

CITY OF CUDAHY

Cudahy, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditor's Report

As of and for the Year Ended December 31, 2014

CITY OF CUDAHY

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Mayor and Common Council
City of Cudahy
Cudahy, 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 Cudahy, Wisconsin, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Cudahy'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor considers internal control relevant to the City of Cudahy'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 of Cudahy'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.

To the Mayor and Common Council
City of Cudahy

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 of Cudahy, Wisconsin, as of December 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

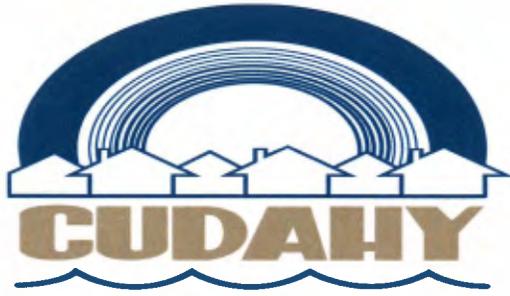
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cudahy's basic financial statements. The combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Vinchow Krause, LLP

Milwaukee, Wisconsin
April 21, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's Discussion and Analysis (Unaudited)

As management of the City of Cudahy, we offer readers of the City of Cudahy's financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended December 31, 2014. This narrative should be read in conjunction with the City's financial statements.

Financial Highlights

The assets and deferred outflows of resources of the City of Cudahy exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$53.7 million (net position), an increase of \$1,808,016 over the prior year net position of \$51.9 million. This increase is attributed to a contribution that the City received for land that will be held for resale, along with a decrease in conservation and development expenses in 2014.

Restricted net position principally represent amounts held in the City's tax increment districts for future expenditures and amounts held in reserve funds for debt service.

As of the close of the current fiscal year, the City of Cudahy's governmental funds reported combined ending fund balances of \$30.2 million, a decrease of \$0.7 million in comparison with the prior year. Approximately 11.9 percent of this total amount, \$3.6 million, is available for spending at the government's discretion (unassigned fund balance). At year-end, management had set aside \$3.1 million of the unassigned fund balance for specific purposes.

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3.6 million, or 28.4 percent of total general fund expenditures. In accordance with City of Cudahy policy, management has set aside \$3.1 million of this unassigned fund balance for working capital and future contingencies based on 25 percent of the 2015 general fund budget.

The City of Cudahy's total long-term obligations (governmental & business type) increased by \$4,552,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Cudahy's basic financial statements. The City of Cudahy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the City of Cudahy's assets and deferred outflows of resources, and its liabilities and deferred 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 Cudahy 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 the 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 Cudahy 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 Cudahy include general government, protection of persons and property, public works, health and sanitation, parks and recreation, library, and conservation and development. The business-type activities of the City of Cudahy include a Water Utility, a Sewer Utility and a Storm Water Utility.

The government-wide financial statements include not only the City of Cudahy itself (known as the *primary government*), but also a legally separate Community Development Authority for which the City of Cudahy is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself. The Water, Sewer and Storm Water Utilities function for all practical purposes as departments of the City of Cudahy, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cudahy, 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 Cudahy can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. 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*.

The City of Cudahy maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the tax increment district #1 tax levy special revenue fund, the debt service fund and the tax increment district #1 capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a 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 basic governmental fund financial statements can be found on pages 15 - 19 of this report.

The City of Cudahy adopts an annual appropriated budget for the general fund and various other funds as required by state statute. A budgetary comparison statement, found on page 67, has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

Proprietary funds. The City of Cudahy maintains two different 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 Cudahy uses enterprise funds to account for its Water, Sewer and Storm Water Utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Cudahy uses an internal service fund to account for its liability insurance. Because this service predominantly benefits governmental rather than business-type functions, it has 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, Sewer, and Storm Water Utilities, all of which are considered to be major funds of the City of Cudahy. Individual fund data for the internal service fund is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20 - 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Cudahy's own programs. The only fiduciary fund maintained by the City of Cudahy is the Tax Roll Fund which records the tax roll and tax collections for other taxing jurisdictions within the City of Cudahy. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 66 of this report.

Other information. The required supplementary information can be found on pages 67 - 69 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 70 - 73 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cudahy, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53.7 million and \$51.9 million at December 31, 2014 and 2013, respectively, as presented in the following table.

CITY OF CUDAHY'S NET POSITION						
December 31, (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 51,385	\$ 48,090	\$ 11,040	\$ 5,165	\$ 62,425	\$ 53,255
Capital assets	<u>49,312</u>	<u>51,777</u>	<u>32,613</u>	<u>33,065</u>	<u>81,925</u>	<u>84,842</u>
Total assets	<u>100,697</u>	<u>99,867</u>	<u>43,653</u>	<u>38,230</u>	<u>144,350</u>	<u>138,097</u>
Deferred Outflows of Resources	<u>827</u>	<u>941</u>	<u>57</u>	<u>66</u>	<u>884</u>	<u>1,007</u>
Current and other liabilities	1,369	1,216	892	880	2,261	2,096
Long-term liabilities	<u>60,047</u>	<u>61,277</u>	<u>14,914</u>	<u>9,132</u>	<u>74,961</u>	<u>70,409</u>
Total liabilities	<u>61,416</u>	<u>62,493</u>	<u>15,806</u>	<u>10,012</u>	<u>77,222</u>	<u>72,505</u>
Deferred Inflows of Resources	<u>14,272</u>	<u>14,668</u>	<u>-</u>	<u>-</u>	<u>14,272</u>	<u>14,668</u>
Net Position						
Net investment capital assets	25,577	23,001	24,249	24,801	45,899	43,451
Restricted	15,234	17,214	447	378	15,681	17,592
Unrestricted (Deficit)	<u>(14,976)</u>	<u>(16,568)</u>	<u>3,208</u>	<u>3,105</u>	<u>(7,841)</u>	<u>(9,112)</u>
Total net position	<u>\$ 25,835</u>	<u>\$ 23,647</u>	<u>\$ 27,904</u>	<u>\$ 28,284</u>	<u>\$ 53,739</u>	<u>\$ 51,931</u>

The City of Cudahy's governmental activities investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding is reported at \$25.6 million. The City of Cudahy uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Cudahy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Cudahy's governmental activities net position, \$15.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit \$14.9 million.

The City of Cudahy's net position increased by \$1,808,016 during the current fiscal year. The amount related to the governmental activities was \$2,188,280, while the business-type activities had an decrease in net position of \$380,264.

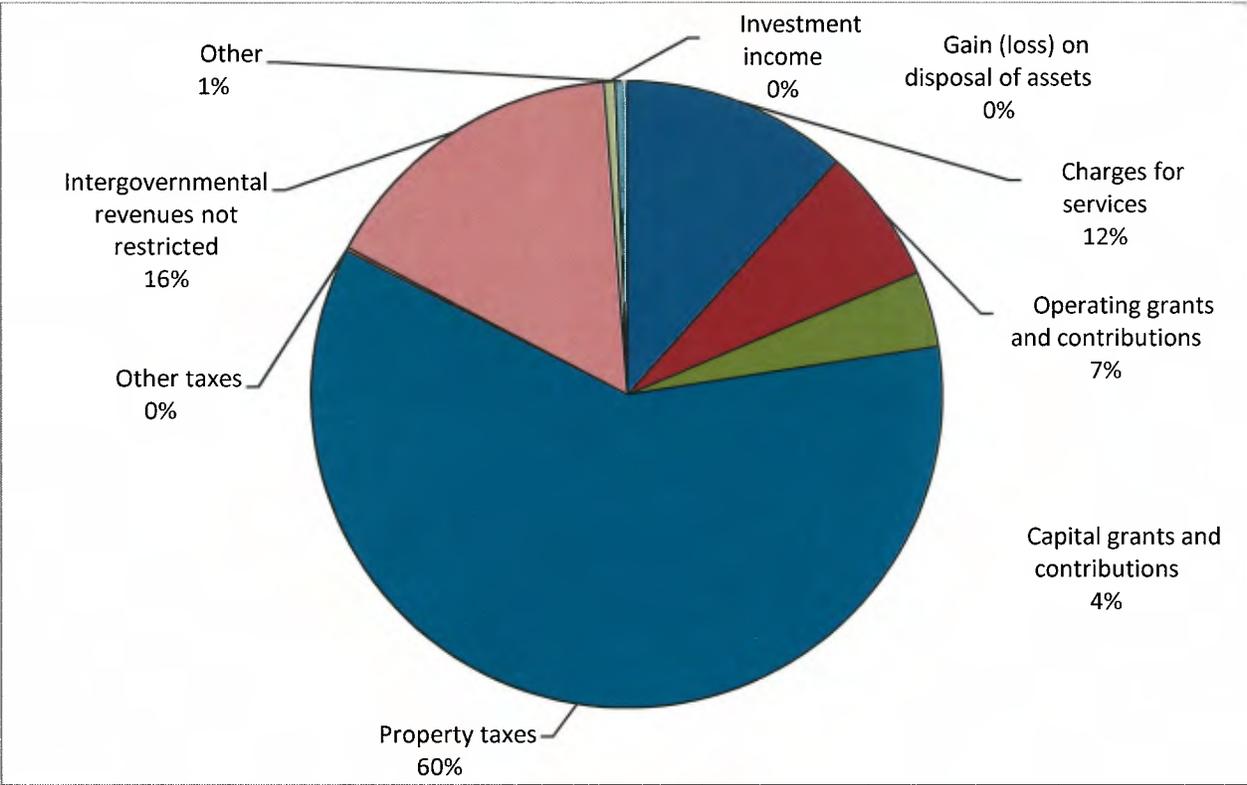
The Governmental Activities deficit of \$14.9 million principally represents utility capital assets contributed by the Governmental Activities (Tax Increment Financing (TIF) Program) to the Business-Type Activities and other noncapital development costs financed with TIF debt.

Statement of activities. The following is a more detailed review of the City's 2014 and 2013 operations.

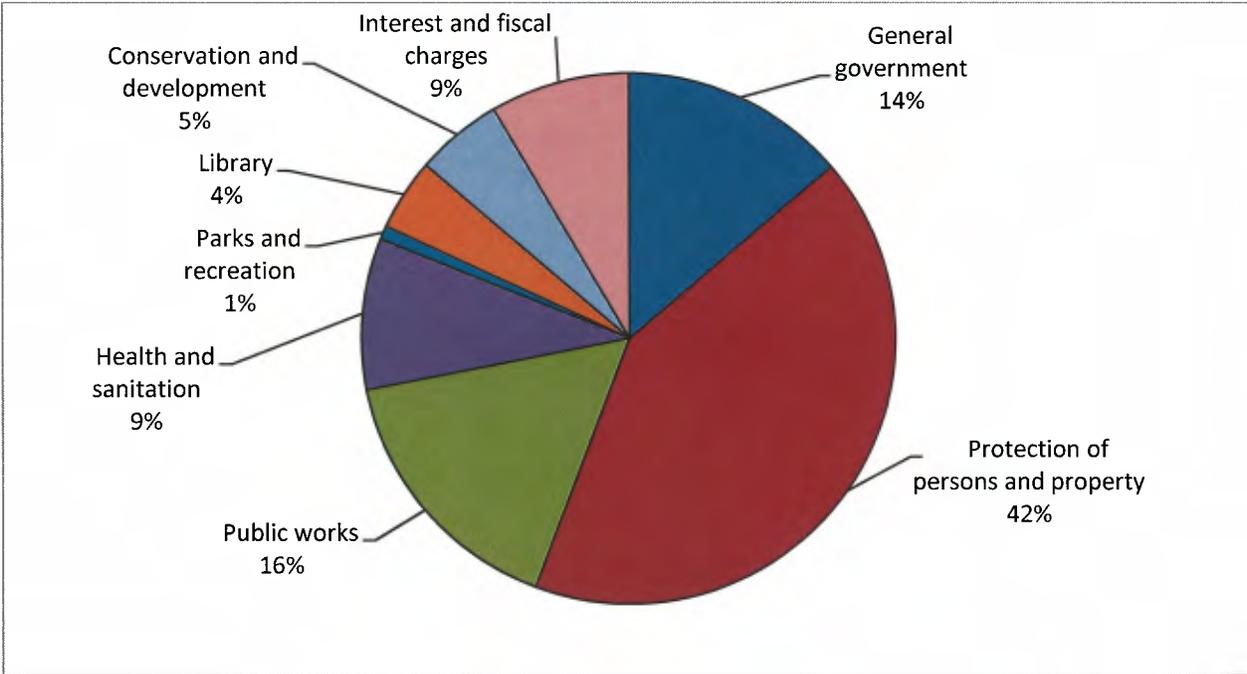
CITY OF CUDAHY'S CHANGES IN NET POSITION						
For the year ending December 31, (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 2,710	\$ 2,770	\$ 6,560	\$ 5,862	\$ 9,270	\$ 8,632
Operating grants and contributions	1,628	1,950	-	47	1,628	1,997
Capital grants and contributions	913	242	-	-	913	242
General revenues						
Property taxes	14,000	13,499	-	-	14,000	13,499
Other taxes	41	22	-	-	41	22
Intergovernmental revenues not restricted	3,737	3,709	-	-	3,737	3,709
Investment income	135	157	7	13	142	170
Gain (loss) on disposal of assets	-	(1,502)	-	-	-	(1,502)
Other	140	165	11	-	151	165
Total revenues	<u>23,304</u>	<u>21,012</u>	<u>6,578</u>	<u>5,922</u>	<u>29,882</u>	<u>26,934</u>
Expenses						
General government	2,965	2,831	-	-	2,965	2,831
Protection of persons and property	9,028	8,996	-	-	9,028	8,996
Public works	3,469	3,299	-	-	3,469	3,299
Health and sanitation	1,986	2,124	-	-	1,986	2,124
Parks and recreation	182	227	-	-	182	227
Library	940	1,059	-	-	940	1,059
Conservation and development	1,132	1,651	-	-	1,132	1,651
Interest and fiscal charges	1,809	2,129	-	-	1,809	2,129
Water	-	-	3,108	2,139	3,108	2,139
Sewer	-	-	2,467	2,211	2,467	2,211
Storm Water	-	-	988	1,183	988	1,183
Total expenses	<u>21,511</u>	<u>22,316</u>	<u>6,563</u>	<u>5,533</u>	<u>28,074</u>	<u>27,849</u>
Increase (decrease) in net position before transfers	1,793	(1,304)	15	389	1,808	(915)
Transfers	395	375	(395)	(375)	-	-
Increase (decrease) in net position	2,188	(929)	(380)	14	1,808	(915)
Net position - January 1	<u>23,647</u>	<u>24,576</u>	<u>28,284</u>	<u>28,270</u>	<u>51,931</u>	<u>52,846</u>
Net position - December 31,	<u>\$ 25,835</u>	<u>\$ 23,647</u>	<u>\$ 27,904</u>	<u>\$ 28,284</u>	<u>\$ 53,739</u>	<u>\$ 51,931</u>

The significant changes between the 2014 governmental activities data compared to the 2013 data include an increase in capital grants and contributions of \$671,000, a loss on disposal of assets of \$1.5 million in 2013, a decrease of conservation and development expenses of \$519,000 and an decrease interest and fiscal charges of \$320,000.

Program and General Revenues by Source – Governmental Activities

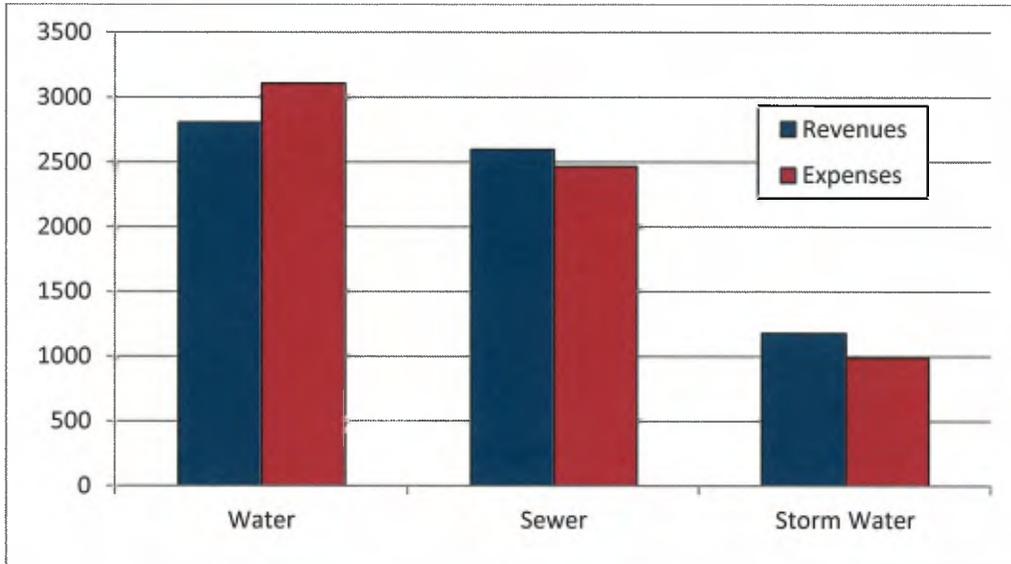


Expenses by Function – Governmental Activities

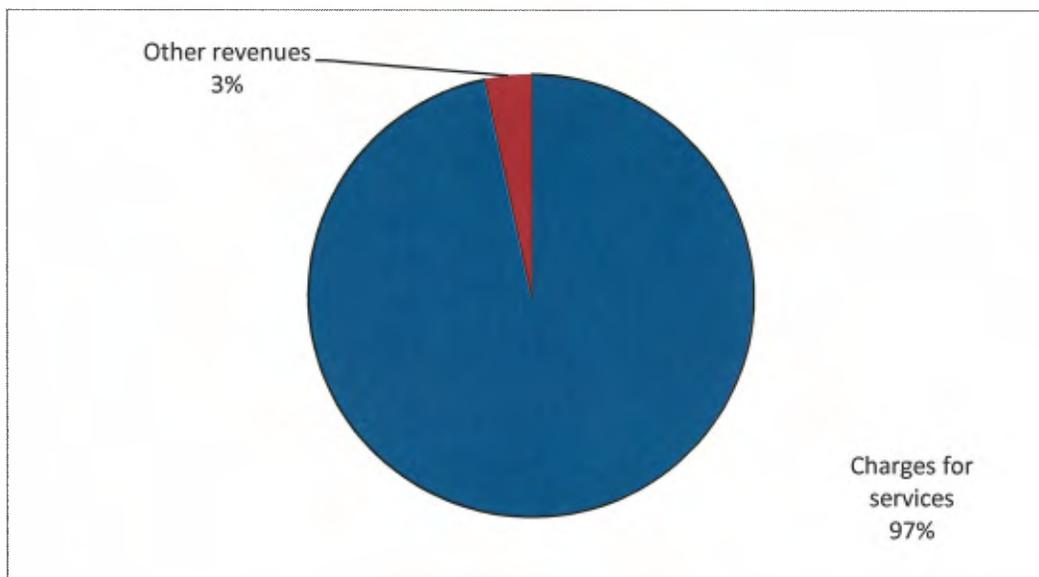


Business-type activities. The significant changes between the 2014 business-type activities compared to the 2013 data include an increase in charges for services of \$698,000 and increase in expenditures before transfers of \$1,030,000.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Governmental Funds

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

Governmental funds. The focus of the City of Cudahy’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s 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.

As of the end of the current fiscal year, the City of Cudahy's governmental funds reported combined ending fund balances of \$30.2 million, a decrease of \$697,528 in comparison with the prior year. Approximately 11.9 percent of this total amount (\$3.6 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Management has set aside \$3.1 million of unassigned fund balance to provide working capital per the City's policy. In addition, the deficit fund balance for the non-major funds (\$56,000) reduces the unassigned fund balance amount. The City has nonspendable fund balance (\$399,000) for prepaid items (\$299,000) and the Cudahy Family Library's children endowment fund (\$100,000). Restricted fund balance (\$17.6 million) includes amounts that will be used to pay tax increment district project costs (\$9.9 million), debt service (\$5.5 million), noncurrent receivables (\$797,000), the Cudahy Family Library's endowment fund (\$276,000), CDA Project costs of (\$707,000) and other library activities (\$350,000). The City has also committed fund balance (\$1.97 million) for specific purposes. Lastly, the assigned fund balance (\$6.7 million) includes amounts for capital project funding (\$6.2 million) and for a variety of general fund activities (\$230,000).

The general fund is the chief operating fund of the City of Cudahy. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3.6 million, while total fund balance amounted to \$4.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (\$3.6 million), which includes the fund balance set aside for working capital (\$3.1 million), to total general fund expenditures. Unassigned fund balance represents 28.4 percent of total general fund expenditures, while total fund balance represents 32.2 percent of that same amount.

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

Unrestricted net position of the Water Utility at the end of the year amounted to deficit of \$109,000, for the Sewer Utility amounted to \$995,000 and for the Storm Water Utility amounted to \$2.3 million. The change in net position for these funds included a decrease of \$682,000 in the Water Utility, an increase of \$112,000 in the Sewer Utility and an increase \$189,000 in the Storm Water Utility.

General Fund Budgetary Highlights

Actual revenues and other financing sources were less than budget by \$51,000. Budgetary expenditures were less than budget by \$45,000 on a total budget of \$12.92 million. In total, the General Fund results were a decrease to fund balance of \$59,000. Accordingly, on a budgetary basis the General Fund experienced a total unfavorable budget variance of \$6,000.

Capital Asset and Debt Administration

Capital assets. The City of Cudahy's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2014 and 2013 amounts to \$81.9 million and \$82.8 million, respectively. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, utility infrastructure, street infrastructure constructed during the year and library books.

CITY OF CUDAHY'S CAPITAL ASSETS							
(net of accumulated depreciation)							
December 31,							
(In Thousands)							
	Governmental		Business-type		Total		
	2014	2013	2014	2013	2014	2013	
Land & improvements	\$ 14,914	\$ 14,924	\$ 168	\$ 168	\$ 15,082	\$ 15,092	
Construction in progress	815	-	26	-	841	-	
Buildings	9,306	9,487	385	454	9,691	9,941	
Machinery and equipment	3,221	3,524	1,492	1,674	4,713	5,198	
Intangible assets	60	75	-	-	60	75	
Infrastructure	20,523	21,208	30,542	30,770	51,065	51,978	
Library books	473	494	-	-	473	494	
Total	<u>\$ 49,312</u>	<u>\$ 49,712</u>	<u>\$ 32,613</u>	<u>\$ 33,066</u>	<u>\$ 81,925</u>	<u>\$ 82,778</u>	

Additional information on the City of Cudahy's capital assets can be found in Note III D. on pages 46 - 48 of this report.

Long-term debt. At the end of the current and prior fiscal years, the City of Cudahy had total long-term obligations outstanding of \$74.9 million and \$70.4 million, respectively. Of these amounts, debt backed by the full faith and credit of the government comprised \$38.7 million in 2014 and \$38.7 million in 2013. The remainder of the City of Cudahy's bonds represents debt secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt decreased by \$4,552,000 during the current fiscal year.

CITY OF CUDAHY'S OUTSTANDING DEBT							
December 31,							
(In Thousands)							
	Governmental		Business-type		Total		
	2014	2013	2014	2013	2014	2013	
General obligation bonds and notes	\$ 35,413	\$ 35,218	\$ 3,297	\$ 3,511	\$ 38,710	\$ 38,729	
Revenue bonds	18,278	20,419	11,330	5,420	29,608	25,839	
Compensated absences	895	949	-	-	895	949	
Other post-employment benefits	4,843	4,092	101	84	4,944	4,176	
Other	618	599	186	117	804	716	
Total	<u>\$ 60,047</u>	<u>\$ 61,277</u>	<u>\$ 14,914</u>	<u>\$ 9,132</u>	<u>\$ 74,961</u>	<u>\$ 70,409</u>	

The City most recent Moody's ratings were: an AA3 bond rating for its general obligation debt and an A1 rating for the Community Development Authority debt, Water and Sewer Utility revenue bonds and Storm Water Utility Revenue Bonds. Standard & Poor's rating of the City's stayed at AA- in 2014.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Cudahy is \$60.9 million which is significantly in excess of the City of Cudahy's outstanding general obligation debt of \$38.7 million.

Additional information on the City of Cudahy's long-term debt can be found in Note III F. on pages 50 - 55 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Cudahy is located in Milwaukee County, WI. The unemployment rate for Milwaukee County at December 31, 2014 was 5.9 percent which was slightly lower than the prior year. The City has a higher percentage of low to moderate income population than Milwaukee County as a whole. However, the number of jobs available in the City of Cudahy has remained very stable the last three years.

The City's population trend has also been very stable the past few years.

As disclosed in Note II D. to the financial statements, legislation exists that limits the City's future tax levies. For taxes levied in 2014 collected in 2015 the limit will be the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit.

The City's past year's budgets have qualified the City to receive the Expenditure Restraint Shared Revenue (ERP) payment. It is expected that the 2015 budget will also qualify for the ERP payment. The City's past experience demonstrates a continuing reduction in State of Wisconsin aids for shared revenues.

Requests for Information

This financial report is designed to provide a general overview of the City of Cudahy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Comptroller, City of Cudahy, 5050 South Lake Drive, Cudahy, Wisconsin 53110.

BASIC FINANCIAL STATEMENTS

CITY OF CUDAHY
STATEMENT OF NET POSITION
As of December 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 27,082,889	\$ 2,600,275	\$ 29,683,164
Taxes receivable	14,307,049	-	14,307,049
Accounts receivable, net of allowance of \$60,483	163,160	2,119,369	2,282,529
Accrued investment income	39,613	-	39,613
Special assessments receivable	287,079	-	287,079
Loans receivable	797,424	-	797,424
Other receivables	137,495	185	137,680
Internal balances	616,739	(616,739)	-
Prepaid items	298,829	-	298,829
Deposit with Cities and Villages			
Mutual Insurance Company	722,170	-	722,170
Materials and supply inventory	-	30,154	30,154
Restricted assets - cash and investments	2,564,410	6,906,455	9,470,865
Land held for resale	4,368,310	-	4,368,310
Capital assets			
Land	14,599,528	168,316	14,767,844
Other capital assets, net of depreciation	33,896,961	32,419,463	66,316,424
Construction in progress	814,976	25,501	840,477
Total Assets	<u>100,696,632</u>	<u>43,652,979</u>	<u>144,349,611</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	827,091	56,589	883,680
Total Deferred Outflows of Resources	<u>827,091</u>	<u>56,589</u>	<u>883,680</u>
LIABILITIES			
Accounts payable and other current liabilities	983,472	778,905	1,762,377
Accrued interest payable	356,321	96,051	452,372
Unearned revenue	29,168	17,328	46,496
Noncurrent liabilities			
Due within one year	5,853,715	694,339	6,548,054
Due in more than one year	54,193,577	14,219,538	68,413,115
Total Liabilities	<u>61,416,253</u>	<u>15,806,161</u>	<u>77,222,414</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	14,271,979	-	14,271,979
Total Deferred Inflows of Resources	<u>14,271,979</u>	<u>-</u>	<u>14,271,979</u>
NET POSITION			
Net investment in capital assets	25,577,220	24,248,900	45,898,675
Restricted for			
Debt service	3,271,140	344,799	3,615,939
TID activities	11,237,702	-	11,237,702
Library endowment	100,000	-	100,000
Library capital improvements	275,591	-	275,591
Library operations	350,139	-	350,139
Equipment replacement	-	102,217	102,217
Unrestricted (Deficit)	<u>(14,976,301)</u>	<u>3,207,491</u>	<u>(7,841,365)</u>
TOTAL NET POSITION	<u>\$ 25,835,491</u>	<u>\$ 27,903,407</u>	<u>\$ 53,738,898</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 2,965,234	\$ 455,549	\$ -	\$ -	\$ (2,509,685)	\$ -	\$ (2,509,685)
Protection of persons and property	9,027,613	1,345,268	88,104	5,534	(7,588,707)	-	(7,588,707)
Public works	3,468,678	347,187	973,398	-	(2,148,093)	-	(2,148,093)
Health and sanitation	1,986,208	508,594	376,175	-	(1,101,439)	-	(1,101,439)
Parks and recreation	182,352	210	-	-	(182,142)	-	(182,142)
Library	940,220	53,301	186,838	85,551	(614,530)	-	(614,530)
Conservation and development	1,132,551	-	3,763	822,140	(306,648)	-	(306,648)
Interest and fiscal charges	1,808,602	-	-	-	(1,808,602)	-	(1,808,602)
Total Governmental Activities	21,511,458	2,710,109	1,628,278	913,225	(16,259,846)	-	(16,259,846)
Business-type Activities							
Water	3,108,072	2,803,325	-	-	-	(304,747)	(304,747)
Sewer	2,466,866	2,586,536	-	-	-	119,670	119,670
Storm Water	988,330	1,169,904	-	-	-	181,574	181,574
Total Business-type Activities	6,563,268	6,559,765	-	-	-	(3,503)	(3,503)
Totals	\$ 28,074,726	\$ 9,269,874	\$ 1,628,278	\$ 913,225	(16,259,846)	(3,503)	(16,263,349)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					6,904,126	-	6,904,126
Property taxes, levied for debt service					1,177,630	-	1,177,630
Property taxes, levied for tax increment districts					5,917,870	-	5,917,870
Other taxes					41,470	-	41,470
Intergovernmental revenues not restricted to specific programs					3,736,713	-	3,736,713
Investment income					135,373	7,198	142,571
Miscellaneous					139,616	11,573	151,189
Gain (loss) on disposal of assets					-	(204)	(204)
Transfers					395,328	(395,328)	-
Total General Revenues and Transfers					18,448,126	(376,761)	18,071,365
Change in Net Position					2,188,280	(380,264)	1,808,016
NET POSITION - Beginning of Year					23,647,211	28,283,671	51,930,882
NET POSITION - END OF YEAR					\$ 25,835,491	\$ 27,903,407	\$ 53,738,898

See accompanying notes to financial statements.

CITY OF CUDAHY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2014

	General	Tax Increment District #1 Tax Levy	Debt Service	Tax Increment District #1 Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 3,342,011	\$ 7,477,948	\$ 3,617,461	\$ 1,862,903	\$ 6,255,048	\$ 3,982,213	\$ 26,537,584
Accounts receivable (net of allowance uncollectibles of \$60,483)	-	-	-	-	177	105,110	105,287
Taxes receivable	5,919,942	5,036,132	1,229,684	7,953	-	2,113,338	14,307,049
Special assessments receivable	-	-	-	18,640	-	268,439	287,079
Loans receivable	-	-	-	797,424	-	-	797,424
Other receivables	186,090	14,040	-	-	-	-	200,130
Due from other funds	1,282,210	-	-	-	-	-	1,282,210
Restricted cash and investments	-	-	1,825,188	-	-	739,222	2,564,410
Prepaid items	267,208	-	-	-	31,356	265	298,829
Total Assets	<u>\$ 10,997,461</u>	<u>\$ 12,528,120</u>	<u>\$ 6,672,333</u>	<u>\$ 2,686,920</u>	<u>\$ 6,286,581</u>	<u>\$ 7,208,587</u>	<u>\$ 46,380,002</u>

CITY OF CUDAHY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2014

	General	Tax Increment District #1 Tax Levy	Debt Service	Tax Increment District #1 Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
LIABILITIES							
Accounts payable	\$ 413,163	\$ 38,093	\$ -	\$ 2,753	\$ 30,602	\$ 129,647	\$ 614,258
Accrued liabilities	201,843	152	-	687	-	16,748	219,430
Unearned revenues	-	-	-	-	-	29,168	29,168
Due to other governments	330	-	-	-	-	-	330
Due to other funds	253,010	-	-	-	-	412,461	665,471
Total Liabilities	868,346	38,245	-	3,440	30,602	588,024	1,528,657
DEFERRED INFLOWS OF RESOURCES							
Unearned revenues	5,982,707	5,036,132	1,229,684	-	-	2,023,456	14,271,979
Unavailable revenues	-	-	-	26,593	-	367,251	393,844
Total Deferred Inflows of Resources	5,982,707	5,036,132	1,229,684	26,593	-	2,390,707	14,665,823
FUND BALANCES							
Nonspendable	267,208	-	-	-	31,356	100,265	398,829
Restricted	-	7,453,743	5,442,649	2,656,887	-	2,382,021	17,935,300
Committed	-	-	-	-	-	1,966,840	1,966,840
Assigned	229,847	-	-	-	6,224,623	199,968	6,654,438
Unassigned (Deficit)	3,649,353	-	-	-	-	(419,238)	3,230,115
Total Fund Balances	4,146,408	7,453,743	5,442,649	2,656,887	6,255,979	4,229,856	30,185,522
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
	\$ 10,997,461	\$ 12,528,120	\$ 6,672,333	\$ 2,686,920	\$ 6,286,581	\$ 7,208,587	\$ 46,380,002

CITY OF CUDAHY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2014

Fund balance - total governmental funds	\$ 30,185,522
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets and other assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land held for resale	4,368,310
Land	14,599,528
Construction in progress	814,976
Other capital assets	62,965,180
Less: Accumulated depreciation	(29,068,219)

Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.

Special assessments	393,844
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Internal service funds are used by management to charge costs of insurance coverage to individual funds. The assets and liabilities of the internal service fund are included in government activities in the statement of net position.

	1,152,872
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Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, not reported in the funds.

Bonds and notes payable	(53,691,505)
Unamortized loss on refunding	827,091
Unamortized debt premium	(617,710)
Compensated absences	(894,635)
Accrued interest	(356,321)
Unfunded OPEB liability	<u>(4,843,442)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

	<u>\$ 25,835,491</u>
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CITY OF CUDAHY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2014

	General	Tax Increment District #1 Tax Levy	Debt Service	Tax Increment District #1 Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 5,811,071	\$ 5,628,386	\$ 1,177,630	\$ -	\$ -	\$ 1,417,760	\$ 14,034,847
Other taxes	-	-	-	-	-	6,249	6,249
Intergovernmental	4,684,507	52,984	-	-	-	583,393	5,320,884
Licenses and permits	519,976	-	-	-	-	-	519,976
Fines, forfeitures and penalties	794,176	-	-	-	-	27,357	821,533
Public charges for services	404,290	-	-	-	-	912,714	1,317,004
Interdepartmental charges for services	30,987	-	-	-	-	-	30,987
Public improvement revenues	-	-	-	8,388	-	194,396	202,784
Investment income	33,136	9,346	4,174	2,044	5,310	25,423	79,433
Commercial revenues	133,427	9,309	-	21	235	111,915	254,907
Total Revenues	12,411,570	5,700,025	1,181,804	10,453	5,545	3,279,207	22,588,604
EXPENDITURES							
Current							
General government	2,671,652	-	-	-	6,518	-	2,678,170
Protection of persons and property	7,482,618	-	-	-	-	407,797	7,890,415
Public works	1,544,958	-	-	-	26,134	18,939	1,590,031
Health and sanitation	968,745	-	-	-	-	997,397	1,966,142
Park and recreation	168,750	-	-	-	-	-	168,750
Library	-	-	-	-	-	740,782	740,782
Conservation and development	-	2,520,042	-	41,248	-	135,630	2,696,920
Capital Outlay	28,741	-	-	878,123	380,669	1,097,631	2,385,164
Debt Service	-	-	-	-	-	-	-
Principal retirement	-	-	5,140,003	-	-	-	5,140,003
Interest and other charges	-	-	1,750,644	-	-	-	1,750,644
Total Expenditures	12,865,464	2,520,042	6,890,647	919,371	413,321	3,398,176	27,007,021
Excess (deficiency) of revenues over expenditures	(453,894)	3,179,983	(5,708,843)	(908,918)	(407,776)	(118,969)	(4,418,417)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	-	-	3,245,000	-	3,245,000
Premium on long term debt issued	-	-	80,561	-	-	-	80,561
Transfers in	395,328	-	5,499,243	446,220	65	163,171	6,504,027
Transfers out	-	(5,526,754)	-	(174,680)	-	(407,265)	(6,108,699)
Total Other Financing Sources (Uses)	395,328	(5,526,754)	5,579,804	271,540	3,245,065	(244,094)	3,720,889
Net change in fund balances	(58,566)	(2,346,771)	(129,039)	(637,378)	2,837,289	(363,063)	(697,528)
FUND BALANCES - Beginning of Year	4,204,974	9,800,514	5,571,688	3,294,265	3,418,690	4,592,919	30,883,050
FUND BALANCES - END OF YEAR	\$ 4,146,408	\$ 7,453,743	\$ 5,442,649	\$ 2,656,887	\$ 6,255,979	\$ 4,229,856	\$ 30,185,522

See accompanying notes to financial statements.

CITY OF CUDAHY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Net change in fund balances - total governmental funds	\$ (697,528)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is reported in the government-wide financial statements as capital or other assets	2,385,164
Some items reported as capital outlay were not capitalized	(937,320)
Land purchased and held for resale	2,303,477
Depreciation is reported in the government-wide statements	(1,848,439)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(93,722)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(3,245,000)
Principal repaid	5,141,400
Payments on tax increment revenue bonds	50,487

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	54,712
Unfunded OPEB liability	(751,822)
Accrued interest on debt	(3,701)

Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net position, these are deferred and reported as other assets or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	
Amortization of loss on refunding	(114,404)
Premium on debt issued	(80,561)
Amortization of debt premium	60,148

Internal service funds are used by management to charge self insurance costs to individual funds.	(34,611)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,188,280</u>
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CITY OF CUDAHY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	
ASSETS				
Current Assets				
Cash and investments	\$ 14,294	\$ 662,769	\$ 1,923,212	\$ 2,600,275
Accounts receivable	906,088	810,252	403,029	2,119,369
Other receivables	-	61	124	185
Due from other funds	104,534	104,951	43,525	253,010
Materials, supply inventory and prepaid items	28,581	1,281	292	30,154
Restricted assets - cash and investments	171,129	79,107	162,396	412,632
Total Current Assets	1,224,626	1,658,421	2,532,578	5,415,625
Non-Current Assets				
Restricted assets - cash and investments	307,674	4,212,952	1,973,197	6,493,823
Capital Assets				
Property and equipment	20,454,811	9,233,265	17,789,390	47,477,466
Less: Accumulated depreciation	(10,097,493)	(1,960,501)	(2,831,693)	(14,889,687)
Construction in progress	-	9,351	16,150	25,501
Total Capital Assets, Net of Depreciation	10,357,318	7,282,115	14,973,847	32,613,280
Investment in Cities and Villages Mutual Insurance Company	-	-	-	722,170
Total Non-Current Assets	10,664,992	11,495,067	16,947,044	39,107,103
Total Assets	11,889,618	13,153,488	19,479,622	44,522,728
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	44,609	11,980	-	56,589
Total Deferred Outflows of Resources	44,609	11,980	-	56,589

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 37,309	\$ 570,718	\$ 26,821	\$ 634,848
Accrued payroll	18,794	3,896	5,037	27,727
Due to other funds	869,749	-	-	869,749
Accrued compensated absences	116,330	-	-	116,330
Unearned revenue	17,328	-	-	17,328
Accrued interest on general obligation debt	2,057	9,854	16,306	28,217
Current portion of general obligation debt	15,342	79,652	124,345	219,339
Current Liabilities Payable from Restricted Assets				
Accrued interest on revenue bonds	10,129	24,537	33,168	67,834
Current portion of revenue bonds	226,500	43,500	205,000	475,000
Total Current Liabilities	<u>1,313,538</u>	<u>732,157</u>	<u>410,677</u>	<u>2,456,372</u>
Noncurrent Liabilities				
Net OPEB obligation	101,301	-	-	101,301
Long-term debt, net of current maturities				
General obligation debt	178,079	1,250,138	1,831,902	3,260,119
Revenue bonds payable	1,369,418	4,473,700	5,015,000	10,858,118
Total Noncurrent Liabilities	<u>1,648,798</u>	<u>5,723,838</u>	<u>6,846,902</u>	<u>14,219,538</u>
Total Liabilities	<u>2,962,336</u>	<u>6,455,995</u>	<u>7,257,579</u>	<u>16,675,910</u>
NET POSITION				
Net investment in capital assets	8,920,262	5,557,841	9,770,797	24,248,900
Restricted for debt service	161,000	54,571	129,228	344,799
Restricted for equipment replacement	-	102,217	-	102,217
Unrestricted	(109,371)	994,844	2,322,018	3,207,491
TOTAL NET POSITION	<u>\$ 8,971,891</u>	<u>\$ 6,709,473</u>	<u>\$ 12,222,043</u>	<u>\$ 27,903,407</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility		
OPERATING REVENUES					
Charges for services and sales	\$ 2,471,926	\$ 2,586,536	\$ 1,169,904	\$ 6,228,366	\$ 32,000
Other operating revenues	331,399	-	-	331,399	-
Total Operating Revenues	<u>2,803,325</u>	<u>2,586,536</u>	<u>1,169,904</u>	<u>6,559,765</u>	<u>32,000</u>
OPERATING EXPENSES					
Operation and maintenance	2,524,549	2,057,217	407,153	4,988,919	100,595
Depreciation	509,569	114,053	251,673	875,295	-
Total Operating Expenses	<u>3,034,118</u>	<u>2,171,270</u>	<u>658,826</u>	<u>5,864,214</u>	<u>100,595</u>
Operating Income	<u>(230,793)</u>	<u>415,266</u>	<u>511,078</u>	<u>695,551</u>	<u>(68,595)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	298	3,514	3,386	7,198	33,984
Miscellaneous revenue	-	292	-	292	-
Amortization of debt premium	311	6,347	4,623	11,281	-
Interest expense	(66,911)	(293,705)	(329,504)	(690,120)	-
Amortization of loss on refunding	(7,043)	(1,891)	-	(8,934)	-
Loss on disposal of assets	-	-	(204)	(204)	-
Total Nonoperating Revenues (Expenses)	<u>(73,345)</u>	<u>(285,443)</u>	<u>(321,699)</u>	<u>(680,487)</u>	<u>33,984</u>
Income (Loss) Before Transfers	(304,138)	129,823	189,379	15,064	(34,611)
TRANSFERS					
Transfers out	(377,370)	(17,958)	-	(395,328)	-
Total Transfers	<u>(377,370)</u>	<u>(17,958)</u>	<u>-</u>	<u>(395,328)</u>	<u>-</u>
Change in Net Position	(681,508)	111,865	189,379	(380,264)	(34,611)
NET POSITION – Beginning of Year	9,653,399	6,597,608	12,032,664	28,283,671	1,187,483
NET POSITION – END OF YEAR	<u>\$ 8,971,891</u>	<u>\$ 6,709,473</u>	<u>\$ 12,222,043</u>	<u>\$ 27,903,407</u>	<u>\$ 1,152,872</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,448,313	\$ 2,397,199	\$ 1,101,976	\$ 5,947,488	\$ -
Cash received from (paid to) city	50,750	(50,750)	-	-	25,724
Cash paid to suppliers for goods and services	(1,961,356)	(1,824,222)	(240,730)	(4,026,308)	(105,554)
Cash payments to employees for services	(576,693)	(148,191)	(185,477)	(910,361)	-
Net Cash Flows From Operating Activities	(38,986)	374,036	675,769	1,010,819	(79,830)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash payments from (to) city	(377,370)	(17,958)	-	(395,328)	-
Cash deficit implicitly financed	731,686	-	-	731,686	-
Net Cash Flows From Non-capital Financing Activities	354,316	(17,958)	-	336,358	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(193,255)	(41,168)	(239,480)	(473,903)	-
Long-term debt issued	260,000	4,175,000	1,890,000	6,325,000	-
Principal paid on debt	(232,709)	(120,766)	(276,520)	(629,995)	-
Premium from debt issuance	3,429	57,918	19,268	80,615	-
Interest paid on debt	(67,116)	(271,883)	(321,098)	(660,097)	-
Net Cash Flows From Capital and Related Financing Activities	(229,651)	3,799,101	1,072,170	4,641,620	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	298	3,453	3,262	7,013	33,984
Net Cash Flows From Investing Activities	298	3,453	3,262	7,013	33,984
Net Change in Cash and Cash Equivalents	85,977	4,158,632	1,751,201	5,995,810	(45,846)
CASH AND CASH EQUIVALENTS - Beginning of Year	407,120	796,196	2,307,604	3,510,920	591,151
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 493,097	\$ 4,954,828	\$ 4,058,805	\$ 9,506,730	\$ 545,305

See accompanying notes to financial statements.

CITY OF CUDAHY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Storm Water Utility	
CASH AND CASH EQUIVALENTS - STATEMENT OF NET POSITION				
Unrestricted	\$ 14,294	\$ 662,769	\$ 1,923,212	\$ 2,600,275
Restricted - current	171,129	79,107	162,396	412,632
Restricted - non-current	307,674	4,212,952	1,973,197	6,493,823
	<u>\$ 493,097</u>	<u>\$ 4,954,828</u>	<u>\$ 4,058,805</u>	<u>\$ 9,506,730</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (230,793)	\$ 415,266	\$ 511,078	\$ (68,595)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities				
Depreciation	509,569	114,053	251,673	875,295
Change in Assets and Liabilities	50,750	-	-	50,750
Accounts receivable	(355,012)	(189,337)	(67,928)	(612,277)
Materials, supplies inventory and prepaid items	3,225	(1,281)	(292)	1,652
Accounts payable	(14,073)	35,694	(20,911)	710
Accrued expenses	(19,977)	(359)	2,149	(18,187)
Net OPEB obligation	17,325	-	-	17,325
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (38,986)</u>	<u>\$ 374,036</u>	<u>\$ 675,769</u>	<u>\$ 1,010,819</u>
				<u>\$ (79,830)</u>

See accompanying notes to financial statements.

CITY OF CUDAHY

**STATEMENT OF ASSETS AND LIABILITES
AGENCY FUND**

As of December 31, 2014

	Tax Roll <u>Agency Fund</u>
ASSETS	
Cash and investments	\$ <u>19,846,928</u>
LIABILITIES	
Due to other taxing units	\$ <u>19,846,928</u>

CITY OF CUDAHY

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CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Cudahy, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the City of Cudahy. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financial accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Blended Component Units

The Community Development Authority of the City of Cudahy (Authority) is governed by a seven member board appointed by the Mayor and confirmed by the City Common Council. Although it is legally separate from the City, the Authority is reported as a blended component unit, as if it were part of the primary government, because its sole purpose is to finance and construct the City's projects located within the City of Cudahy Tax Incremental Financing Districts. The Authority does not issue separate financial statements.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. *REPORTING ENTITY* (continued)

Blended Component Units (continued)

The Cudahy Family Library Endowment Fund Inc., a nonprofit corporation, is considered a component unit of the Cudahy Family Library because of its financial relationship with the Library. The financial transactions of the Cudahy Family Library Endowment Fund Inc. are accounted for in the Library Fund. Separate statements were not issued for the Cudahy Family Library Endowment Fund Inc.

B. *GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the Statement of Activities. 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 or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the City are organized into funds, each of which are considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditure/expenses

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Tax Increment District (TID) #1 Tax Levy Special Revenue Fund – used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the TID #1 program.

Debt Service Fund – used to account for and report financial resources for that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.

Tax Increment District (TID) #1 Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in Tax Increment District #1 project plan.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Capital Improvements Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the capital improvement program.

The City reports the following major enterprise funds:

Water Utility – accounts for operations of the water system.
Sewer Utility – accounts for operations of the sanitary sewer system.
Storm Water Utility – accounts for operations of the storm water system.

The City reports the following non-major governmental funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

- Library Fund
- Ambulance Fund
- Grant Fund
- Health Grant Fund
- Recycling Fund
- Special Collections Fund
- Special Assessment Fund
- Environmental Tax Increment District Fund #1
- Environmental Tax Increment District Fund #2
- K-9 Fund
- Hotel & Motel Tax Fund
- Rental Property Inspection Fund

Capital Projects Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

- Protective Services Capital Fund
- Community Development Authority Fund
- Road and Equipment Improvements Fund

In addition, the City reports the following fund types:

Internal service funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The City accounts for its self-insured activities in the Internal Service Fund.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Agency funds are used to account for and report assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The City accounts for its tax collections in the Agency Fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Fund Financial Statements

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, certain public charges for services, and interest. Other general revenues such as special assessments, fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

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, 2014, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III.A. for further information.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of assets and liabilities.

Property tax calendar – 2014 tax roll:

Lien date and levy date	December 2014
Tax bills mailed	December 2014
Payment in full, or	January 31, 2015
First installment due	January 31, 2015
Second installment due	March 31, 2015
Third installment due	May 31, 2015
Personal property taxes in full	January 31, 2015
Final settlement with County	On or before August 15, 2015
Tax deed by county – 2014 delinquent real estate taxes	October 2017

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water, sewer and storm water utilities because they have the right by law to place delinquent bills on the tax roll, and other delinquent bills are generally not significant.

The City provides water, sewer, and storm water service to customers primarily within its municipal boundaries. Sales to the two largest customers are billed monthly, all other customers are billed on a tri-annual cycle basis, payable in 20 days, for all classes of customers for service rendered during the previous tri-annual period. Water rates are approved by the Public Service Commission. Sewer service charges to consumers are computed at rates established by the City's Common Council. Certified commercial and industrial customers are billed for sewer service charges at amounts determined by the Milwaukee Metropolitan Sewerage District plus local maintenance and equipment replacement charges. Storm water rates are established by the City's Common Council. Unbilled revenues from the last billing to the end of the year are estimated and recorded as accrued utility revenues. Delinquent balances at the time of the property tax lien date are placed on the customer's tax bill and collected through the normal tax collection process.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

2. Receivables (continued)

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at lower of cost or market on a first in, first out basis, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government–Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$10,000 for infrastructure assets, and an estimated useful life in excess of one year. The Water Utility defines a capital asset as an asset with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

5. Capital Assets (continued)

Government–Wide Statements (continued)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20-40	Years
Land improvements	20-30	Years
Machinery and equipment	2-25	Years
Library books	10	Years
Utility system	18-100	Years
Infrastructure	15-40	Years
Intangible assets	3-5	Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Land Held for Resale

In 2008 and 2009 the City purchased certain parcels of land for costs of \$328,604 and \$1,215,850, respectfully. The City purchased additional land in 2013 and in 2014 for \$517,263 and \$2,303,477, respectively. In addition, the City sold land valued at \$1,722,481 in 2013. These properties are included in the City's Tax Increment District No. 1 and are part of the City's redevelopment plan. It is the intent of management to sell these properties at market value. The carrying value of the land held for resale is at the lower of cost or market.

7. Other Assets

The City's investment in the Cities and Villages Mutual Insurance Company is recorded at cost.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

8. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund statements. Amortization for 2014 was \$114,404 and \$8,936 for the governmental activities and business-type activities respectively.

9. Compensated Absences

Employees earn varying amounts of vacation based on length of service. Vacation is not cumulative. Sick pay benefits may be accumulated by employees in accordance with the provisions of union contracts and administrative policies to specified maximums. Accumulated sick leave benefits are payable in cash in accordance with the terms of the applicable contract or policies upon an employee's retirement or death. Included in the government-wide statements is \$297,714 of vacation earned but not paid and estimated future accumulated sick pay benefits of \$596,921 at December 31, 2014 for all employees.

10. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, other postemployment benefit liability and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method or effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$4,600,000 made up of one issue.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

11. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

12. Equity Classifications

Government–Wide Statements

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

- a. Net Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either 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.
- c. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

The net position section includes an adjustment for capital assets owned by the business-type activities column but financed by debt of the governmental activities column. The amount is a reduction of “net investment in capital assets,” and an increase in “unrestricted” net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net Investment in capital assets	\$ 25,577,220	\$ 24,322,839	\$ (3,927,445)	\$ 45,972,614
Unrestricted (deficit)	(14,976,301)	3,133,552	3,927,445	(7,915,304)

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.

Fund Financial Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

12. Equity Classifications (continued)

Fund Financial Statements (continued)

- b. Restricted – Consists of fund balances with constraints placed on their use either 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.
- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.
- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The City has adopted a financial policy authorizing the City Mayor and Finance Director to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned – Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceeds amounts restricted, committed or assigned for those purposes.

Propriety fund equity is classified the same as in the government-wide statements.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 25% of subsequent years general fund revenues. The balance at year end was \$3,228,740 and is included in unassigned general fund balance.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Basis for Existing Rates

Current water rates were approved by the Public Service Commission of Wisconsin on June 5, 2014, effective July 1, 2014.

Current sewer rates and storm water rates were approved by the Common Council on January 21, 2014, effective March 1, 2014.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the following funds in accordance with Wisconsin Statute 65.90.

- General Fund
- Special Revenue Funds
 - Library Operating Fund
 - Ambulance Fund
 - Health Grant Fund
 - Recycling Fund
 - Special Collections Fund
- Debt Service Fund
- Capital Projects Fund
 - Tax Increment District #1 Capital Projects, (for administration expenditures only)
 - Road and Equipment Improvements Fund
- Enterprise Funds
 - Water Utility
 - Sewer Utility
 - Storm Water Utility

Budgets have not been formally adopted for remaining City funds.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Actual expenditures exceeded budgeted appropriations in the following governmental and proprietary funds:

<u>Fund</u>	<u>Amount</u>
Debt Service Fund	\$ 466,333
Library	22,830
Special Collections	988
Equipment & Road	178,747
Water Utility	961,880

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2014, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>
Grant Fund	\$ 6,702
Environmental TIF #2 Fund	48,905

D. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the city's future tax levies. Generally the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2014 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits	\$ 52,723,525	\$ 50,500,177	Custodial credit
Mutual funds	2,188,856	2,188,856	Credit, interest rate
LGIP	4,085,126	4,085,126	Credit
Petty cash	3,450	n/a	
Total Cash and Investments	\$ 59,000,957	\$ 56,774,159	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 29,683,164		
Restricted cash and investments	9,470,865		
Per statement of net position - fiduciary funds	19,846,928		
Total Cash and Investments	\$ 59,000,957		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposits (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts. Deposits in the credit union are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts.

Bank accounts and credit unions are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The City maintains a collateral agreement with one of its banks. At December 31, 2014, the bank had pledged various government securities in the amount of \$45.4 million to secure the City's deposits.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that, in the event of a financial institution failure, the City's deposits may not be returned to the City.

As of December 31, 2014, \$1.1 million of the City's total bank balances of \$50.5 million was exposed to custodial credit risk by being uninsured and uncollateralized.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City does not have an investment policy pertaining to custodial credit risk.

As of December 31, 2014 the City does not have any investments subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

As of December 31, 2014 the City's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's Standard & Poor's	Bank Balance
Mutual funds	AAAm	Aaa-mf	\$ 2,188,856
LGIP	Not Rated	Not Rated	4,085,126

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment.

As of December 31, 2014 the City's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Mutual funds	<u>\$ 2,188,856</u>	<u>47</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

Special assessments of \$287,079 and Tax Increment District No.1 receivables of \$797,424 are not expected to be collected within one year. All other receivables are expected to be collected within one year.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue and unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 14,263,049	\$ -
Special assessments receivable	-	393,844
Subsequent period prepayments	8,930	-
 Total Unavailable/Unearned Revenue for Governmental Funds	 \$ 14,271,979	 \$ 393,844

Enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the water utility had \$17,328 in unearned revenue related to water tower lease payments.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS

Long Term Debt Accounts

The City's Water, Sewer and Storm Water Utility created Special Redemption Funds to additionally secure the payment of principal and interest on revenue bonds. The City ordinances which required the creation of Special Redemption Funds also required the establishment of a separate "Reserve Fund" within the Special Redemption Fund. The Construction Fund consists of unspent bond proceeds required to be used for future water, sewer and storm water improvements. Restricted assets consist of the following:

	Water Utility	Sewer Utility	Storm Water Utility	Total
Revenue Bond Funds				
Reserve Fund	\$ 250,930	\$ 264,482	\$ 452,677	\$ 968,089
Construction Fund	56,744	3,846,253	1,520,520	5,423,517
Special Redemption Fund	171,129	79,107	162,396	412,632
 BALANCES - December 31	 \$ 478,803	 \$ 4,189,842	 \$ 2,135,593	 \$ 6,804,238

The City of Cudahy Community Development Authority has issued Redevelopment Lease Revenue bonds to finance certain expenditures within the City of Cudahy Tax Increment Districts. In connection therewith, certain debt service reserve and redemption accounts have been placed with an escrow agent. These deposits amount to \$2,188,819 at December 31, 2014.

Library Accounts

The City of Cudahy Library Fund has certain amounts that are restricted for purposes of supporting activities, programs and capital improvements at the Library. These deposits amount to \$375,591 at December 31, 2014.

Equipment Replacement Account

In accordance with the City's ordinance enacting a sewer user charge system and Department of Natural Resources' regulations, the Sewer Utility has, as part of the rate structure, incorporated an equipment replacement charge. Revenues generated from this charge are to be accumulated and used for the replacement of mechanical equipment. The balance in this reserve as of December 31, 2014 is \$102,217.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 14,599,528	\$ -	\$ -	\$ 14,599,528
Construction in progress	<u>-</u>	<u>814,976</u>	<u>-</u>	<u>814,976</u>
Total Capital Assets Not Being Depreciated	<u>14,599,528</u>	<u>814,976</u>	<u>-</u>	<u>15,414,504</u>
Capital assets being depreciated				
Land improvements	385,764	-	-	385,764
Buildings	13,192,611	-	-	13,192,611
Machinery and equipment	8,061,303	202,908	34,621	8,229,590
Intangible assets	89,665	-	-	89,665
Library books	1,232,822	86,976	245,979	1,073,819
Infrastructure	<u>39,730,264</u>	<u>342,986</u>	<u>79,519</u>	<u>39,993,731</u>
Total Capital Assets Being Depreciated	<u>62,692,429</u>	<u>632,870</u>	<u>360,119</u>	<u>62,965,180</u>
Less: Accumulated depreciation for				
Land improvements	(60,620)	(11,022)	-	(71,642)
Buildings	(3,705,577)	(180,892)	-	(3,886,469)
Machinery and equipment	(4,537,088)	(506,349)	34,621	(5,008,816)
Intangible assets	(14,944)	(14,944)	-	(29,888)
Library books	(739,147)	(107,381)	245,979	(600,549)
Infrastructure	<u>(18,522,523)</u>	<u>(1,027,851)</u>	<u>79,519</u>	<u>(19,470,855)</u>
Total Accumulated Depreciation	<u>(27,579,899)</u>	<u>(1,848,439)</u>	<u>360,119</u>	<u>(29,068,219)</u>
Net Capital Assets Being Depreciated	<u>35,112,530</u>	<u>(1,215,569)</u>	<u>-</u>	<u>33,896,961</u>
Total Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 49,712,058</u>	<u>\$ (400,593)</u>	<u>\$ -</u>	<u>\$ 49,311,465</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities		
General government	\$	77,083
Protection of persons and property		246,130
Public works, which includes the depreciation of infrastructure		1,341,586
Health and sanitation		7,193
Library		168,330
Park and recreation		<u>8,117</u>
Total Governmental Activities Depreciation Expense	\$	<u>1,848,439</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 168,316	\$ -	\$ -	\$ 168,316
Construction in progress	<u>-</u>	<u>25,501</u>	<u>-</u>	<u>25,501</u>
Total Capital Assets Not Being Depreciated	<u>168,316</u>	<u>25,501</u>	<u>-</u>	<u>193,817</u>
Capital assets being depreciated				
Water Utility buildings and structures	2,630,099	16,572	5,000	2,641,671
Water Utility machinery and equipment	5,470,723	98,830	79,137	5,490,416
Water Utility infrastructure	12,077,508	77,853	953	12,154,408
Storm Water Utility infrastructure	17,567,348	223,330	1,288	17,789,390
Sewer Utility infrastructure	<u>9,201,448</u>	<u>31,817</u>	<u>-</u>	<u>9,233,265</u>
Total Capital Assets Being Depreciated	<u>46,947,126</u>	<u>448,402</u>	<u>86,378</u>	<u>47,309,150</u>
Less: Accumulated depreciation for				
Water Utility buildings and structures	(2,176,739)	(84,348)	5,000	(2,256,087)
Water Utility machinery and equipment	(3,796,734)	(280,709)	79,137	(3,998,306)
Water Utility infrastructure	(3,648,791)	(195,262)	953	(3,843,100)
Storm Water Utility infrastructure	(2,581,104)	(251,673)	1,084	(2,831,693)
Sewer Utility infrastructure	<u>(1,846,449)</u>	<u>(114,052)</u>	<u>-</u>	<u>(1,960,501)</u>
Total Accumulated Depreciation	<u>(14,049,817)</u>	<u>(926,044)</u>	<u>86,174</u>	<u>(14,889,687)</u>
Net Capital Assets Being Depreciated	<u>32,897,309</u>	<u>(477,642)</u>	<u>204</u>	<u>32,419,463</u>
Total Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 33,065,625</u>	<u>\$ (452,141)</u>	<u>\$ 204</u>	<u>\$ 32,613,280</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$	560,319
Sewer		114,052
Storm Water		<u>251,673</u>
 Total Business-type Activities Depreciation Expense	 \$	 <u>926,044</u>

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Utility	General	\$ 104,534
Sewer Utility	General	104,951
Storm Water Utility	General	43,525
General	Grant	12,236
General	Water Utility	869,749
General	Environmental TIF #2	<u>400,225</u>
Sub-total		1,535,220
Eliminations		<u>(918,481)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 616,739</u>

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The principal purposes of these interfunds are the collection of delinquent utility bills on the tax roll and the allocation of comingled cash between funds. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
General	Water Utility	\$ 377,370	Tax equivalent
General	Sewer Utility	17,958	Tax equivalent
Debt Service	Special Assessment	15,000	Debt service
Debt Service	Tax Incremental District #1 Tax Levy	5,080,534	Debt service
Debt Service	Environmental Tax Incremental District Fund #1	125,313	Debt service
Debt Service	Environmental Tax Incremental District Fund #2	103,716	Debt service
Debt Service	Tax Incremental District #1 Capital Projects Fund	174,680	Debt service
Capital Improvements Fund	Protective Services Capital Fund	65	To fund capital projects
Tax Incremental District #1 Capital Projects Fund	Tax Incremental District #1 Tax Levy	446,220	To fund capital projects
Environmental Tax Incremental District Fund #2	Environmental Tax Incremental District Fund #1	<u>163,171</u>	TID revenue
Subtotal - Fund financial statements		6,504,027	
Less: Fund eliminations		<u>(6,108,699)</u>	
Total Transfers - Government-wide Statement of Activities		<u>\$ 395,328</u>	
Governmental Activities	Business-type Activities	\$ 395,328	
Business-type Activities	Governmental Activities	<u>-</u>	
Total		<u>\$ 395,328</u>	

Generally, transfers are used to 1) move revenues from the fund that collects them to the fund that the budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation Debt					
Bonds	\$ 22,273,467	\$ 3,245,000	\$ 1,530,003	\$ 23,988,464	\$ 1,550,661
Refunding bonds	12,945,000	-	1,520,000	11,425,000	1,610,000
Total General Obligation Debt	35,218,467	3,245,000	3,050,003	35,413,464	3,160,661
Redevelopment Lease Revenue Bonds	19,715,000	-	2,090,000	17,625,000	2,380,000
Tax Increment Revenue Bonds	703,528	-	50,487	653,041	-
Total Bonds and Notes Payable	55,636,995	3,245,000	5,190,490	53,691,505	5,540,661
Add: Unamortized debt premium	597,297	80,561	60,148	617,710	-
Total Governmental Activities					
Bonds and Notes Payable	56,234,292	3,325,561	5,250,638	54,309,215	5,540,661
Other Liabilities					
Vested compensated absences	949,347	-	54,712	894,635	313,054
Net OPEB liability	4,091,620	751,822	-	4,843,442	-
MADACC obligation	1,397	-	1,397	-	-
Total Other Liabilities	5,042,364	751,822	56,109	5,738,077	313,054
Total Governmental Activities					
Long-Term Liabilities	\$ 61,276,656	\$ 4,077,383	\$ 5,306,747	\$ 60,047,292	\$ 5,853,715
Business-type Activities					
Revenue Bonds Payable	\$ 5,420,000	\$ 6,325,000	\$ 415,000	\$ 11,330,000	\$ 475,000
General Obligation Bonds Payable	3,511,532	-	214,995	3,296,537	219,339
Add: Unamortized debt premium	116,706	80,615	11,281	186,040	-
Total Business-type Activities					
Bonds Payable	9,048,238	6,405,615	641,276	14,812,577	694,339
Other Liabilities					
Net OPEB liability	83,976	17,325	-	101,301	-
Total Business-type Activities					
Long-Term Liabilities	\$ 9,132,214	\$ 6,422,940	\$ 641,276	\$ 14,913,878	\$ 694,339

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2014, was \$60,958,325. Total general obligation debt outstanding at year end was \$38,710,001.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/2014</u>
Governmental Activities					
General Obligation Debt					
Refunding Bonds	9/9/10	11/1/2019	2.0 - 2.25	\$ 4,140,000	\$ 2,485,000
	4/12/12	6/1/2022	2.0 - 2.5	5,255,000	4,340,000
	4/12/12	4/1/2022	.5 - 3.125	1,825,000	1,485,000
	5/23/13	10/1/2029	2.0 - 3.25	3,895,000	<u>3,115,000</u>
					<u>11,425,000</u>
General Obligation Bonds	3/7/07	2/1/2027	3.875 - 4.0	7,070,000	6,025,000
	4/2/08	4/1/2028	3.0 - 4.0	2,210,000	1,720,000
	12/8/09	10/1/2021	2.0 - 5.2	3,950,000	3,075,000
	2/1/10	2/1/2030	1.0 - 5.95	1,555,000	1,405,000
	10/13/11	3/1/2031	2.0 - 4.0	10,053,669	8,518,464
	4/15/14	4/1/2023	2.0 - 2.15	865,000	865,000
	4/15/14	4/1/2034	2.0 - 4.0	2,380,000	<u>2,380,000</u>
					<u>23,988,464</u>
Total Governmental Activities					
General Obligation Debt					<u>\$ 35,413,464</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2014
Business-type Activities					
Water, Sewer and Storm Water Systems					
General Obligation Bonds					
Storm Water Utility	10/13/11	3/1/2031	2.0 - 4.0	\$ 1,106,230	\$ 937,308
Water Utility	10/13/11	3/1/2031	2.0 - 4.0	228,280	193,421
Sewer Utility	10/13/11	3/1/2031	2.0 - 4.0	366,821	310,808
Storm Water Utility	05/23/13	10/1/2029	2.0 - 3.25	1,045,000	945,000
Sewer Utility	05/23/13	10/1/2029	2.0 - 3.25	1,015,000	910,000
Total Business-type Activities General Obligation Debt					<u>\$ 3,296,537</u>

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2015	\$ 3,160,661	\$ 1,184,730	\$ 219,339	\$ 98,504
2016	3,238,490	1,092,345	226,510	93,373
2017	3,488,425	984,379	231,575	86,647
2018	3,864,017	863,020	250,983	79,559
2019	4,142,438	723,191	272,561	71,855
2020-2024	12,515,543	1,763,272	1,199,457	236,424
2025-2029	3,397,703	655,774	822,297	93,903
2030-2034	1,606,187	130,888	73,815	2,980
Totals	<u>\$ 35,413,464</u>	<u>\$ 7,397,599</u>	<u>\$ 3,296,537</u>	<u>\$ 763,245</u>

Revenue Debt

The Community Development Authority (CDA) of the City of Cudahy (City) issued Redevelopment Lease Revenue Bonds pursuant to Sections 66.4325, 66.431 and 66.436 of the Wisconsin Statutes for the purpose of financing project costs associated with the City's Tax Incremental District #1. The bonds are not general obligations of the CDA or the City, and do not constitute an indebtedness within any constitutional or statutory limitation or provision. The bonds are payable solely out of the revenues and income derived by the CDA pursuant to a lease agreement between the City and the CDA.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt (continued)

In conjunction with the issuance of the bonds, the CDA and City entered into a lease agreement which generally provides for payments by the City to the CDA in amounts sufficient to pay the principal and interest payments on the bonds as they come due. It is the City's intent to annually budget the rental payments under the lease, and finance such payments with tax increments generated by Tax Incremental District #1.

The CDA is part of the primary government for financial reporting purposes. Accordingly, the CDA's debt and assets are reported as part of the City's debt and assets. The City has reported the proceeds of debt issued for construction in its capital projects funds. Debt service activity is reported in the City's Debt Service Fund. Lease arrangements between the City and CDA have been eliminated for reporting purposes.

Revenue debt payable at December 31, 2014 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/2014
Governmental Activities					
Lease Development Revenue Bonds	06/28/06	6/1/2019	3.5 - 4.35	\$ 6,415,000	\$ 5,665,000
	10/13/11	6/1/2022	.75 - 3.25	3,200,000	2,625,000
	03/14/12	6/1/2022	.6 - 2.6	3,580,000	3,300,000
	11/01/12	6/1/2027	1.25 - 4.3	1,430,000	1,345,000
	03/07/13	6/1/2019	.7 - 1.75	5,265,000	4,690,000
Total Governmental Activities					\$ 17,625,000
Revenue Debt					\$ 17,625,000
Business-type Activities					
Water and Sewer System					
Revenue Bonds					
Water Utility	03/07/07	5/1/2021	4.0 - 4.1	\$ 1,253,150	\$ 837,800
Sewer Utility	03/07/07	5/1/2021	4.0 - 4.1	511,850	342,200
Water Utility	04/02/08	5/1/2018	3.75 - 4.0	1,120,000	495,000
Storm Water Utility	04/02/08	5/1/2028	3.25 - 4.5	4,150,000	3,330,000
Sewer Utility	05/06/14	5/1/2034	3.0 - 3.625	4,175,000	4,175,000
Water Utility	05/06/14	5/1/2034	3.0 - 3.625	260,000	260,000
Storm Water Utility	05/06/14	5/1/2034	3.0 - 3.50	1,890,000	1,890,000
Total Business-type					\$ 11,330,000
Activities Revenue Debt					\$ 11,330,000

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt (continued)

Debt service requirements to maturity are as follows:

	Governmental Activities		Business-type Activities	
	Revenue Debt		Revenue Debt	
	Principal	Interest	Principal	Interest
2015	\$ 2,380,000	\$ 399,055	\$ 475,000	\$ 398,271
2016	2,590,000	348,928	555,000	379,353
2017	2,740,000	293,346	575,000	358,234
2018	2,855,000	229,844	590,000	336,034
2019	2,935,000	160,166	605,000	313,834
2020-2024	3,540,000	313,936	3,070,000	1,238,325
2025-2029	585,000	37,196	3,050,000	691,859
2030-2034	-	-	2,410,000	323,050
 Totals	\$ 17,625,000	\$ 1,782,471	\$ 11,330,000	\$ 4,038,960

The Water, Sewer and Storm Water Utilities have pledged future revenues, net of specified operating expenses, to repay \$11,330,000 of revenue bonds issued in 2007, 2008 and 2014. Proceeds from the bonds provided financing for the Water, Sewer and Storm Water Utilities. The bonds are payable solely from utility revenues and are payable through 2034. Annual principal and interest payments on the bonds are expected to require 50% of net revenues. Total principal and interest remaining to be paid on the bonds is \$15.3 million. Principal and interest paid for the current year and total customer net revenues were \$726,303 and \$1,578,044 respectively.

Other Debt Information

Estimated payments of compensated absences and the other post employment benefit obligation are not included in the debt service requirement schedules. The compensated absences and the other post employment benefits obligation liabilities attributable to governmental activities will be liquidated primarily by the general fund.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Tax Increment Project Revenue Bonds

The City has authorized the issuance of Tax Incremental Project Revenue Bonds for the purpose of financing certain projects to eliminate blight and encourage development. The principal on the bonds is solely payable from tax increments in Tax Increment District No. 1 after certain developments have met established thresholds of equalized value to the City. In conjunction with the authorization of these debt issues, the City entered into developer agreements for the sale of the debt issues to local businesses to provide development incentives to assist developers in undertaking the projects. The details related to the debt issues are:

<u>TID No.</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/14</u>
1	08/26/02	11/1/2022	None	\$ 702,576	\$ 603,263
1	11/27/02	11/1/2022	None	400,000	<u>49,778</u>
	Total				<u>\$ 653,041</u>

The bonds have no established repayment terms. Any obligation for repayment will expire on the maturity date shown above.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES

Governmental Activities

Net position reported on the government-wide statement of net position at December 31, 2014 include the following:

Net Investment in Capital Assets	
Land	\$ 14,599,528
Other capital assets, net of accumulated depreciation	34,711,937
Less: long-term debt outstanding	(53,691,505)
Plus: non-capital long-term debt	21,429,648
Plus: unspent capital related debt proceeds	8,363,535
Plus: unamortized debt premium of capital debt	564,907
Less: loss on refunding of capital debt	<u>(400,830)</u>
Total Net Investment in Capital Assets	25,577,220
Restricted for	
Debt service	3,271,140
TID activities	11,237,702
Library endowment	100,000
Library capital improvements	275,591
Library operations	350,139
Unrestricted (deficit)	<u>(14,976,301)</u>
 Total Governmental Activities Net Position	 <u>\$ 25,835,491</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Governmental Activities (continued)

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

Nonspendable	
Major Funds	
General Fund	
Prepaid items	\$ 267,208
Capital Improvements Fund	
Prepaid items	<u>31,356</u>
Total Major Funds	<u>\$ 298,564</u>
Nonmajor Funds	
Special Revenue Funds	
Library Fund - Library Children's Endowment	\$ 100,000
Library Fund - Prepaid items	190
Ambulance Fund - Prepaid items	<u>75</u>
Total Nonmajor Funds	<u>\$ 100,265</u>
Restricted	
Major Funds	
Special Revenue Fund - Tax Increment District #1 Tax Levy -	
Project costs	<u>\$ 7,453,743</u>
Debt Service Fund - Debt service	<u>5,442,649</u>
Capital Projects Fund - Tax Increment District #1 -	
Noncurrent receivables	797,424
Project costs	<u>1,859,463</u>
Sub-Total	<u>2,656,887</u>
Total Major Funds	<u>\$ 15,553,279</u>

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Governmental Activities (continued)

Restricted (continued)

Nonmajor Funds

Special Revenue Funds

Library Fund - Library Endowment Fund	\$	275,591
Library Fund - Library activities		349,949
Special Assessment Fund - Debt service		10,000
Environmental Tax Incremental District Fund #1 - Project costs		675,563
Environmental Tax Incremental District Fund #2 - Bond funds		363,631

Capital Projects Funds

Community Development Authority Fund - Project costs		<u>707,287</u>
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Total Nonmajor Funds	\$	<u>2,382,021</u>
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Committed

Nonmajor Funds

Special Revenue Funds

Library Fund	\$	60,996
Ambulance Fund		168,525
Health Grant Fund		15,023
Recycling Fund		321,787
Special Collections Fund		197,994
Special Assessment Fund		1,084,761
K-9 Fund		9,192
Hotel & Motel Tax Fund		25,320
Rental Property Inspection Fund		<u>83,242</u>

Total Nonmajor Funds	\$	<u>1,966,840</u>
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CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Governmental Activities (continued)

Assigned

Major Funds

General Fund

Assessment of property	\$	65,082
Assessor software		43,495
Equipment acquisition - Computer equipment and software		84,334
Voting machines		2,000
Federal asset forfeiture		15,218
State Asset forfeiture		1,974
Safety grant		280
Police department		14,364
Election training		<u>3,100</u>
Sub-Total		<u>229,847</u>

Capital Improvements Fund - subsequent years expenditures 6,224,623

Total Major Funds \$ 6,454,470

Nonmajor Funds

Capital Projects Funds

Road & Equipment Improvements Fund \$ 199,968

Unassigned

Major Funds

General Fund \$ 3,649,353

Nonmajor Funds

Special Revenue Funds

Grant Fund \$ (6,702)

Environmental TIF #2 (412,536)

Total Nonmajor Funds \$ (419,238)

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION/FUND BALANCES (continued)

Business-Type Activities

Business-type activities net position reported on the government-wide statement of net position at December 31, 2014 includes the following:

Net Investment in Capital Assets	
Land	\$ 168,316
Other capital assets, net of accumulated depreciation	32,444,964
Less: related long-term debt outstanding	(14,755,986)
Add: Unspent proceeds of long-term debt	<u>6,391,606</u>
Total Net Investment in Capital Assets	<u>24,248,900</u>
Restricted	
Equipment replacement	102,217
Debt service	<u>344,799</u>
Total Restricted	<u>447,016</u>
Unrestricted	<u>3,207,491</u>
Total Business-Type Activities Net Position	<u>\$ 27,903,407</u>

The City has identified \$3.93 million of business-type activities capital assets which were financed by governmental activities debt in its Tax Increment Districts. This amount has been reclassified from net investment in capital assets in the total column on the government-wide statement of net position.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least a year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same 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. Contribution rates for December 31, 2014 are:

	<u>Employee</u>	<u>Employer</u>
General	7.00%	7.00%
Executives and Elected Officials	7.75%	7.75%
Protective with Social Security	7.00%	10.10%
Protective without Social Security	7.00%	13.70%

The payroll for City employees covered by the system for the year ended December 31, 2014 was \$8.4 million; the employer's total payroll was \$8.6 million. The total required contribution for the year ended December 31, 2014 was \$1.4 million or 16.9% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2013 and 2012 were \$1.6 million and \$1.4 million, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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.

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION (continued)

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; worker's compensation; environmental damage; and health care of its employees. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for all other risks. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Self Insurance

In 1992, the City issued \$702,926 taxable General Obligation Refunding Bonds to provide financing of the City's participation in the Wisconsin Municipal Insurance Commission ("WMIC"). The WMIC is an intergovernmental cooperative commission formed to facilitate the formation of the Cities and Villages Mutual Insurance Company ("CVMIC"). The CVMIC is a separate and distinct entity independent of the WMIC and is owned by the participating cities and villages of the WMIC. The CVMIC was formed to provide liability insurance to Wisconsin municipalities as of January 1, 1988.

In prior years, the CVMIC paid dividends to the City based on a schedule designed to enable the City to partially or totally finance the City's debt service requirements on its related debt. As of December 31, 2007, the City's debt and the WMIC's debt were paid in full. The WMIC has no assets, liabilities, equity or financial activity for the year ended December 31, 2014.

The CVMIC provides the City with \$5 million of liability coverage for losses over its self-insurance retention level of \$100,000 per occurrence with a \$400,000 aggregate stop loss. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities.

The City's annual cost is its annual premium, claims and other operating expenses. An annual premium is charged to cover expected claims and administrative costs. The claims component of the premium is determined by independent actuaries and allocated among participating municipalities based on payroll and loss history. The City and other participating cities and villages are subject to cover loss experiences, which exceed predictions through retrospective assessments.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The municipality does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Percentage participation can be affected by acceptance of new members to WMIC and CVMIC. The City's percentage participation in WMIC and CVMIC at December 31, 2014 was 1.67%. Upon withdrawal, expulsion or dissolution, the City would be entitled to a lump sum payment which at December 31, 2014 would approximate \$400,000.

Complete financial statements for CVMIC can be obtained directly from CVMIC's offices.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION (continued)

B. RISK MANAGEMENT (continued)

Self Insurance (continued)

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported.

	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Payments</u>	<u>Ending Balance</u>
2013	\$ 149,454	\$ 59,685	\$ (59,685)	\$ 149,454
2014	\$ 149,454	\$ 49,567	\$ (49,567)	\$ 149,454

At December 31, 2014, the Liability Insurance Fund has net position of \$1.15 million.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted 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.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City has active construction projects as of December 31, 2014. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

D. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health insurance contributions for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses receive lifetime healthcare insurance at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The City contributes between 95% and 100% of the current year premiums for a family and a single plan, respectively, for eligible retired plan members and their spouses depending on union classification and hiring dates.

For fiscal year 2014, the City contributed \$667,927 to the plan.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table below shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB obligation to the Retiree Health Plan.

Annual Required Contribution	\$ 1,516,266
Interest on net OPEB obligation	121,626
Adjustment to annual required contribution	<u>(200,818)</u>
Annual OPEB cost (expense)	1,437,074
Contributions made	<u>(667,927)</u>
Increase in net OPEB Liability	769,147
Net OPEB Liability - beginning of year	<u>4,175,596</u>
Net OPEB Liability - end of year	<u>\$ 4,944,743</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
12/31/2012	\$1,421,725	49%	\$3,434,474
12/31/2013	1,409,741	47%	4,175,596
12/31/2014	1,437,074	46%	4,944,743

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

As of December 31, 2013, the most recent actuarial valuation date, the plan was 0.1% funded. The actuarial accrued liability for benefits was \$14.85 million, and the actuarial value of assets was \$9,920, resulting in an unfunded actuarial accrued liability (UAAL) of \$14.84 million.

The projection of future benefit payments for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

1. Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.
2. Mortality – Life expectancies were based on mortality tables from WRS. Separate rates for males and females, as appropriate.
3. Health insurance premiums – December 31, 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
4. Turnover – Non-group-specific age-based turnover data from GASB Statement No. 45 were used as a basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.
5. Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on recent experience, the experience of medical insurers, future trend expectations, and judgment. A rate of 6.70% initially, reduced to an ultimate rate of 4.40% after 52 years, was used.

CITY OF CUDAHY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – OTHER INFORMATION (continued)

D. OTHER POSTEMPLOYMENT BENEFITS (continued)

Based on the historical and expected returns of the utility's short-term investment portfolio, a discount rate of 3% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2013, was 30 years.

E. MAJOR CUSTOMERS

The Water Utility derived approximately 20% of its user charge revenue from two major customers. The Sewer Utility derived approximately 33% of its user charge revenue from two major customers. The Storm Water Utility derived approximately 8% of its user charge revenue from two major customers.

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- > Statement No. 71, *Pension – Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*

When they become effective, application of these standards may restate portions of these financial statements.

G. SUBSEQUENT EVENT

In April 2015, the City authorized the issuance of \$5,325,000 of General Obligation Refunding Bonds. The proceeds of these bonds are intended to be used to advance refund the remaining balance on the 2007 General Obligation Corporate Purpose Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CUDAHY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP) - GENERAL FUND
 For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 5,784,850	\$ 5,784,850	\$ 5,811,071	\$ 26,221
Intergovernmental	4,755,698	4,755,698	4,678,899	(76,799)
Licenses and permits	516,229	516,229	519,976	3,747
Fines, forfeitures and penalties	867,384	867,384	787,189	(80,195)
Public charges for services	407,078	407,078	404,290	(2,788)
Interdepartmental revenues	135,900	135,900	154,938	19,038
Investment income	48,000	48,000	33,136	(14,864)
Commercial revenues	55,153	55,153	127,995	72,842
Total Revenues	<u>12,570,292</u>	<u>12,570,292</u>	<u>12,517,494</u>	<u>(52,798)</u>
EXPENDITURES				
Current				
General government	2,674,759	2,674,759	2,646,725	28,034
Protection of persons and property	7,308,976	7,308,976	7,480,774	(171,798)
Public works	1,781,353	1,781,353	1,668,909	112,444
Health and sanitation	919,103	919,103	939,726	(20,623)
Parks and recreation	261,822	261,822	168,750	93,072
Capital Outlay	17,660	17,660	13,754	3,906
Total Expenditures	<u>12,963,673</u>	<u>12,963,673</u>	<u>12,918,638</u>	<u>45,035</u>
Excess (Deficiency) of Revenues over Expenditures	(393,381)	(393,381)	(401,144)	(7,763)
OTHER FINANCING SOURCES (USES)				
Transfers in	393,381	393,381	395,328	1,947
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	(5,816)	<u>\$ (5,816)</u>
Adjustments to generally accepted accounting principles basis				
Revenues credited to designated funds			18,027	
Interdepartmental revenues that represent interfund charges			(123,951)	
Interfund charges for engineering reported as expenditures			123,951	
Other			<u>(70,777)</u>	
Net change in fund balance - generally accepted accounting principles basis			(58,566)	
FUND BALANCE - Beginning of Year			<u>4,204,974</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,146,408</u>	

See independent auditors' report and notes to required supplementary information.

CITY OF CUDAHY

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 As of December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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Postemployment Health Care Plan

12/31/07	\$ -	\$ 10,801,474	\$ 10,801,474	0%	\$ 8,071,832	134%
12/31/10	-	12,498,996	12,498,996	0%	8,696,391	144%
12/31/13	9,920	14,848,612	14,838,692	0.1%	8,100,570	183%

CITY OF CUDAHY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2014

NOTE 1 – BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C. except actual (non-GAAP) revenues and expenditures do not reflect certain transactions of designated funds or intra-fund charges.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts within departments or from contingency. Certain transfers between departments and changes to the overall budget must be approved by a two-thirds council action. There were no supplemental appropriations during the year. Appropriations lapse at year end unless specifically carried over. Budgetary control is exercised at the individual fund level for all funds.

NOTE 2 – FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

SUPPLEMENTARY INFORMATION

CITY OF CUDAHY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2014

	Special Revenue Funds							Environmental Tax Incremental District Fund #1
	Library Fund	Ambulance Fund	Grant Fund	Health Grant Fund	Recycling Fund	Special Collections Fund	Special Assessment Fund	
ASSETS								
Cash and investments	\$ 447,064	\$ 115,052	\$ -	\$ 52,364	\$ 366,787	\$ 199,071	\$ 1,097,889	\$ 675,563
Accounts receivable (net of allowance for uncollectibles of \$60,483)	1,255	60,083	5,534	612	1,347	11,501	472	-
Taxes receivable	657,421	-	-	-	432,234	227,850	98,812	274,316
Special assessments receivable - due in more than one year	-	-	-	-	-	-	268,439	-
Restricted cash and investments	375,591	-	-	-	-	-	-	-
Prepaid items	190	75	-	-	-	-	-	-
Total Assets	\$ 1,481,521	\$ 175,210	\$ 5,534	\$ 52,976	\$ 800,368	\$ 438,422	\$ 1,465,612	\$ 949,879
LIABILITIES								
Accounts payable	32,853	2,206	-	125	42,258	2,385	10,000	-
Accrued liabilities	4,521	4,404	-	-	4,089	193	3,330	-
Unearned revenues	-	-	-	29,168	-	-	-	-
Due to other funds	-	-	12,236	-	-	-	-	-
Total Liabilities	37,374	6,610	12,236	29,293	46,347	2,578	13,330	-
DEFERRED INFLOWS OF RESOURCES								
Unearned revenues	657,421	-	-	8,660	432,234	227,850	270	274,316
Unavailable revenues	-	-	-	-	-	-	367,251	-
Total Deferred Inflows of Resources	657,421	-	-	8,660	432,234	227,850	367,521	274,316
FUND BALANCES								
Nonspendable	100,190	75	-	-	-	-	-	-
Restricted	625,540	-	-	-	-	10,000	-	675,563
Committed	60,996	168,525	-	15,023	321,787	197,994	1,084,761	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	(6,702)	-	-	-	-	-
Total Fund Balance (Deficit)	786,726	168,600	(6,702)	15,023	321,787	207,994	1,084,761	675,563
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,481,521	\$ 175,210	\$ 5,534	\$ 52,976	\$ 800,368	\$ 438,422	\$ 1,465,612	\$ 949,879

CITY OF CUDAHY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2014

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Environmental Tax Incremental District Fund #2	K-9 Fund	Hotel & Motel Tax Fund	Rental Property Inspection Fund	Protective Services Capital Fund	Community Development Authority Fund	Road & Equipment Improvements Fund		
ASSETS									
Cash and investments	\$ -	\$ 9,447	\$ 23,052	\$ 70,403	\$ -	\$ 698,299	\$ 227,222	\$ 3,982,213	
Accounts receivable (net of allowance for uncollectibles of \$60,483)	-	-	2,268	13,050	-	8,988	-	105,110	
Taxes receivable	22,705	-	-	-	-	-	400,000	2,113,338	
Special assessments receivable - due in more than one year	-	-	-	-	-	-	-	268,439	
Restricted cash and investments	363,631	-	-	-	-	-	-	739,222	
Prepaid items	-	-	-	-	-	-	-	265	
Total Assets	\$ 386,336	\$ 9,447	\$ 25,320	\$ 83,453	\$ -	\$ 707,287	\$ 627,222	\$ 7,208,587	
LIABILITIES									
Accounts payable	12,311	255	-	-	-	-	27,254	129,647	
Accrued liabilities	-	-	-	211	-	-	-	16,748	
Unearned revenues	-	-	-	-	-	-	-	29,168	
Due to other funds	400,225	-	-	-	-	-	-	412,461	
Total Liabilities	412,536	255	-	211	-	-	27,254	588,024	
DEFERRED INFLOWS OF RESOURCES									
Unearned revenues	22,705	-	-	-	-	-	400,000	2,023,456	
Unavailable revenues	-	-	-	-	-	-	-	367,251	
Total Deferred Inflows of Resources	22,705	-	-	-	-	-	400,000	2,390,707	
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	100,265	
Restricted	363,631	-	-	-	-	707,287	-	2,382,021	
Committed	-	9,192	25,320	83,242	-	-	-	1,966,840	
Assigned	-	-	-	-	-	-	199,968	199,968	
Unassigned	(412,536)	-	-	-	-	-	-	(419,238)	
Total Fund Balance (Deficit)	(48,905)	9,192	25,320	83,242	-	707,287	199,968	4,229,856	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 386,336	\$ 9,447	\$ 25,320	\$ 83,453	\$ -	\$ 707,287	\$ 627,222	\$ 7,208,587	

CITY OF CUDAHY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	Special Revenue Funds							Environmental Tax Incremental District Fund #1
	Library Fund	Ambulance Fund	Grant Fund	Health Grant Fund	Recycling Fund	Special Collections Fund	Special Assessment Fund	
REVENUES								
Taxes	\$ 646,182	\$ -	\$ -	\$ -	\$ -	\$ 180,216	\$ -	\$ 289,484
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental	168,977	26,388	11,853	309,077	67,098	-	-	-
Fines, forfeitures and penalties	27,357	-	-	-	-	-	-	-
Public charges for services	25,944	285,409	-	-	470,338	34,435	-	-
Public improvement revenue	-	-	-	-	-	-	194,396	-
Investment income	977	98	-	-	487	249	21,596	705
Commercial revenues	103,412	115	-	-	1,442	802	-	-
Total Revenues	972,849	312,010	11,853	309,077	539,365	215,702	215,992	290,189
EXPENDITURES								
Current								
General Government	-	-	-	-	-	-	-	-
Protection of persons and property	-	308,826	-	-	-	-	-	-
Public works	-	-	-	-	-	-	18,939	-
Health and sanitation	-	-	-	309,077	481,082	207,238	-	-
Library	740,782	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	1,150
Capital Outlay	149,906	507	11,853	-	-	-	300,636	-
Total Expenditures	890,688	309,333	11,853	309,077	481,082	207,238	319,575	1,150
Excess (deficiency) of revenues over expenditures	82,161	2,677	-	-	58,283	8,464	(103,583)	289,039
OTHER FINANCING SOURCES (USES)								
Long Term Debt Issued	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(15,000)	(288,484)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(15,000)	(288,484)
Net change in fund balances	82,161	2,677	-	-	58,283	8,464	(118,583)	555
FUND BALANCES (DEFICIT) - Beginning of Year	704,565	165,923	(6,702)	15,023	263,504	199,530	1,203,344	675,008
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 786,726	\$ 168,600	\$ (6,702)	\$ 15,023	\$ 321,787	\$ 207,994	\$ 1,084,761	\$ 675,563

CITY OF CUDAHY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Environmental Tax Incremental District Fund #2	K-9 Fund	Hotel & Motel Tax Fund	Rental Property Inspection Fund	Protective Services Capital Fund	Community Development Authority Fund	Road & Equipment Improvements Fund		
REVENUES									
Taxes	\$ 21,878	-	\$ -	\$ -	\$ -	-	\$ 280,000	\$ -	1,417,760
Other taxes	-	-	6,249	-	-	-	-	-	6,249
Intergovernmental	-	-	-	-	-	-	-	-	583,393
Fines, forfeitures and penalties	-	-	-	-	-	-	-	-	27,357
Public charges for services	-	-	-	96,588	-	-	-	-	912,714
Public improvement revenue	-	-	-	-	-	-	-	-	194,396
Investment income	25	7	-	-	-	879	400	-	25,423
Commercial revenues	-	6,103	10	-	-	-	31	-	111,915
Total Revenues	21,903	6,110	6,259	96,588		879	280,431		3,279,207
EXPENDITURES									
Current									
General Government	-	-	-	-	-	-	-	-	-
Protection of persons and property	-	3,440	-	95,531	-	-	-	-	407,797
Public works	-	-	-	-	-	-	-	-	18,939
Health and sanitation	-	-	-	-	-	-	-	-	997,397
Library	-	-	-	-	-	-	-	-	740,782
Conservation and development	129,682	-	4,798	-	-	-	-	-	135,630
Capital Outlay	-	-	-	-	170,982	-	463,747	-	1,097,631
Total Expenditures	129,682	3,440	4,798	95,531	170,982		463,747		3,398,176
Excess (deficiency) of revenues over expenditures	(107,779)	2,670	1,461	1,057	(170,982)	879	(183,316)		(118,969)
OTHER FINANCING SOURCES (USES)									
Long Term Debt Issued	-	-	-	-	-	-	-	-	-
Transfers in	163,171	-	-	-	-	-	-	-	163,171
Transfers out	(103,716)	-	-	-	(65)	-	-	-	(407,265)
Total Other Financing Sources (Uses)	59,455	-	-	-	(65)	-	-	-	(244,094)
Net change in fund balances	(48,324)	2,670	1,461	1,057	(171,047)	879	(183,316)		(363,063)
FUND BALANCES (DEFICIT) - Beginning of Year	(581)	6,522	23,859	82,185	171,047	706,408	383,284		4,592,919
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (48,905)	\$ 9,192	\$ 25,320	\$ 83,242	\$ -	\$ 707,287	\$ 199,968		\$ 4,229,856