	3,133,422	510,828	11,175,928
Ambulance	1,334,252	315,108	11,072	1,638,288
Public works	222,171,490	4,958,323	298,547	226,831,266
Culture and recreation	14,338,644	851,827	70,014	15,120,457
Library	5,068,306	610,371	-	5,678,677
Transit	3,603,213	88,822	101,810	3,590,225
Parking	7,640,965	165,580	-	7,806,545
Total governmental capital assets	<u>\$ 277,380,672</u>	<u>\$ 11,317,626</u>	<u>\$ 1,875,817</u>	<u>\$ 286,822,481</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Fond du Lac's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and supplementary information says about the City's overall financial health.

<u>Category</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	103 - 107
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	108 - 111
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	112 - 117
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	118 - 119
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	120 - 122

City of Fond du Lac, Wisconsin

NET POSITION BY COMPONENT Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Invested in capital assets, net of related debt	\$ 95,685,038	\$ 98,081,195	\$ 95,930,395	\$ 81,618,359	\$ 76,912,015	\$ 71,413,644	\$ 66,751,968	\$ 64,124,339	\$ 62,208,570	\$ 62,628,518
Restricted	4,085,076	2,126,824	2,217,656	1,443,920	1,406,998	1,899,422	11,309,785	2,262,072	2,174,764	12,359,657
Unrestricted	19,697,434	12,357,734	5,647,742	14,581,825	16,351,636	16,833,015	17,686,779	24,935,506	22,629,230	10,294,390
Total government activities net assets	\$ 119,467,548	\$ 112,565,753	\$ 103,795,793	\$ 97,644,104	\$ 94,670,649	\$ 90,146,081	\$ 95,748,532	\$ 91,321,917	\$ 87,012,564	\$ 85,282,565
Business-type activities										
Invested in capital assets, net of related debt	\$ 65,864,910	\$ 65,677,207	\$ 67,300,385	\$ 80,275,705	\$ 90,430,362	\$ 98,116,652	\$ 103,316,344	\$ 109,793,752	\$ 115,427,437	\$ 121,667,593
Restricted	14,131,694	14,316,382	10,376,924	8,393,145	6,452,250	6,230,592	7,056,462	5,979,656	6,233,897	3,468,983
Unrestricted	24,545,964	27,668,488	35,301,494	29,752,670	25,931,756	22,650,707	21,916,243	20,568,256	20,667,978	24,175,806
Total business-type activities net assets	\$ 104,542,568	\$ 107,662,077	\$ 112,978,803	\$ 118,421,520	\$ 122,814,368	\$ 126,997,951	\$ 132,289,049	\$ 136,341,664	\$ 142,329,312	\$ 149,312,382
Primary government										
Invested in capital assets, net of related debt	\$ 161,549,948	\$ 163,758,402	\$ 163,230,780	\$ 161,894,064	\$ 167,342,377	\$ 169,530,296	\$ 170,068,312	\$ 173,918,091	\$ 177,636,007	\$ 184,296,111
Restricted	18,216,770	16,443,206	12,594,580	9,837,065	7,859,248	8,130,014	18,366,247	8,241,728	8,408,661	15,828,640
Unrestricted	44,243,398	40,026,222	40,949,236	44,334,495	42,283,392	39,483,722	39,603,022	45,503,762	43,297,208	34,470,196
Total primary government	\$ 224,010,116	\$ 220,227,830	\$ 216,774,596	\$ 216,065,624	\$ 217,485,017	\$ 217,144,032	\$ 228,037,581	\$ 227,663,581	\$ 229,341,876	\$ 234,594,947

City of Fond du Lac, Wisconsin

CHANGES IN NET POSITION Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
General government	\$ 2,914,420	\$ 3,304,979	\$ 3,016,950	\$ 2,660,933	\$ 2,419,911	\$ 2,563,667	\$ 4,034,444	\$ 4,949,836	\$ 4,457,171	\$ 3,732,198
Public safety										
Police	9,000,024	9,461,405	10,039,871	10,333,412	9,326,591	9,144,237	9,629,937	10,270,290	10,961,595	11,413,736
Fire/Rescue	8,686,370	9,058,142	9,837,885	9,578,925	8,226,046	8,291,861	8,701,785	10,286,387	10,333,308	10,231,849
Public works	13,726,304	12,477,656	12,905,660	15,441,486	16,542,771	17,214,323	15,748,791	16,618,135	17,515,777	16,314,987
Culture and recreation	5,487,129	5,380,792	5,640,176	5,376,808	6,006,310	6,402,639	6,091,789	5,623,319	5,829,457	5,725,394
Community and development	6,222,465	5,080,481	10,715,615	5,242,287	2,095,011	3,289,740	2,727,994	2,298,011	3,002,089	4,547,770
Interest on long-term debt	2,897,520	3,591,877	3,729,586	3,357,936	3,218,799	3,123,404	2,674,934	2,900,767	2,793,449	2,618,981
Total governmental activities expenses	48,934,232	48,355,332	55,885,743	51,991,787	47,835,439	50,029,871	49,609,674	52,946,745	54,892,846	54,584,915
Business-type activities										
Water Utility	8,952,958	8,873,799	8,585,366	8,977,193	8,452,508	8,734,239	8,394,123	8,450,320	9,119,285	8,167,128
Wastewater Utility	8,811,583	8,865,809	9,176,950	9,102,462	9,379,421	9,762,358	9,279,524	9,957,259	8,394,201	9,034,623
Total business-type activities	17,764,541	17,739,608	17,762,316	18,079,655	17,831,929	18,496,597	17,673,647	18,407,579	17,513,486	17,201,751
Total primary government expenses	\$ 66,698,773	\$ 66,094,940	\$ 73,648,059	\$ 70,071,442	\$ 65,667,368	\$ 68,526,468	\$ 67,283,321	\$ 71,354,324	\$ 72,406,332	\$ 71,786,666
Program Revenues										
Governmental activities:										
Fees, fines and charges for services:										
General government	\$ 960,688	\$ 1,233,397	\$ 1,069,724	\$ 994,003	\$ 1,288,711	\$ 1,192,847	\$ 2,221,332	\$ 2,495,323	\$ 2,304,418	\$ 2,680,806
Public safety										
Police	148,394	139,424	141,226	109,655	126,566	92,561	161,408	178,203	180,661	220,665
Fire/Rescue	1,936,738	2,047,349	2,601,349	2,793,488	1,655,958	1,559,347	1,696,421	1,666,188	1,941,549	1,957,224
Public works	51,321	161,744	168,178	419,502	1,802,173	1,697,518	1,294,954	1,708,605	1,900,004	1,953,057
Culture and recreation	480,903	532,432	468,079	531,292	478,373	459,396	547,380	579,350	540,277	554,945
Community and development	1,204,156	1,133,562	1,406,663	1,272,075	1,327,924	1,894,294	922,074	266,434	387,496	215,478
Interest and fiscal charges	-	-	-	-	-	-	-	-	133,849	-
Operating grants and contributions	7,387,543	5,848,654	6,171,946	5,567,122	609,096	5,726,793	6,159,199	6,484,854	6,297,493	6,608,228
Capital grants and contributions	1,337,995	1,300,464	4,793,415	3,505,575	1,003,855	968,788	105,428	665,058	469,051	308,237
Total governmental activities program revenue	13,507,738	12,397,026	16,820,580	15,192,712	8,292,656	13,591,544	13,108,196	14,044,015	14,154,798	14,498,640
Business-type activities										
Charges for services:										
Water Utility	9,790,165	11,652,164	12,690,230	12,395,916	12,084,957	12,315,152	12,119,334	12,611,440	12,690,954	12,882,550
Wastewater Utility	10,382,485	9,817,874	11,058,697	12,036,787	11,544,534	11,704,905	11,716,802	11,412,924	12,396,642	12,265,217
Capital grants and contributions	12,662,614	159,758	20,588	8,283	-	-	-	1,030	-	551,056
Total business-type activities program revenue	32,835,264	21,629,796	23,769,515	24,440,986	23,629,491	24,020,057	23,836,136	24,025,394	25,087,596	25,698,823
Total primary government program revenue	\$ 46,343,002	\$ 34,026,822	\$ 40,590,095	\$ 39,633,698	\$ 31,922,147	\$ 37,611,601	\$ 36,944,332	\$ 38,069,409	\$ 39,242,394	\$ 40,197,463

City of Fond du Lac, Wisconsin

CHANGES IN NET POSITION Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$ (35,426,494)	\$ (35,958,306)	\$ (39,065,163)	\$ (36,799,075)	\$ (34,061,783)	\$ (36,438,327)	\$ (36,501,478)	\$ (38,902,730)	\$ (40,738,048)	\$ (40,086,275)
Business-type activities	15,070,723	3,890,188	6,007,199	6,361,331	5,797,562	5,523,460	6,162,489	5,617,815	7,574,110	8,497,072
Total primary government net expense	<u>\$ (20,355,771)</u>	<u>\$ (32,068,118)</u>	<u>\$ (33,057,964)</u>	<u>\$ (30,437,744)</u>	<u>\$ (28,264,221)</u>	<u>\$ (30,914,867)</u>	<u>\$ (30,338,989)</u>	<u>\$ (33,284,915)</u>	<u>\$ (33,163,938)</u>	<u>\$ (31,589,203)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 20,229,326	\$ 20,033,237	\$ 20,859,387	\$ 21,140,460	\$ 21,478,702	\$ 22,270,692	\$ 23,836,592	\$ 25,147,399	\$ 26,929,681	\$ 28,462,381
Other taxes	176,958	196,919	246,540	354,692	377,172	321,744	445,272	458,974	433,384	454,154
Federal and state grants and other contributions not restricted to specific functions	7,996,190	7,294,988	7,228,574	7,432,593	7,801,227	7,073,021	6,587,921	6,651,626	6,818,710	6,879,397
Gain on sale of asset	-	-	-	-	-	30,725	33,887	87,795	34,385	129,917
Interest and investment earnings	434,415	261,771	538,307	229,992	(111,182)	418,826	193,223	222,364	254,756	688,413
Miscellaneous	-	-	-	196	11,239	12,665	20,491	10,931	35,985	4,036
Transfers	877,398	1,269,596	1,422,395	1,497,592	1,631,170	1,786,086	1,857,027	1,897,026	1,921,794	1,945,017
Total governmental activities	<u>29,714,287</u>	<u>29,056,511</u>	<u>30,295,203</u>	<u>30,655,525</u>	<u>31,188,328</u>	<u>31,913,759</u>	<u>32,974,413</u>	<u>34,476,115</u>	<u>36,428,695</u>	<u>38,563,315</u>
Business-type activities:										
Investment earnings	770,306	498,917	708,559	561,116	201,006	440,630	321,961	331,826	316,698	443,467
Gain on disposal of capital assets	546	-	23,363	17,862	25,450	5,579	-	-	18,634	-
Transfers	(877,398)	(1,269,596)	(1,422,395)	(1,497,592)	(1,631,170)	(1,786,086)	(1,857,027)	(1,897,026)	(1,921,794)	(1,945,017)
Total business-type activities	<u>(106,546)</u>	<u>(770,679)</u>	<u>(690,473)</u>	<u>(918,614)</u>	<u>(1,404,714)</u>	<u>(1,339,877)</u>	<u>(1,535,066)</u>	<u>(1,565,200)</u>	<u>(1,586,462)</u>	<u>(1,501,550)</u>
Total primary government	<u>\$ 29,607,741</u>	<u>\$ 28,285,832</u>	<u>\$ 29,604,730</u>	<u>\$ 29,736,911</u>	<u>\$ 29,783,614</u>	<u>\$ 30,573,882</u>	<u>\$ 31,439,347</u>	<u>\$ 32,910,915</u>	<u>\$ 34,842,233</u>	<u>\$ 37,061,765</u>
Changes in Net Position										
Governmental activities	\$ (5,712,207)	\$ (6,901,795)	\$ (8,769,960)	\$ (6,143,550)	\$ (2,873,455)	\$ (2,873,455)	\$ (4,524,568)	\$ (3,527,065)	\$ (4,309,353)	\$ (1,522,960)
Business-type activities	14,964,177	3,119,509	5,316,726	5,442,717	4,392,848	4,392,848	4,183,583	4,627,423	5,987,648	6,995,522
Total primary government	<u>\$ 9,251,970</u>	<u>\$ (3,782,286)</u>	<u>\$ (3,453,234)</u>	<u>\$ (700,833)</u>	<u>\$ 1,519,393</u>	<u>\$ 1,519,393</u>	<u>\$ (340,985)</u>	<u>\$ 1,100,358</u>	<u>\$ 1,678,295</u>	<u>\$ 5,472,562</u>

Note: For budgeting and financial reporting, the Transit Fund was included under Community Development for 2011 and prior. Beginning in 2012, the Transit Fund is included in Public Works. The previous years have not been restated.

City of Fond du Lac, Wisconsin

Fund Balances, Governmental Funds Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2016	2017	2018
General fund											
Nonspendable	\$ 2,249,429	\$ 1,772,134	\$ 1,107,100	\$ 658,355	\$ 657,434	\$ 788,600	\$ 822,550	\$ 843,454	\$ 791,799	\$ 791,799	\$ 784,385
Committed	592,917	962,169	876,223	83,300	110,500	129,700	160,900	261,300	313,300	313,300	-
Assigned	275,838	192,985	260,398	1,013,681	726,392	1,034,438	1,043,484	866,644	422,359	422,359	243,028
Unassigned	4,385,152	4,641,479	5,060,576	5,574,625	6,977,905	6,803,731	7,076,721	5,897,565	5,743,724	5,743,724	6,792,648
Total general fund	<u>\$ 7,503,336</u>	<u>\$ 7,568,767</u>	<u>\$ 7,304,297</u>	<u>\$ 7,329,961</u>	<u>\$ 8,472,231</u>	<u>\$ 8,756,469</u>	<u>\$ 9,103,655</u>	<u>\$ 7,868,963</u>	<u>\$ 7,271,182</u>	<u>\$ 7,271,182</u>	<u>\$ 7,820,061</u>
All other governmental funds											
Nonspendable	\$ 37,381	\$ 30,052	\$ 41,160	\$ 35,553	\$ 23,541	\$ 16,531	\$ 19,321	\$ 21,088	\$ 10,543	\$ 10,543	\$ 11,185
Restricted, reported in:											
Debt service fund	4,085,076	2,126,824	1,193,819	375,374	164,368	176,731	41,007	30,188	-	-	21,073
Community development grant fund	1,640,008	1,613,589	1,023,837	1,068,546	1,242,630	1,722,691	1,898,434	2,262,072	2,174,764	2,174,764	5,965,673
Committed	10,318,067	14,354,173	9,749,261	8,995,906	6,622,491	5,356,621	5,465,935	6,987,986	7,489,633	7,489,633	6,042,368
Unassigned	(52,076)	(238,462)	(388,023)	-	(8,693)	(19,639)	-	-	(132,616)	(132,616)	-
Total all other governmental funds	<u>\$ 16,028,456</u>	<u>\$ 17,886,176</u>	<u>\$ 11,620,054</u>	<u>\$ 10,475,379</u>	<u>\$ 8,044,337</u>	<u>\$ 7,252,935</u>	<u>\$ 7,424,697</u>	<u>\$ 9,301,334</u>	<u>\$ 9,542,324</u>	<u>\$ 9,542,324</u>	<u>\$ 12,040,299</u>

Note:

The City adopted GASB #54 for 2011 and previous years have been restated to conform to the new reporting standards.

City of Fond du Lac, Wisconsin

Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Taxes	\$ 20,406,284	\$ 20,230,156	\$ 21,105,927	\$ 21,495,152	\$ 21,855,874	\$ 22,592,436	\$ 24,281,864	\$ 25,606,373	\$ 27,363,065	\$ 28,916,535
Licenses and permits	1,147,849	1,234,646	1,209,983	1,219,945	1,584,967	1,502,338	1,575,530	1,643,086	1,540,425	1,761,773
Intergovernmental	13,999,108	14,444,821	17,190,473	15,208,721	13,095,315	12,809,625	12,464,374	12,985,438	13,048,834	13,425,085
Public charges for services	3,166,985	3,277,855	3,864,344	4,181,498	4,190,901	4,057,457	4,267,404	4,401,524	4,651,047	4,673,901
Fines and forfeits	463,420	453,954	429,803	396,288	403,259	353,427	315,075	340,309	350,905	487,268
Special assessments	633,167	359,422	218,540	352,627	310,994	365,625	105,428	477,806	269,051	108,237
Intergovernmental charges for services	-	-	-	-	-	-	-	-	6,388	6,472
Miscellaneous	2,515,948	1,588,791	1,641,409	1,633,668	2,086,125	2,244,555	1,557,074	1,469,201	1,175,931	1,538,684
Total revenues	42,332,761	41,589,645	45,660,479	44,487,899	43,527,435	43,925,463	44,566,749	46,923,737	48,405,646	50,917,955
EXPENDITURES										
Current:										
General government	2,513,658	2,666,406	2,761,850	2,728,069	2,576,287	2,864,927	2,895,749	3,633,660	3,464,037	2,931,192
Public safety	16,977,423	17,636,588	18,764,003	19,792,977	17,595,580	17,906,887	17,625,723	18,388,065	19,081,135	19,781,489
Public works	7,245,428	7,257,838	7,696,054	7,199,147	8,987,449	9,297,529	9,009,131	9,503,060	10,184,967	9,763,684
Culture and recreation	4,554,243	4,822,958	4,786,149	4,635,061	4,854,418	4,771,827	4,758,803	4,944,540	4,816,143	5,089,696
Community development	3,578,074	3,455,705	5,391,401	4,386,330	1,795,548	2,354,789	2,651,454	2,202,852	1,364,290	3,400,009
Other	882,528	443,019	112,592	8,401	82,258	7,025	8,400	12,300	-	-
Debt service:										
Principal	2,904,936	5,556,926	1,634,528	9,588,675	7,907,613	3,881,976	11,050,000	6,895,000	5,435,000	6,435,000
Interest and fiscal charges	2,628,258	3,078,799	3,471,383	3,377,101	3,348,985	3,021,170	2,970,803	2,772,456	3,018,509	2,702,421
Capital outlay	8,967,963	8,739,564	10,664,148	6,938,086	8,468,176	6,286,421	5,228,945	6,169,361	8,813,385	13,202,924
Total expenditures	50,252,511	53,657,803	55,282,108	58,653,847	55,616,314	50,392,551	56,199,008	54,521,294	56,177,466	63,306,415
Excess (deficiency) of revenues over expenditures	(7,919,750)	(12,068,158)	(9,621,629)	(14,165,948)	(12,088,879)	(6,467,088)	(11,632,259)	(7,597,557)	(7,771,820)	(12,388,460)
OTHER FINANCING SOURCES (USES)										
Long-term debt issued	11,025,000	30,839,718	12,575,000	16,980,000	12,050,000	4,095,000	10,075,000	6,100,000	12,075,000	12,825,000
Premium on debt issued	77,806	34,517	121,705	63,626	376,520	30,338	132,350	125,000	255,564	347,620
Payment to current noteholder	(2,975,000)	(18,152,522)	(11,090,063)	(5,432,281)	(3,257,783)	-	-	-	(7,050,000)	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	42,718	130,141
Transfers in	6,720,570	12,086,536	11,281,514	8,205,781	5,923,448	4,799,342	4,152,677	5,419,914	5,185,819	6,430,383
Transfers out	(5,843,172)	(10,816,940)	(9,859,119)	(6,708,189)	(4,292,278)	(2,964,756)	(2,208,818)	(3,405,412)	(3,094,072)	(4,297,830)
Total other financing sources (uses)	9,005,204	13,991,309	3,029,037	13,108,937	10,799,907	5,959,924	12,151,209	8,239,502	7,415,029	15,435,314
Net change in fund balances	\$ 1,085,454	\$ 1,923,151	\$ (6,592,592)	\$ (1,057,011)	\$ (1,288,972)	\$ (507,164)	\$ 518,950	\$ 641,945	\$ (356,791)	\$ 3,046,854
Debt service (net of principal refinancings) as a percentage of noncapital expenditures	12.53%	18.21%	10.32%	23.49%	23.02%	14.43%	26.65%	19.23%	16.75%	17.30%

City of Fond du Lac, Wisconsin

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total ¹ Assessed Value	Total Direct Tax Rate	Estimated ² Actual Value	Ratio of ³ Total Assessed to Estimated Actual Value
2018	\$ 2,612,902,300	\$ 106,000,770	\$ 2,718,903,070	10.468	\$ 2,894,535,500	93.96
2017	2,597,239,700	130,756,720	2,727,996,420	9.955	2,812,603,900	96.89
2016	2,553,171,500	135,242,100	2,688,413,600	9.615	2,716,586,500	98.94
2015	2,510,001,500	128,040,160	2,638,041,660	9.244	2,662,872,500	99.05
2014	2,482,152,700	127,669,520	2,609,822,220	8.891	2,597,744,000	100.46
2013	2,522,732,900	123,894,340	2,646,627,240	8.219	2,565,745,100	103.14
2012	2,514,207,500	126,052,990	2,640,260,490	7.979	2,563,349,900	103.05
2011	2,491,291,200	124,925,480	2,616,216,680	7.929	2,643,226,500	98.98
2010	2,481,796,900	123,207,470	2,605,004,370	7.858	2,696,593,500	96.60
2009	2,443,319,300	122,162,520	2,565,481,820	7.699	2,736,857,700	95.35

Notes:

¹ Assessed Property Values are determined by the City of Fond du Lac Assessor's office in conjunction with the Wisconsin Department of Revenue Property Assessment Manual.

² Estimated Actual Values (Equalized Values) are provided by the Wisconsin Department of Revenue Supervisor of Assessments.

³ Ratio of Total Assessed to Estimated Actual Value (Aggregate Ratio) is provided by the Wisconsin Department of Revenue.

City of Fond du Lac, Wisconsin

PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

2018				2009			
Name	Type of Business	Assessed ^a Valuation	Percent Total Assessed Valuation	Name	Type of Business	Assessed ^b Valuation	Percent Total Assessed Valuation
Mercury Marine	Manufacturer of Boat Engines	\$ 60,378,249	2.22%	Mercury Marine	Manufacturer of Boat Engines	\$ 30,651,000	1.19%
Agnesian Healthcare Inc	Hospital/Health Care Facility	47,478,644	1.75%	Agnesian Healthcare Inc	Hospital/Health Care Facility	28,524,940	1.11%
Grande Cheese Company	Food & Dairy	38,508,282	1.42%	John Mark Apt. Complexes	Apartments	26,703,110	1.04%
Countryside Villas	Apartments	26,351,217	0.97%	Eagle Fond du Lac LLC	Warehousing	19,646,780	0.77%
Aurora Medical Group	Healthcare	16,819,014	0.62%	Simon Properties	Shopping Mall	18,862,720	0.74%
Wal-Mart	Retail/Grocery	16,461,733	0.61%	VH Enterprises	Warehousing	15,510,420	0.60%
JF Ahern	Metal Fabrication	14,958,891	0.55%	Aurora Medical Group	Health Care Facility	15,051,570	0.59%
East Central Warehouse LLC	Warehouses	12,797,639	0.47%	Wal-Mart	Retail Shopping Facility	14,195,150	0.55%
Badger Liquor	Beverage Distributor	11,676,757	0.43%	JF Ahern	Metal Fabrication	13,068,350	0.51%
ATRCorinth Forest LLC	Retail	11,575,313	0.43%	1115 East Johnson LLC	Grocery / Retail	12,838,830	0.50%
Principal Taxpayers Total		257,005,739	9.45%	Principal Taxpayers Total		195,052,870	7.60%
All Other		2,461,897,331	90.55%	All Other		2,370,428,950	92.40%
Total		<u>\$ 2,718,903,070</u>	<u>100.00%</u>	Total		<u>\$ 2,565,481,820</u>	<u>100.00%</u>

Sources:

^a 2018 City Assessment Roll.

^b 2009 City Assessment Roll.

City of Fond du Lac, Wisconsin

PROPERTY TAX LEVIES AND COLLECTIONS Last Ten Fiscal Years

Fiscal¹ Year		Total^{2 a} Tax Levied		Current^{3 b} Tax Collected	Percent of Levy Collected	
2018	\$	28,737,677	\$	28,717,167	99.929	%
2017		27,185,263		27,180,019	99.981	
2016		25,243,083		25,233,388	99.962	
2015		23,836,590		23,829,111	99.969	
2014		21,751,481		21,740,964	99.952	
2013		21,067,332		21,054,905	99.941	
2012		20,744,450		20,728,027	99.921	
2011		20,470,060		20,457,307	99.938	
2010		19,751,289		19,743,825	99.962	
2009		19,054,315		19,049,995	99.977	

Notes:

¹ Fiscal year is the year in which the tax is collected. The 2018 fiscal year consists of the 2017 tax bills due in 2018 and used to finance the 2018 budget.

² Total tax includes real estate property taxes, personal property taxes, and the TIF increment levied for the City of Fond du Lac jurisdiction only.

³ Real estate taxes are paid in full each year. Fond du Lac County buys the delinquent real estate taxes and handles all collections.

Delinquent personal property taxes are charged back to the overlying taxing jurisdictions. The City only carries the municipal portion of the delinquent personal property taxes receivable.

Sources:

^a Tax levy reconciliation file.

^b Total tax levied less City portion of delinquent personal property taxes on the year-end balance due report.

City of Fond du Lac, Wisconsin

PROPERTY TAX RATES AND TAX LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS Last Ten Fiscal Years

Fiscal ¹ Year	City of Fond du Lac		Fond du Lac School District		Moraine Park Technical College		Fond du Lac County		State of Wisconsin		Gross Tax Rate	State Tax Credit		Net Tax Rate	Total							
Tax Rates per \$1,000 of Assessed Value and Percent of Total																						
2018	\$	9.955	41.4%	\$	9.105	37.9%	\$	0.669	2.8%	\$	6.072	25.3%	\$	-	0.0%	\$	25.801	\$	1.775	7.4%	\$24.026	100.0%
2017		9.615	39.9		9.370	38.9		0.663	2.7		5.977	24.8		0.170	0.7%		25.795		1.678	7.0	24.117	100.0
2016		9.244	38.0		9.969	40.9		0.678	2.8		5.979	24.6		0.171	0.7		26.041		1.710	7.0	24.331	100.0
2015		8.891	37.6		9.525	40.3		0.672	2.8		5.903	25.0		0.169	0.7		25.160		1.523	6.4	23.637	100.0
2014		8.219	34.4		9.771	40.9		1.521	6.4		5.684	23.8		0.164	0.7		25.359		1.482	6.2	23.877	100.0
2013		7.979	34.4		9.456	40.8		1.496	6.5		5.549	23.9		0.165	0.7		24.645		1.473	6.3	23.172	100.0
2012		7.929	34.4		9.370	40.6		1.496	6.5		5.561	24.1		0.171	0.7		24.527		1.462	6.3	23.065	100.0
2011		7.858	33.9		9.510	41.0		1.507	6.5		5.558	24.0		0.176	0.8		24.609		1.444	6.2	23.165	100.0
2010		7.699	34.1		9.247	41.0		1.478	6.5		5.388	23.9		0.181	0.8		23.993		1.429	6.3	22.564	100.0
2009		7.471	35.1		8.577	40.3		1.408	6.6		5.096	24.0		0.178	0.8		22.730		1.447	6.8	21.283	100.0
Tax Levies											Total											
2018	\$	28,737,677		\$	23,310,960		\$	1,759,476		\$	15,957,640		\$	-		\$ 69,765,753						
2017		27,185,263			23,777,445			1,726,339			15,569,739			461,021		68,719,807						
2016		25,243,083			25,118,585			1,753,880			15,463,386			451,906		68,030,840						
2015		23,836,590			23,855,726			1,726,281			15,172,847			440,853		65,032,297						
2014		21,751,481			25,183,570			4,025,570			15,042,270			435,422		66,438,313						
2013		21,067,332			24,344,422			3,949,154			14,649,892			435,016		64,445,816						
2012		20,744,450			23,894,325			3,914,660			14,548,034			448,572		63,550,041						
2011		20,470,060			24,145,645			3,925,948			1,478,642			618,297		50,638,592						
2010		19,751,289			23,129,717			3,792,413			13,823,980			464,462		60,961,861						
2009		19,054,315			21,317,456			3,591,530			12,995,963			453,916		57,413,180						

Notes:
¹Fiscal year is the year in which the tax is collected. The 2018 fiscal year consists of the 2017 tax bills due in 2018 and used to finance the 2018 budget.

Notes:

¹Fiscal year is the year in which the tax is collected. The 2018 fiscal year consists of the 2017 tax bills due in 2018 and used to finance the 2018 budget.

City of Fond du Lac, Wisconsin

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income ²	Per Capita ²
	General Obligation Bonds	General Obligation Notes	Capital Leases ¹	Revenue Bond Debt	General Obligation Bonds			
2018	\$ 51,296,471	\$ 32,397,755	\$ -	\$ 66,534,776	\$ -	\$ 150,229,002	N/A	3,420
2017	56,263,615	20,683,911	-	70,676,773	-	147,624,299	N/A	3,380
2016	60,599,603	16,579,585	-	77,388,896	-	154,568,084	3.0%	3,563
2015	61,905,892	16,002,096	-	83,909,719	-	161,817,707	2.8%	3,723
2014	64,720,584	14,077,312	-	90,291,918	-	169,089,814	2.6%	3,919
2013	65,761,317	12,805,000	26,976	100,407,579	-	179,000,872	2.3%	4,153
2012	61,190,000	14,055,000	69,589	107,747,843	-	183,062,432	2.2%	4,247
2011	49,015,000	16,582,477	103,264	114,900,099	-	180,600,840	2.1%	4,193
2010	44,140,000	21,207,477	137,792	116,097,007	-	181,582,276	2.1%	4,221
2009	23,775,000	44,027,477	-	129,762,566	-	197,565,043	1.8%	4,531

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

N/A = Not Available.

¹ Capital Leases are not bonded debt.

² See the Schedule of Demographic and Economic Statistics for personal income and population data.

City of Fond du Lac, Wisconsin

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year	Population ²	General Bonded Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Assessed Value ¹	Percentage of Equalized Value ¹	Per Capita ²
2018	43,921	\$ 83,694,226	\$ 21,073	\$ 83,673,153	3.08%	2.89%	\$ 1,905.08
2017	43,679	76,947,526	-	76,947,526	2.82	2.74	1,761.66
2016	43,381	77,179,188	30,188	77,149,000	2.87	2.84	1,778.41
2015	43,461	77,907,988	41,007	77,866,981	2.95	2.92	1,791.65
2014	43,100	78,797,896	176,731	78,621,165	3.01	3.03	1,824.16
2013	43,100	78,566,317	164,368	78,401,949	2.96	3.06	1,819.07
2012	43,075	75,245,000	375,374	74,869,626	2.84	2.92	1,738.12
2011	43,021	65,597,477	1,193,819	64,403,658	2.46	2.44	1,497.03
2010	43,600	65,347,477	2,126,824	63,220,653	2.43	2.34	1,450.01
2009	43,600	67,802,477	4,085,076	63,717,401	2.48	2.33	1,461.41

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics.

City of Fond du Lac, Wisconsin

COMPUTATION OF LEGAL DEBT MARGIN

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed Value ^a	\$ 2,565,481,820	\$ 2,605,004,370	\$ 2,616,216,680	\$ 2,640,260,490	\$ 2,646,627,240	\$ 2,609,822,220	\$ 2,638,041,660	\$ 2,688,413,600	\$ 2,727,996,420	\$ 2,718,903,070
Equalized Value ^a	2,736,857,700	2,696,593,500	2,643,226,500	2,563,349,900	2,565,745,100	2,597,744,000	2,662,872,500	2,716,586,500	2,812,603,900	2,894,535,500
Debt Limit Five Percent of Equalized Value ¹	136,842,885	134,829,675	132,161,325	128,167,495	128,287,255	129,887,200	133,143,625	135,829,325	140,630,195	144,726,775
Amount of Debt Applicable to Debt Limit:										
General Obligation Bonds	23,775,000	44,140,000	49,015,000	61,190,000	65,400,000	64,395,000	61,545,000	60,205,000	55,790,000	50,900,000
General Obligation Notes	44,027,477	21,207,477	16,582,477	14,055,000	12,805,000	14,050,000	15,925,000	16,470,000	20,475,000	31,880,000
Total Debt	67,802,477	65,347,477	65,597,477	75,245,000	78,205,000	78,445,000	77,470,000	76,675,000	76,265,000	82,780,000
Deduct:										
Debt Service Fund Balance	4,580,770	4,085,076	2,126,824	1,193,819	375,374	176,731	41,007	30,188	-	21,073
Total Amount of Debt Applicable to Debt Limit	63,221,707	61,262,401	63,470,653	74,051,181	77,829,626	78,268,269	77,428,993	76,644,812	76,265,000	82,758,927
Legal Debt Margin	\$ 73,621,178	\$ 73,567,274	\$ 68,690,672	\$ 54,116,314	\$ 50,457,629	\$ 51,618,931	\$ 55,714,632	\$ 59,184,513	\$ 64,365,195	\$ 61,967,848
Percent of Legal Debt Limit Available	53.8%	54.6%	52.0%	42.2%	39.3%	39.7%	41.8%	43.6%	45.8%	42.8%

Notes:

¹ State Statutes (67.03 and 119.49) limit direct general obligation debt to 5% of the equalized valuation of taxable property in the municipality.

Sources:

^a Assessed and Equalized (Estimated Actual Value) of Taxable Property Table.

City of Fond du Lac, Wisconsin

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2018

	Net Debt Outstanding	Percentage Applicable to City of Fond du Lac¹	City of Fond du Lac Share of Debt
Direct Debt:			
City of Fond du Lac	\$ 83,694,226	100.0 %	<u>\$ 83,694,226</u>
Overlapping Debt:			
Fond du Lac County	58,000,000	37.6	21,831,200
Moraine Park Technical College	26,894,047	10.5	2,831,943
Fond du Lac School District	8,201,065	72.7	5,962,174
North Fond du Lac School District	28,504,000	13.9	<u>3,947,804</u>
Total - overlapping debt			<u>34,573,121</u>
TOTAL			<u><u>\$ 118,267,347</u></u>

Note: Overlapping taxing jurisdictions are those that coincide, at least in part, with the geographical boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fond du Lac.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the taxable assessed value that is within the government's boundaries and dividing it by the total taxable assessed value for that jurisdiction.

City of Fond du Lac, Wisconsin

Water Utility Revenue Bond Coverage

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating ¹ Expenses	Interest and Other Revenue	Income Available for Debt Service	Debt Service Requirements			Coverage
					Principal ²	Interest	Total	
2018	\$ 12,879,093	\$ 3,998,332	\$ 103,379	\$ 8,984,140	\$ 3,387,904	\$ 1,269,972	\$ 4,657,876	1.93
2017	12,673,108	4,025,216	73,369	8,721,261	3,274,774	1,354,731	4,629,505	1.88
2016	12,610,507	4,119,707	66,938	8,557,738	3,162,506	1,427,493	4,589,999	1.86
2015	12,096,367	4,044,784	73,545	8,125,128	3,101,081	1,519,336	4,620,417	1.76
2014	12,285,466	4,318,788	123,401	8,090,079	3,190,481	1,606,172	4,796,653	1.69
2013	12,078,425	4,231,224	11,770	7,858,971	2,905,684	1,883,516	4,789,200	1.64
2012	12,382,846	4,731,915	191,512	7,842,443	3,246,675	1,936,287	5,182,962	1.51
2011	12,690,230	4,211,058	239,655	8,718,827	4,553,435	1,435,783	5,989,218	1.46
2010	11,652,164	4,246,162	99,737	7,505,739	3,690,834	1,439,536	5,130,370	1.46
2009	9,790,165	3,794,684	229,195	6,224,676	2,433,629	2,537,005	4,970,634	1.25

Notes:

¹ Operating expenses do not include depreciation and property tax equivalent.

² Principal payments are shown net of debt principal refundings.

City of Fond du Lac, Wisconsin

Wastewater Collection & Treatment System Revenue Bond Coverage

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating ¹ Expenses	Interest and Other Revenue	Income Available for Debt Service	Debt Service Requirements ²			Coverage
					Principal ³	Interest	Total	
2018	\$ 12,265,217	\$ 5,453,922	\$ 343,545	\$ 7,154,840	\$ 3,494,534	\$ 686,021	\$ 4,180,555	1.71
2017	12,398,145	5,445,261	278,306	7,231,190	3,413,631	760,659	4,174,290	1.73
2016	11,412,924	6,245,828	271,543	5,438,639	3,257,401	918,740	4,176,141	1.30
2015	11,716,802	5,528,095	271,383	6,460,090	3,481,988	1,166,946	4,648,934	1.39
2014	11,704,905	5,852,095	352,494	6,205,304	3,833,320	1,269,777	5,103,097	1.22
2013	11,544,534	5,492,001	160,213	6,212,746	3,905,580	1,370,716	5,276,296	1.18
2012	12,036,787	5,158,954	400,536	7,278,369	3,364,921	1,464,521	4,829,442	1.51
2011	11,058,697	5,097,373	492,267	6,453,591	4,166,627	1,589,302	5,755,929	1.12
2010	9,817,874	4,742,028	399,180	5,475,026	3,466,288	332,346	3,798,634	1.44
2009	10,382,485	4,587,204	541,657	6,336,938	560,492	353,466	913,958	6.93

Notes:

¹ Operating expenses do not include depreciation.

² Includes principal and interest of revenue bonds only.

³ Principal payments are shown net of refinancings and additional payments for the early retirement of debt.

City of Fond du Lac, Wisconsin

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population^a	Adjusted^b Gross Income Per Tax Return	Total Personal Income^c thousands of dollars	Per Capita Personal Income^{1c}	Median^d Age	Annual^e Unemployment Rate	Public^f School Enrollment	Public^f High School Graduates
2018	43,921	N/A	N/A	N/A	37.3	2.8	7,204	528
2017	43,679	\$ 48,129	\$ 4,691,921	\$ 45,753	36.9	2.8	7,242	510
2016	43,381	51,099	4,562,299	44,665	36.9	3.7	7,319	494
2015	43,461	50,193	4,462,797	43,764	36.9	4.3	7,310	493
2014	43,151	48,080	4,318,062	42,434	36.9	5.1	7,463	454
2013	43,100	46,620	4,160,801	40,873	36.9	7.4	7,462	485
2012	43,100	45,730	4,018,578	39,459	36.9	7.7	7,415	504
2011	43,075	43,370	3,766,440	36,897	36.9	8.8	7,438	484
2010	43,021	46,437	3,765,312	37,036	36.9	10.2	7,366	515
2009	43,600	43,479	3,541,333	35,389	35.7	11.0	7,349	558

Notes:

N/A = Not Available.

¹ Includes Fond du Lac County and Metropolitan Area

Sources:

^a Demographic Services Center - State of Wisconsin (2010 - U.S. Census Bureau)

^b Wisconsin Department of Revenue

^c U.S. Department of Commerce, Bureau of Economic Analysis

^d U.S. Department of Labor - Bureau of Labor Statistics

^e Wisconsin's WorkNet Local Area Annual Unemployment Statistics (not seasonally adjusted)

^f Wisconsin Center for Education Statistics, Bureau for Information Management, Fond du Lac School District

City of Fond du Lac, Wisconsin

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

2018			2009		
Name	Employees ^a	Percentage of Total City Employment ¹	Name	Employees ^a	Percentage of Total City Employment ¹
Agnesian Health Care	3,273	6.82%	Agnesian Healthcare Inc	2,722	6.26%
Mercury Marine	3,100	6.46%	Mercury Marine	1,750	4.03%
Fond du Lac County	860	1.79%	Fond du Lac County	950	2.19%
Fond du Lac School District	837	1.74%	Fond du Lac School District	810	1.86%
Marian University	421	0.88%	J.F. Ahern Co.	593	1.36%
Moraine Park Technical College	421	0.88%	Giddings & Lewis	282	0.65%
Grande Cheese Company	415	0.86%	Taycheedah Correctional Inst.	370	0.85%
Taycheedah Correctional Facility	396	0.83%	City of Fond du Lac	324	0.75%
Brenner Tank, Inc	362	0.75%	Moraine Park Technical College	281	0.65%
Total	<u>10,085</u>	<u>21.01%</u>	Total	<u>8,082</u>	<u>18.60%</u>

Notes:

¹ Wisconsin's WorkNet Current Employment Statistics

Sources:

^a Hutchinson, Shockey, Erley & Co. Revenue Bond Official Statement

City of Fond du Lac, Wisconsin

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Community Development	Total
2018	26.0	150.0	70.8	13.2	12.0	272.0
2017	24.7	150.0	70.8	13.2	12.0	270.7
2016	20.4	148.8	69.1	12.4	10.8	261.5
2015	20.3	147.3	68.2	12.4	11.0	259.2
2014	20.7	147.3	69.2	12.4	12.0	261.6
2013	21.0	146.8	68.8	12.0	12.5	261.1
2012	25.0	147.0	69.4	13.0	13.2	267.6
2011	29.5	148.0	61.0	13.0	22.1	273.6
2010	29.4	148.0	61.0	13.0	22.1	273.5
2009	29.4	147.0	64.6	12.6	23.5	277.1

Notes:

Contains governmental funds permanent full and part-time employees under City Council's authority.
Does not include Library employees or enterprise fund employees.

In 2012 Transit operations, 8.4 FTE's were moved from Community Development to Public Works.
In 2013 Information Technology Services, 4 FTE's were moved from General Government to an internal service fund.

City of Fond du Lac, Wisconsin

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Community Development										
Building Permits Issued	3,663	3,591	2,941	2,981	3,133	3,157	2,655	1,683	3,724	3,807
Total Valuation of Building Permits	\$ 38,448,200	\$ 36,156,303	\$ 41,464,109	\$ 54,434,778	\$ 67,375,043	\$ 51,921,182	\$ 85,143,513	\$ 40,960,146	\$ 52,278,825	\$ 90,173,120
New site plans reviewed	15	11	19	28	30	26	17	32	26	30
Rezoning/special use permits applied for	12	13	13	19	14	9	14	18	13	16
Variances applied for	48	38	39	26	37	16	14	15	27	14
New lots/parcels created	11	14	6	4	2	4	2	2	4	-
Housing Code Enforcement-complaints filed	477	397	418	414	402	410	415	458	513	552
Housing Code Enforcement-violations cured	809	648	739	648	664	610	645	542	526	544
Housing rehabilitation value of loans approved	\$ 460,771	\$ 351,044	\$ 325,501	\$ 220,798	\$ 258,800	\$ 286,300	\$ 172,099	\$ 142,179	\$ 377,050	\$ 191,300
Downtown parking revenue	\$ 328,505	\$ 318,828	\$ 338,259	\$ 320,560	\$ 298,400	\$ 276,667	\$ 288,452	\$ 296,981	\$ 306,351	\$ 310,534
Downtown parking violations-tickets issued	6,235	6,107	6,217	3,877	4,351	2,670	1,873	n/a	n/a	n/a
Transit ridership	167,049	157,314	181,002	171,119	212,327	200,473	206,139	209,119	200,540	206,364
Transit farebox revenue	\$ 234,057	\$ 221,752	\$ 287,350	\$ 133,065	\$ 252,248	\$ 249,664	\$ 246,530	\$ 256,947	\$ 330,351	\$ 249,051
Culture and Recreation										
Library	1	1	1	1	1	1	1	1	1	1
Library Volumes	203,479	191,694	209,759	221,833	197,213	198,829	204,418	209,864	203,464	208,313
Circulation	835,262	851,842	859,012	826,121	766,425	779,448	709,154	680,674	641,827	627,249
Senior Center number of visits	47,039	46,562	49,237	53,616	52,508	47,728	51,948	63,359	63,113	62,208
Senior Center volunteer hours worked	16,189	16,608	17,411	18,876	17,812	17,058	21,052	18,114	15,751	15,203
Business-type activities:										
Water Utility										
Average No. of Customers:										
Residential	14,103	14,152	14,239	14,214	14,238	14,275	14,202	14,246	14,358	14,391
Commercial	1,383	1,380	1,384	1,385	1,380	1,381	1,199	1,204	1,215	1,220
Industrial	58	57	55	56	54	56	53	53	53	54
Multifamily							297	301	311	309
Public	72	71	70	72	74	43	77	75	77	76
Gallons of Water Sold:										
Residential	631,339,055	613,009,263	590,568,073	587,827,244	596,156,554	566,336,950	546,756,404	530,939,376	524,086,200	527,408,068
Commercial	382,916,197	360,302,534	356,280,172	368,500,375	374,618,581	348,345,590	269,906,076	274,917,758	268,340,512	269,833,520
Industrial	213,231,560	153,712,025	189,314,970	346,566,644	320,528,853	321,641,496	290,630,912	279,349,576	262,631,776	309,956,240
Multifamily							83,877,728	81,969,580	83,892,688	85,010,200
Public	71,582,613	72,665,776	65,842,281	58,930,350	61,913,800	59,540,905	63,676,492	68,326,060	63,710,900	63,324,932
Plant Capacity (gallons/day)	7,274,000	8,410,000	5,664,000	6,061,000	6,946,000	6,063,000	6,606,000	5,956,000	6,212,000	6,394,000
Wastewater Collection & Treatment System										
Average No. of Customers:										
Residential	14,103	14,152	14,239	14,214	14,238	14,275	14,202	14,246	14,358	14,391
Commercial	1,383	1,380	1,384	1,385	1,380	1,381	1,199	1,204	1,215	1,220
Industrial	58	57	55	56	54	56	53	53	53	54
Multifamily							297	301	311	309
Public	72	71	70	72	74	43	77	75	77	76
System Usage in Gallons										
Residential	631,339,055	613,009,263	590,568,073	587,827,244	596,156,554	566,366,950	546,756,404	530,939,376	524,086,200	527,408,068
Commercial	382,916,197	360,302,534	356,280,172	368,500,375	374,618,581	348,345,590	269,906,076	274,917,758	268,340,512	269,833,520
Industrial	213,231,560	153,712,025	189,314,970	346,566,644	320,528,853	321,641,496	290,630,912	279,349,576	262,631,776	309,956,240
Multifamily							83,877,728	81,969,580	83,892,688	85,010,200
Public	71,582,613	72,665,776	65,842,281	58,930,350	61,913,800	59,540,905	63,676,492	68,326,060	63,710,900	63,324,932

Notes: N/A = Not Available

City of Fond du Lac, Wisconsin

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Function/Program</u>										
Governmental Activities:										
Public Safety										
Police Protection										
Sworn Personnel - Authorized Positions	74	75	75	74	73	73	73	73	72	72
Fire and EMS Protection										
Number of Stations	3	3	3	3	3	3	3	3	3	3
Firefighting Force	65	65	65	65	65	65	65	65	65	65
Firefighting Vehicles	6	6	6	6	6	6	6	6	6	6
Ambulances	5	5	5	5	5	5	5	5	5	5
Public Works										
Miles of Streets	170	171	171	168	171	171	171	171	171	176
Miles of Storm Sewers	169	171	173	175	175	175	175	175	182	192
Recreation and Culture										
Playgrounds	15	15	15	15	15	15	15	16	16	17
City Parks	21	21	21	21	21	21	21	22	22	22
Acres of City Park Land	520	520	520	520	520	520	520	530	530	530
Indoor Skating Facility	1	1	1	1	1	1	1	1	1	1
Outdoor Skating Facility	1	1	1	1	1	1	1	2	2	2
Outdoor Skateboarding Facility	1	1	1	1	1	1	1	1	1	1
Outdoor Pools	1	1	1	1	1	1	1	1	1	1
Outdoor Water Park	1	1	1	1	1	1	1	1	1	1
Disc Golf Course	1	1	1	1	1	1	1	1	1	1
Band Shelters	1	1	1	1	1	1	1	1	1	1
Boat Launches	16	16	16	16	16	16	18	18	18	18
Business-type activities:										
Water Utility										
Miles of Mains	220	220	220	220	220	221	223	223	223	224
Hydrants	1,817	1,826	1,824	1,827	1,829	1,833	1,830	1,836	1,836	1,842
Wastewater Collection & Treatment System										
Miles of Sanitary Sewers	204	197	197	197	197	198	198	198	198	203

**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 City Council
City of Fond du Lac, 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 Fond du Lac, Wisconsin, (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

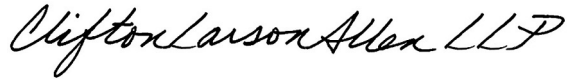
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City'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 on 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

Sheboygan, Wisconsin

July 30, 2019

FEDERAL AND STATE AWARDS



Independent auditors' report on compliance for each major federal and state program and report on internal control over compliance required by the Uniform Guidance and the *State Single Audit Guidelines*

To the City Council
City of Fond du Lac, Wisconsin

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM

We have audited the City of Fond du Lac, Wisconsin's ("the City") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2018. The City's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, Uniform Guidance and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

OPINION ON EACH MAJOR FEDERAL AND STATE PROGRAM

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
July 30, 2019

City of Fond du Lac, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency
U.S. DEPARTMENT OF AGRICULTURE		
US Forest Service Great Lakes Restoration Initiative	10.675	Bay Lake Regional Planning Commission
U.S. Department of Housing and Urban Development		
Community Development Block Grants/Entitlement Grants	14.228	Direct Program
Community Development Block Grant-Revolved Loan Funds/ Program Income	14.228	Direct Program
Total U.S. Department of Housing and Urban Development		
U.S. DEPARTMENT OF JUSTICE		
Bulletproof Vest Partnership Program	16.607	Direct Program
Asset Forfeiture Programs Equitable Sharing	16.922	Direct Program
Total U.S. Department of Justice		
U.S. DEPARTMENT OF TRANSPORTATION		
Federal Transit Cluster		
Federal Transit Formula Grants	20.507	Direct Program
Bus and Bus Facilities Formula Program	20.526	Direct Program
Total Federal Transit Cluster		
Highway Safety Cluster		
State and Community Highway Safety	20.600	Fond du Lac County
Total U.S. Department of Transportation		
TOTAL EXPENDITURES OF FEDERAL AWARDS		

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 1/1/18	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/18	Total Expenditures	Passed Through to Subrecipients
16006-10D	\$ (500)	\$ -	\$ 7,500	\$ 7,000	\$ -
N/A	(584,104)	831,169	397,677	644,742	-
N/A	-	131,688	-	131,688	-
	(584,104)	962,857	397,677	776,430	-
N/A	-	-	4,528	4,528	-
N/A	-	4,648	(4,648)	-	-
	-	4,648	(120)	4,528	-
N/A	(548,522)	548,522	586,384	586,384	-
N/A	(48,800)	49,350	-	550	-
	(597,322)	597,872	586,384	586,934	-
Unknown	(2,872)	34,576	-	31,704	-
	(600,194)	632,448	586,384	618,638	-
	<u>\$ (1,184,798)</u>	<u>\$ 1,599,953</u>	<u>\$ 991,441</u>	<u>\$ 1,406,596</u>	<u>\$ -</u>

City of Fond du Lac, Wisconsin

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency
DEPARTMENT OF NATURAL RESOURCES		
All-Terrain Vehicle (ATV) Program	370.576 & 370.577	Direct Program
Urban Forestry	370.587	Direct Program
Urban Nonpoint Source & Stormwater	370.658	Direct Program
Total Department of Natural Resources		
DEPARTMENT OF TRANSPORTATION		
Transit Operating Aids	395.104	Direct Program
DEPARTMENT OF HEALTH SERVICES		
EMS Funding Assistance Program	435.167	Direct Program
DEPARTMENT OF JUSTICE		
Law Enforcement Training Fund - Local Assistance	455.231	Direct Program
DEPARTMENT OF MILITARY AFFAIRS		
Regional Emergency Response Teams	465.306	Direct Program
Hazardous Materials Emergency Preparedness		Fond du Lac County
Computer and Hazmat Equipment Grant	465.367	Fond du Lac County
Total Department of Military Affairs		
TOTAL STATE PROGRAMS		

The notes to the schedule of expenditures of state awards are an integral part of this schedule.

State Identifying Number	(Accrued) Deferred Revenue 1/1/18	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/18	Total Expenditures	Passed Through to Subrecipients
N/A	\$ (7,383)	\$ 9,131	\$ 642	\$ 2,390	\$ -
N/A	-	-	25,000	25,000	-
N/A	-	16,400	6,797	23,197	-
	<u>(7,383)</u>	<u>25,531</u>	<u>32,439</u>	<u>50,587</u>	<u>-</u>
N/A	<u>(186,126)</u>	<u>559,011</u>	<u>86,800</u>	<u>459,685</u>	<u>-</u>
N/A	<u>-</u>	<u>8,413</u>	<u>-</u>	<u>8,413</u>	<u>-</u>
N/A	<u>-</u>	<u>12,283</u>	<u>-</u>	<u>12,283</u>	<u>-</u>
N/A	-	16,514	-	16,514	-
11036 & 11163	-	21,854	-	21,854	-
Unknown	<u>(8,030)</u>	<u>14,378</u>	<u>-</u>	<u>6,348</u>	<u>-</u>
	<u>(8,030)</u>	<u>52,746</u>	<u>-</u>	<u>44,716</u>	<u>-</u>
	<u>\$ (201,539)</u>	<u>\$ 657,984</u>	<u>\$ 119,239</u>	<u>\$ 575,684</u>	<u>\$ -</u>

City of Fond du Lac, Wisconsin

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the City are presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the City. Because the schedules present only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the City's 2018 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and State Single Audit Guidelines, wherein certain types of expenditures are not allowable or are limited as reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the City in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded City expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The City has not elected to charge a de minimis rate of 10% of modified total costs.

NOTE 3: OVERSIGHT AGENCIES

The federal and state oversight agencies for the City are as follows:

Federal - U.S. Department of Housing and Urban Development

State - Wisconsin Department of Transportation

City of Fond du Lac, Wisconsin

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

BASIC FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None Reported
Noncompliance material to basic financial statements noted?	No

FEDERAL AND STATE AWARDS

Internal control over major program:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program
	<i>Federal Transit Cluster</i>
20.507	Federal Transit Formula Grant
20.526	Bus and Bus Facilities Formula Program

Identification of the major state program:

State ID Number	Name of State Program
395.104	Transit Operating Assistance

Audit threshold used to determine between Type A and Type B programs:

Federal Awards	\$750,000
State Awards	\$250,000

Auditee qualified as low-risk auditee	Yes
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City of Fond du Lac, Wisconsin

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

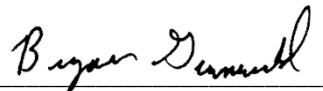
There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2018.

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and State Single Audit Guidelines for the year ended December 31, 2018.

SECTION IV - OTHER ISSUES

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No
2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Natural Resources	No
Department of Transportation	No
Department of Health Services	No
Department of Justice	No
Department of Military Affairs	No
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? No
4. Name and signature of partner 
Bryan Grunewald, CPA
5. Date of report July 30, 2019